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Department of Executive Services

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Finance and Business Operations Division

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Deputy Finance Director  
Finance and Business Operations Division

**Caroline McShane**

Chief Accountant/Manager  
Financial Management Section

**Pete Anthony**

# CAFR

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## **Comprehensive Annual Financial Report**

For the Fiscal Year  
January 1 through  
December 31, 2011

King County  
State of Washington

PREPARED BY:

**Department of Executive Services  
Finance and Business Operations Division  
Financial Management Section**

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**Cover photograph of RapidRide C Line bus shelter in Bellevue, WA.**

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King County is an Equal Opportunity/Affirmative Action Employer  
and complies with the Americans with Disabilities Act

**Comprehensive Annual Financial Report**

December 31, 2011

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## **King County**

### **Finance and Business Operations Division**

Department of Executive Services  
401 Fifth Ave.  
Seattle, WA 98104-2333

July 31, 2012

Honorable County Executive, Members of the Metropolitan  
King County Council, and King County Residents

We are pleased to transmit to you the Comprehensive Annual Financial Report (CAFR) of King County, Washington (the County), for the fiscal year ended December 31, 2011. The governmental financial reporting model provides a picture of the County as a single, unified entity, while continuing to provide traditional fund-based financial statements. Each perspective (government-wide and major fund) allows the reader to address relevant questions, provides a basis for comparison, and enhances the County's accountability.

The CAFR consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to protect the government's assets from loss, theft, or misuse. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, the CAFR is complete and reliable in all material respects.

The County's financial statements have been audited by the Washington State Auditor's Office. The auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Once the audit has been completed, the County's 2011 Single Audit Report will be available online at <http://www.sao.wa.gov>.

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 County**

The County ranks number one in population in the State of Washington and is the financial, economic, and industrial center of the Pacific Northwest Region. Located between the sparkling blue waters of Puget Sound and the snowcapped Cascade Mountains, the County consists of 2,134 square miles, ranking 11th in geographical size among Washington state's 39 counties. King County is nearly twice as large as the average county in the United States. With more than 1.9 million people, it also ranks as the 14th most populous county in the nation. As of December 31, 2011, the County contained 39 incorporated cities, which accounted for approximately 85 percent of its population.

King County operates under a Home Rule Charter adopted by a vote of the citizens of King County in 1968 and is organized under the Executive-Council form of county government. The Metropolitan King County Council is the policy-determining legislative body of the County. The County Council's nine members are elected by district to four-year staggered terms and serve on a full-time basis. The County Council sets tax levies, makes appropriations, and adopts and approves the annual operating and capital budgets for the County. Other elected County officials include the County Executive, Prosecuting Attorney, Sheriff, Assessor, Director of Elections, and Superior and District Court Judges.

The County Executive serves as the chief executive officer of the County. The County Executive presents to the County Council annual statements of the County's financial and governmental affairs, the proposed budget, and capital improvement plans. The County Executive signs, or authorizes the signing of, all deeds, contracts, and other instruments on behalf of the County, and appoints the director of each executive department (subject to confirmation by the County Council).

King County provides some services on a countywide basis and other services only to unincorporated areas. Within appropriate jurisdictions, the County provides public transportation, road construction and maintenance, wastewater treatment, flood control, agricultural services, parks and recreation facilities, law enforcement, criminal detention, rehabilitative services, court services, tax assessments and collections, land use planning and permitting, zoning, public health care, emergency medical services, election services, animal control, and the disposal of solid waste. In addition, the County has contracts with some cities to provide services to incorporated areas within the County.

In 2011, the reporting entity "King County" includes six component units: (1) the Harborview Medical Center (HMC); (2) the Washington State Major League Baseball Stadium Public Facilities District (PFD); (3) the Cultural Development Authority of King County (CDA, dba 4Culture); (4) the Flood Control Zone District; (5) the King County Ferry District; and (6) the Building Development and Management Corporations. The Harborview Medical Center, with a history dating back to 1877, is a comprehensive 413-bed health care facility operated by the University of Washington under a management contract. The general conditions of the management contract specify that King County retains title to all real and personal property acquired with HMC capital or operating funds. The PFD is responsible for overseeing the maintenance and operation of Safeco Field, home to Major League Baseball's Seattle Mariners. The CDA was created in 2003 to support the arts, heritage, historic preservation, and public art throughout the county. The King County Flood Control Zone District accounts for the development, operation and maintenance of flood control or storm water control projects that benefit the county. The King County Ferry District provides water taxi services (sometimes called passenger ferries or foot ferries) to several destinations in the Puget Sound Region as a supplement to commuting options for residents. The Building Development and Management Corporations are four Washington state nonprofit corporations, each a single-purpose entity created to assist the County in the development and construction of public buildings.

Most funds in this report pertain to the entity King County Government. Certain Agency Funds pertain to the County's custodianship of assets belonging to independent governments and special districts. Under state statute and the County's Home Rule Charter, the King County Executive is the *ex officio* treasurer of all special purpose districts in King County, but not of cities and towns or the Port of Seattle. As provided by County ordinance, the Director of the Finance and Business Operations Division is responsible for the duties of the comptroller and treasurer. Money received on behalf of the special purpose districts is deposited in a central bank account. The Director of the Finance and Business Operations Division disburses money according to state and local regulations and invests cash balances based on standard agreements with the respective special purpose district's governing body or administrative officer.

### **Factors Affecting Financial Condition**

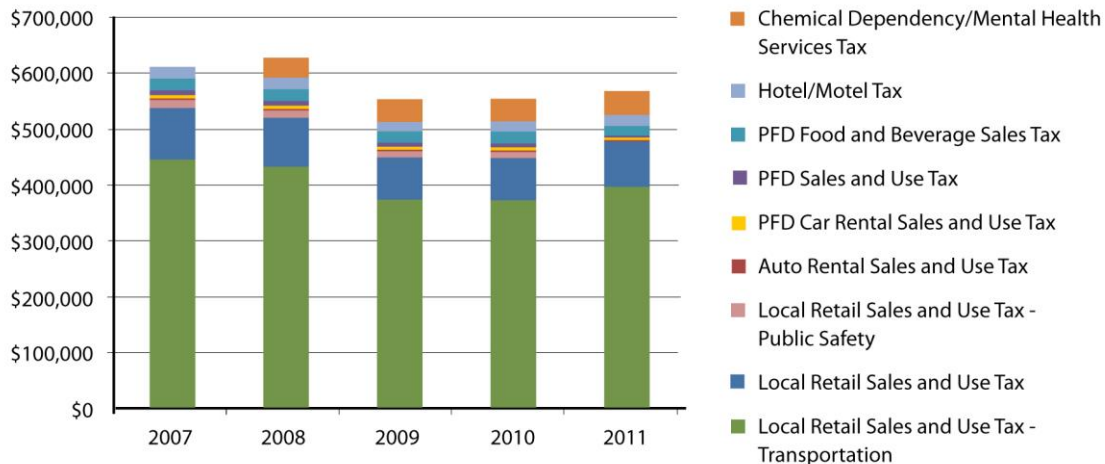
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

### **Local economy**

Economic conditions have a direct impact on the County's revenues and the demand for county services. The County's revenue sources include taxes, charges for services, and intergovernmental revenues. The largest single

source is taxes, which comprise approximately one-third of total revenue. Property taxes tend to be stable since the passing of Initiative 747, which limits the growth of property tax revenues to 1 percent plus new construction. Other tax sources, such as the retail sales tax, are much more volatile and directly influenced by economic conditions in the region.

### King County Retail Sales and Use Taxes 2007-2011 (in thousands)



Effective April 1, 2007 the Local Retail Sales and Use Tax-Transportation increased 0.1 percent.  
 Effective April 1, 2008 the Chemical Dependency/Mental Health Services Tax-Transportation was levied at a rate of 0.1 percent.  
 Effective October 1, 2011, the County no longer collects the PFD related taxes.

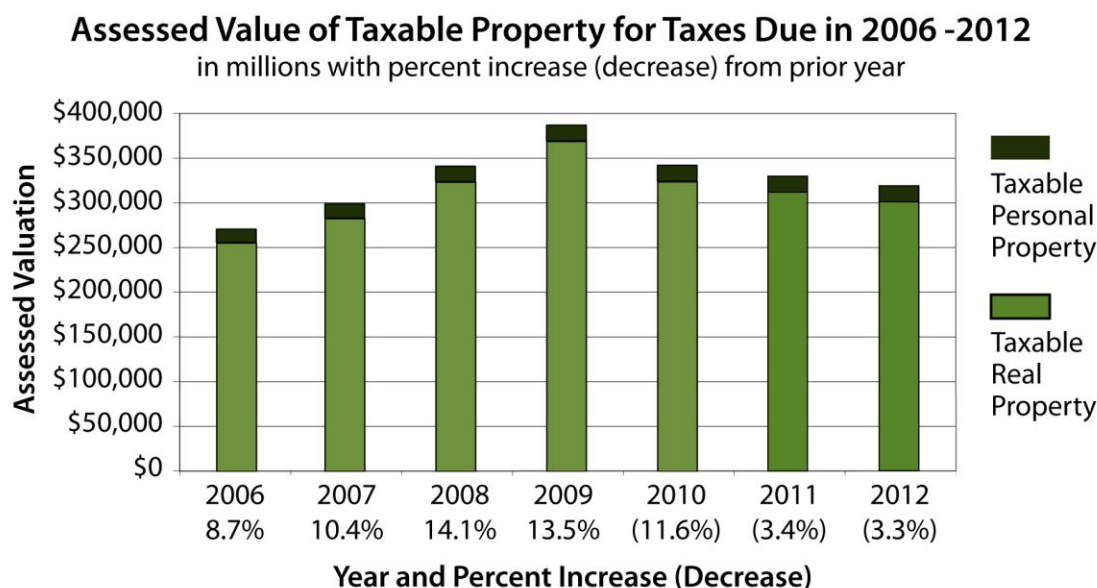
The County's economy is dealing with the after effects of recessionary weakness and real estate decline. Total assessed valuation (TAV) fell by 3.4 percent for tax year 2011 and an additional 3.3 percent for tax year 2012. Despite the downward pressure, TAV per capita is relatively high at \$167,000. Taxpayer concentration is low, with the top 10 property taxpayers accounting for less than 5 percent of 2012 TAV.

The increasing diversification of the County's employment base has been an important buffer during the economic downturn, and some employment sectors began to grow again in 2011. The County unemployment rate continues to steadily decline and is now well below 8 percent, which is less than the state and national unemployment rates. The region's two most prominent employers, Boeing and Microsoft, retain strong demand for their products.

Following the recession, County taxable retail sales were particularly affected by declining incomes and consumer apprehension. Undesignated General Fund collections declined in 2008 by 5.1 percent from 2007 levels, the first drop since 2003, and then fell a further 13.3 and 0.2 percent respectively in 2009 and 2010. Strong retail sales in the fourth quarter of 2010 signaled a halt to the decline in tax collections and 2011 saw a growth rate of 6.6% in General Fund revenues, aided by a successful statewide tax amnesty program.

The County's investment pool earnings continued to be hamstrung in 2011 as a result of low interest rates and a general flight from risky investments into more secure instruments such as those held by the County's pool. The net rate of return for 2011 was an anemic 0.62 percent, down from over 5 percent only three years before.





Inflation continued to be moderate in 2011. The Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W-Sea) increased by only 1.81 percent for the year ending in July 2011 (this is the basis for COLA calculations in many of the new union contracts). The national CPI for All Urban Consumers (CPI-U-US) increased by 3.16 percent. The Producers Price Index for Pharmaceuticals actually fell by 5 percent in 2011, but that trend is not expected to continue.

### Economic outlook

A broad-based economic recovery is underway. Retail sales surged throughout 2011, the stock market is near pre-recession highs, personal income is growing steadily, and corporate profits are on the rise. Manufacturing is also recovering at a good pace. The Blue Chip consensus forecast is for a modest 2.1 percent growth in real GDP in 2012.

Inflation is in a tug of war between goods and services. The price of services is well controlled but the cost of goods is volatile, driven by ongoing strife in the Middle East and crop failures in several parts of the globe. Core inflation, which excludes energy and food, is best for capturing underlying trends, and that is well within the Federal Reserve's target range.

The employment outlook for King County is encouraging. Boeing signed a labor contract with its machinists and has decided to build the 737 MAX in Renton. Boeing's unfilled orders top 3,500. The rest of the private sector has begun hiring again in earnest, but the public sector will be offsetting some of those gains by eliminating jobs. It is anticipated that more "discouraged workers" will rejoin the labor force as the employment picture improves. The net effect will be a steady, but slow, decline in the unemployment rate.

The negative impacts from the real estate recession will continue to exert downward pressure on assessed valuations and new construction. Locally, foreclosures seemed to have peaked but as many as one in three homeowners are still "underwater," meaning they owe more on their mortgage than they could sell for. Construction of new apartment buildings will be a bright spot over the next year or two, as more households choose to rent rather than own.

It will take several years of sustained growth to make up the lost ground in employment, personal income, and taxable consumer spending. King County will continue to face numerous challenges, including volatile energy

prices, rising employee and programmatic health care costs, and the need to raise sufficient revenues to support utility, transit system, and general government operations.

### **Long-term financial planning**

Between 1999 and 2004, King County aggressively dealt with forecasted out year deficits through strategic financial planning and management. Beginning in 2007, King County forecast that status quo expenditure patterns would outpace revenues and began to address the coming deficits through a scaling back of programs, severely limiting new programs, and the creation of reserves to cushion future deficits. The County continues to forecast out year deficits, intensified by weak national conditions, and is managing to address predicted shortfalls.

The slow process of transitioning urban unincorporated areas to cities through annexation and incorporation continues with several successful large annexations becoming effective in 2009, 2010, and 2011. In August 2009, residents in the southern portion of North Highline ("North Highline X") elected to join the City of Burien. This became effective March 1, 2010. In July 2010, the Panther Lake area became part of the City of Kent. The Juanita, Finn Hill, and Kingsgate areas were annexed by the City of Kirkland effective June 1, 2011. The proposed annexation of the Fairwood area to the City of Renton was voted down by the residents in the November 2010 election.

The County reaffirms its steadfast commitment to maintain a 6 percent undesignated reserve policy and also its willingness to make often painful decisions in order to reduce expenditures to match revenue levels while retaining prudent reserves. At the state level, the County also continues to pursue statutory enhancements to local government revenues to more flexibly balance revenues with long-term cost pressures.

### **Major 2011 Initiatives**

The County is engaged in a number of major initiatives guided by the County's strategic plan:

- King County is back on sound financial footing, through performance-based management that is reducing growth in the cost of government and leading to budgets that are sustainable and live within means.
- King County implemented new Human Resource / Payroll and Financial Systems that will transform County business practices.
- Employees are creating efficiencies - including driving down growth in health care costs by \$61 million over two years - that enable the County to provide the same level of services at 3 percent less cost.
- Construction is underway on a new South Park Bridge, replacing an unsafe structure that had no plan for financing.
- The switch has been flipped on operation of the Brightwater treatment plant - the most extraordinary regional investment in clean water in a generation - and mining was completed on a 13-mile conveyance tunnel.
- A new regional model for animal services has won the participation of 27 cities, turned around the operation, and brought down the rate of animal euthanasia from 40 percent to 14 percent.
- Creation of a new King County Aerospace Alliance will support construction of the Boeing 737 MAX and the local supply chain, promote workforce development, and help retain thousands of family-wage jobs in aerospace design, construction, and assembly.

- A new fixed-fee model for building permits, replacing hourly rates, has brought new transparency and predictability to the permitting process, along with creation of a customer service unit for rural property owners.
- Opportunities are increased for small and historically disadvantaged businesses by creating a small-works roster to speed up contracting on small construction projects, and by joining with the Port of Seattle and other agencies to create shared standards for certification of small contractors and suppliers.
- The region has ended the arbitrary political divisions that governed the provision of bus service, and is now following a new transit strategic plan that allocates service equitably and efficiently.

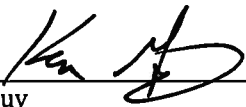
### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King County for its comprehensive annual financial report for the fiscal year ended December 31, 2010. This was the 30<sup>th</sup> consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 comprehensive annual 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the Financial Accounting staff of the Finance and Business Operations Division. We would like to express our appreciation to all members of the division who assisted and contributed to the preparation of this report. Credit must also be given to the Executive and County Council for their support for maintaining the highest standards of professionalism in the management of the County's finances.

Respectfully submitted,

  
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Ken Guy  
Finance Director  
Finance and Business Operations Division

  
\_\_\_\_\_  
Pete Anthony, CPA  
Chief Accountant/Manager  
Finance and Business Operations Division

**ELECTED OFFICIALS**  
at time of publication

<b>Office</b>		<b>Official</b>
Councilmember	District 1	<b>Bob Ferguson</b>
Council Chair	District 2	<b>Larry Gossett</b>
Councilmember	District 3	<b>Kathy Lambert</b>
Councilmember	District 4	<b>Larry Phillips</b>
Councilmember	District 5	<b>Julia Patterson</b>
Council Vice-Chair	District 6	<b>Jane Hague</b>
Councilmember	District 7	<b>Pete von Reichbauer</b>
Councilmember	District 8	<b>Joe McDermott</b>
Councilmember	District 9	<b>Reagan Dunn</b>
<b>Executive</b>		<b>Dow Constantine</b>
<b>Prosecuting Attorney</b>		<b>Dan Satterberg</b>
<b>Assessor</b>		<b>Lloyd Hara</b>
<b>Elections</b>		<b>Sherril Huff</b>
<b>Sheriff</b>		<b>Steven Strachan</b>
<b>Judicial</b>	Presiding Judge King County Superior Court	<b>Richard McDermott</b>
	Chief Presiding Judge King County District Court	<b>Corinna Harn</b>





**King County Executive  
Dow Constantine**



**STANDING (FROM LEFT): Bob Ferguson, District 1, Joe McDermott, District 8, Julia Patterson, District 5, Reagan Dunn, District 9, and Kathy Lambert, District 3.**  
**SEATED (FROM LEFT): Pete von Reichbauer, District 7, Vice Chair Jane Hague, District 6, Chair Larry Gossett, District 2, and Larry Phillips, District 4.**



**King County  
Assessor  
Lloyd Hara**



**King County  
Elections  
Director  
Sherril Huff**



**King County  
Prosecuting  
Attorney  
Daniel T. Satterberg**



**King County  
Sheriff  
Steven D. Strachan**



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

King County  
Washington

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



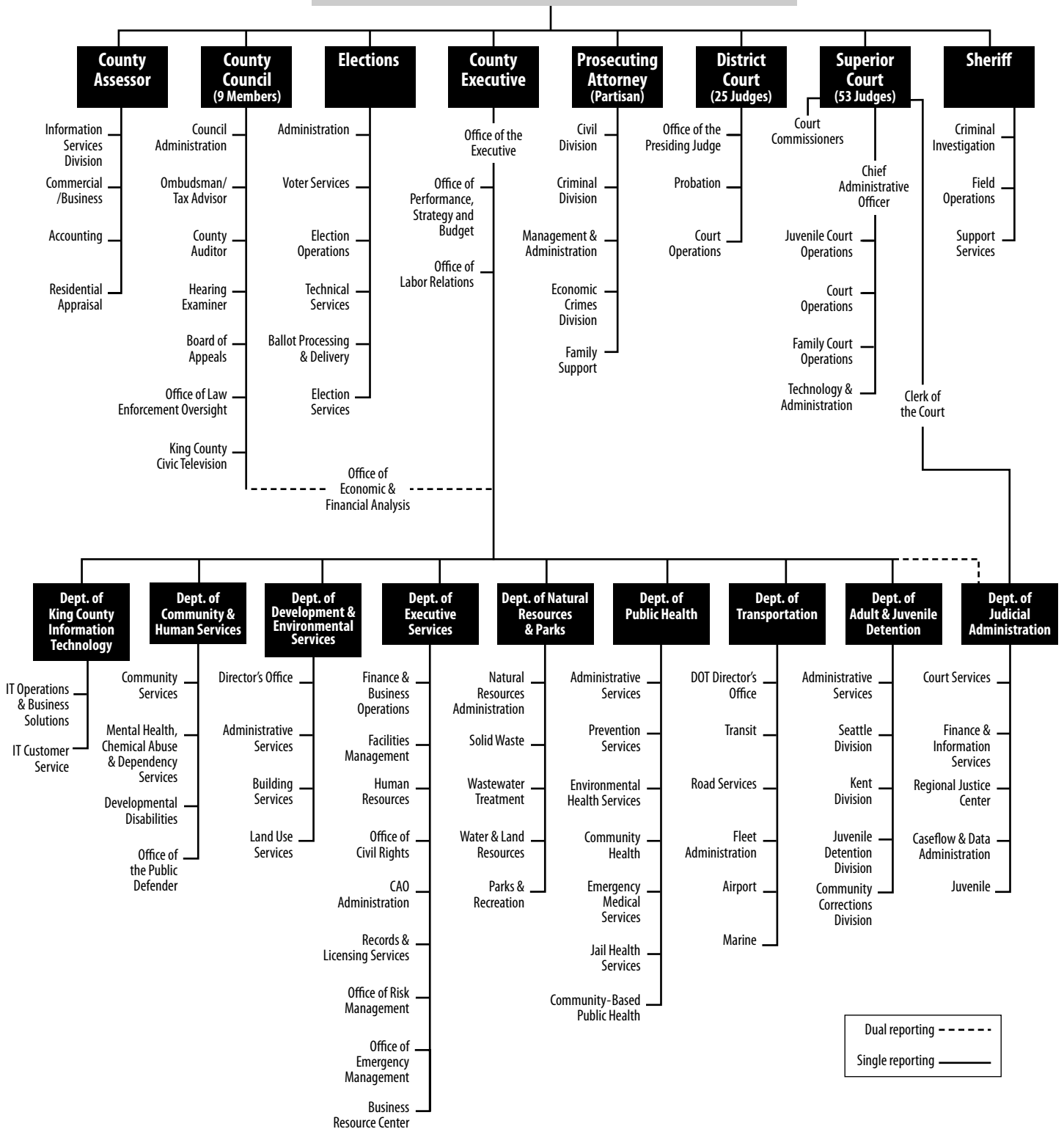
*Linda C. Sandison*

President

*Jeffrey R. Emen*

Executive Director

# The Electorate of King County









**CAFR**

**Financial  
Section**



## Washington State Auditor Brian Sonntag

### INDEPENDENT AUDITOR'S REPORT

July 24, 2012

Council and Executive  
King County  
Seattle, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Building Development and Management Corporations fund which represents 10 percent, -0.8 percent and 2 percent, respectively, of the assets, net assets and revenues of the governmental activities, and 5 percent, -0.5 percent and 0.5 percent, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. We did not audit the financial statements of the Water Quality Enterprise Fund, a major fund, which additionally represents 67 percent, 24 percent and 29 percent, respectively, of the assets, net assets and revenues of the business-type activities. We also did not audit the financial statements of the Public Transportation Fund, a major fund, which additionally represents 27 percent, 66 percent and 62 percent, respectively, of the assets, net assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Building Development and Management Corporations, the Water Quality Enterprise and Public Transportation funds, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Building Development and Management Corporations, Water Quality Enterprise and Public Transportation funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Public Health funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2011, the County has implemented the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we will also issue our report dated July 24, 2012, on our consideration of the County'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 County'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17, condition assessments and preservation of infrastructure eligible for modified approach on pages 118 through 120 and postemployment health care plan on page 120 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 121 through 176 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", is written over a light blue horizontal line.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of King County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2011. We encourage readers to consider this information in conjunction with that furnished in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

- As of December 31, 2011, the assets of the County exceeded its liabilities by \$4,696.5 million (net assets). Because most of the County's net assets are either invested in capital assets or restricted as to use, the combined unrestricted net assets was \$375.6 million at the end of the year.
- In 2011, the County's total net assets increased by 6.3 percent (\$276.8 million). The governmental net assets increased by 5.0 percent (\$107.6 million), and the business-type net assets increased by 7.5 percent (\$169.2 million).
- As of December 31, 2011, the County's governmental funds reported combined ending fund balances of \$645.7 million. Approximately 13.3 percent (\$85.6 million) is unassigned fund balance.
- At the end of 2011 the unassigned fund balance for the General Fund was \$96.5 million, amounting to 17.0 percent of total General Fund expenditures. Total fund balance for the General Fund increased 34.6 percent (\$30.5 million) for the year (excluding the impact of moving the Rainy Day Fund to the General Fund).
- The County's total bonded debt increased by 5.9 percent (\$270.4 million) in 2011 due to new bond issuance of \$936.5 million offset by \$111.8 million of debt service principal payments and debt of \$554.3 million defeased or refunded.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the County's finances in a manner similar to a private sector business. The statements provide short-term and long-term information about the County's financial position, which assists in assessing the County's financial condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses, taking into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The **statement of net assets** presents all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements have separate sections for three different types of County programs or activities:

**Governmental activities.** The activities in this section are principally supported by taxes and intergovernmental revenues. Most of the County's basic services fall into this category, including general government; law, safety and justice; physical environment; transportation; economic environment; mental and physical health; culture and recreation; and debt service. Also included within the governmental activities are the 2011 operations of the County's flood control district and ferry district. Although legally separate from the County, these component units are blended with the primary government (King County) because of their governance relationship with the County. Four Washington state nonprofit corporations, included as a single internal service fund called the Building Development and Management Corporations, are reported as a single blended component unit of the County.

**Business-type activities.** These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities include the operation of the County's public transportation system, wastewater treatment facilities, solid waste disposal facilities, airport, and other services.

**Discretely presented component units.** The government-wide financial statements include not only King County itself as the primary government, but also three legally separate entities for which the County is financially accountable: the Harborview Medical Center (HMC), the Washington State Major League Baseball Stadium Public Facilities District (PFD), and the Cultural Development Authority (CDA) of King County. Individual financial statements for HMC, the PFD, and the CDA can be found immediately following the fiduciary funds financial statements in the Basic Statements section of this report.

#### **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

**Governmental funds.** Most of the services provided by the County are accounted for in governmental funds. Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, the governmental funds financial statements focus on how cash and other financial assets can readily be converted to available resources, and the balances left at year-end that are available for future spending. Such information may be useful in determining whether there will be adequate financial resources available to meet the current needs of the County.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a general fund and several other individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Two governmental funds, the General Fund and the Public Health Fund, are considered to be major funds for financial reporting purposes. Each of the major funds is presented in a separate column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements in the Governmental Funds section of this report, following the Basic Statements section.

The County adopts an annual budget appropriated at the department or division level for the General Fund and at the fund level for the Public Health Fund. A budgetary comparison statement has been provided for each of the two major governmental funds.

The basic governmental funds financial statements can be found immediately following the government-wide statements.

**Proprietary funds.** Proprietary funds are used to account for services for which the County charges customers a fee. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

The County maintains two types of proprietary funds:

**Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Water Quality Enterprise and the Public Transportation Enterprise, both considered to be major funds of the County for financial reporting purposes. All other enterprise funds are aggregated into a single presentation within the proprietary funds financial statements.

**Internal service funds** are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County uses internal service funds to account for its motor pool, information and telecommunications services, facilities management, risk management, employee benefits, building development and construction, and financial and various other administrative services. These services predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements. One internal service fund that provides equipment and fleet maintenance and procurement for the Water Quality Enterprise is included within the business-type activities in the government-wide financial statements but is combined with all other internal service funds into a single aggregated presentation in the proprietary funds financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds include the investment trust funds, used to report investment activity conducted by the County on behalf of legally separate entities, such as special districts and public authorities that are not part of the County's reporting entity, and the agency funds. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements. The accounting for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found immediately following the proprietary funds financial statements.

#### **Notes to the financial statements**

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the individual component unit financial statements in the Basic Statements section of this report.

#### **Other information**

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements in the Basic Statements section of this report.

**Combining Statements.** The combining statements are presented in separate sections immediately following the required supplementary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Analysis of Net Assets**

An analysis of net assets may serve as a useful indicator of a government's financial position. As indicated in the condensed financial information below, derived from the government-wide Statement of Net Assets, the County's combined net assets (governmental and business-type activities) were \$4,696.5 million at the end of 2011. This is an increase of 6.3 percent (\$276.8 million) over the net assets of the previous year, as restated.

**Governmental activities.** Although net assets of the County's governmental activities increased 5.0

percent (\$107.6 million) to \$2,273.7 million, all of the net assets are either subject to external restrictions as to how they may be used, or are invested in capital assets (e.g., land, buildings, infrastructure, rights-of-way, equipment, and work in progress) less any related outstanding debt used

to acquire those assets. Consequently, unrestricted net assets for governmental activities showed a \$116.7 million deficit at the end of 2011. This is a \$111.9 million decrease in the deficit in unrestricted net assets from the end of 2010.

Net Assets (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and other assets	\$ 1,107,464	\$ 1,117,901	\$ 1,349,362	\$ 1,244,205	\$ 2,456,826	\$ 2,362,106
Capital assets	2,781,662	2,734,277	5,606,607	5,218,405	8,388,269	7,952,682
Total Assets	3,889,126	3,852,178	6,955,969	6,462,610	10,845,095	10,314,788
<b>Liabilities</b>						
Long-term liabilities	1,441,697	1,426,970	4,115,319	3,840,465	5,557,016	5,267,435
Other liabilities	173,749	259,087	417,814	368,537	591,563	627,624
Total Liabilities	1,615,446	1,686,057	4,533,133	4,209,002	6,148,579	5,895,059
<b>Net Assets</b>						
Invested in capital assets, net of related debt	1,925,686	1,926,921	1,618,931	1,577,670	3,544,617	3,504,591
Restricted	464,667	467,772	311,596	259,357	776,263	727,129
Unrestricted	(116,673)	(228,572)	492,309	416,581	375,636	188,009
Total net assets	\$ 2,273,680	\$ 2,166,121	\$ 2,422,836	\$ 2,253,608	\$ 4,696,516	\$ 4,419,729

This deficit does not mean that the County's governmental activities do not have resources available to pay their obligations in the coming year. The increase in net assets for governmental activities in 2011 reflects the County's ability, on an annual basis, to meet its current obligations in those activities including the related debt service requirements. The deficit in unrestricted net assets is the result of the governmental activities having long-term commitments that are greater than currently available resources. Specifically, the County's governmental activities include general obligation debt of \$220.8 million, \$70.7 million less than at the end of 2010, for which no corresponding assets are recorded but for which future revenues are obligated.

Of the amount of debt with no corresponding assets, 61.5 percent (\$135.7 million) is related to assets recorded on the books of one of the County's three discretely presented component units: the Harborview Medical Center. As a discretely presented component unit, this entity is not part of the primary government or incorporated into this analysis. The remaining debt consists of \$72.2

million associated with the Kingdome facility, demolished in 2000, and \$12.9 million used to finance assets that have been contributed by the County to other programs and services that benefit the citizens of the County.

**Business-type activities.** There was an increase of 7.5 percent to \$2,422.8 million in the net assets of business-type activities. Of the total net assets for business-type activities, 66.9 percent (\$1,618.9 million) is invested in capital assets (e.g., land, buildings, vehicles, plant assets, equipment, and work in progress), net of related debt. The business-type activities use these capital assets to provide services to their customers; consequently, these assets are not available for future spending. The resources needed to repay the debt incurred to acquire these assets must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities. Another 12.8 percent of the total net assets of business-type activities is restricted for debt service (\$276.6 million), regulatory assets and environmental liabilities (\$32.0 million) and for other purposes (\$3.0 million). The remaining 20.3 percent (\$492.3

million) is unrestricted net assets. Any balance in the unrestricted net assets for business-type activities cannot be used to reduce the unrestricted net asset deficit in governmental activities.

The combination of the \$116.7 million deficit in the governmental activities unrestricted net assets and the \$492.3 million positive balance in the business-type activities unrestricted net assets resulted in a net positive \$375.6 million in total unrestricted net assets for the County as a whole.

#### **Analysis of Changes in Net Assets**

The increase in the County's total net assets in 2011 resulted from revenues exceeding related expenses and reflects the County's ability to meet its ongoing obligations, including its debt service requirements. Approximately 41.2 percent of the County's total revenues came from taxes, primarily Property taxes and the Retail sales and use taxes. Charges for various goods and services provided 42.2 percent of the total revenues, while 16.1 percent was derived from operating and capital grants and contributions, including state and federal assistance. The County's expenses cover a range of services, the largest of which were for law, safety and justice; mental and physical health; public transportation; and water quality.

The condensed financial information on the following page is derived from the government-wide Statement of Activities and reflects how the County's net assets changed during 2011.

**Governmental activities.** Governmental activities accounted for 38.9 percent of the total growth in net assets of the County, resulting in an increase in

the County's governmental activities net assets of \$107.6 million. Program revenues for governmental activities total \$873.3 million and include the amount paid by those who directly benefit from the programs (\$593.1 million), and by other governments and organizations that subsidized certain programs with operating grants and contributions (\$207.0 million), and capital grants and contributions (\$73.2 million). In 2011, the cost of all governmental activities was \$1,613.1 million. The County paid for the \$739.8 million remaining public benefit portion of governmental activities with \$595.3 million in property taxes, \$180.9 million in retail sales and use taxes, and \$70.6 million in other revenues, including other taxes and interest earnings. As discussed earlier, all of the increase in governmental activities net assets was either restricted as to use or used to acquire capital assets for use in providing services.

The growth in net assets of governmental activities of \$107.6 million is primarily due to the following factors: the collection of revenues (mostly taxes) to fund repayments of long-term debt (\$50.8 million), the collection of revenues for the acquisition of capital assets (\$56.6 million), donations of capital assets, primarily infrastructure, to the county (\$32.1 million), and taxes collected by Special Revenue Funds (\$4.3 million by Emergency Medical Services and \$9.7 million by the Flood Control District) in excess of the services provided in 2011 (\$14.0 million). In addition, the loss on capital assets sold, retired, or transferred (\$46.6 million) and depreciation expense (\$32.8 million) reduced net assets.



King County, Washington

Changes in Net Assets (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 593,106	\$ 573,209	\$ 697,466	\$ 666,574	\$ 1,290,572	\$ 1,239,783
Operating grants and contributions	207,038	198,512	61,374	57,514	268,412	256,026
Capital grants and contributions	73,182	112,530	151,782	26,220	224,964	138,750
General revenues						
Property taxes	595,285	593,135	22,629	22,174	617,914	615,309
Retail sales and use taxes	180,948	180,914	399,812	375,943	580,760	556,857
Other taxes	62,387	53,760	-	-	62,387	53,760
Unrestricted interest earnings	8,194	10,295	6,884	8,810	15,078	19,105
Total revenues	<u>1,720,140</u>	<u>1,722,355</u>	<u>1,339,947</u>	<u>1,157,235</u>	<u>3,060,087</u>	<u>2,879,590</u>
<b>Expenses <sup>(a)</sup></b>						
General government <sup>(b)</sup>	153,910	193,521	-	-	153,910	193,521
Law, safety and justice	594,366	605,396	-	-	594,366	605,396
Physical environment	78,771	79,897	-	-	78,771	79,897
Transportation	107,864	108,386	-	-	107,864	108,386
Economic environment	112,081	103,153	-	-	112,081	103,153
Mental and physical health	457,507	456,678	-	-	457,507	456,678
Culture and recreation	56,917	52,729	-	-	56,917	52,729
Interest and other debt service costs	51,670	49,979	-	-	51,670	49,979
Airport	-	-	28,101	22,296	28,101	22,296
Public transportation	-	-	716,949	697,611	716,949	697,611
Solid waste	-	-	96,871	101,210	96,871	101,210
Water quality	-	-	321,057	290,873	321,057	290,873
Other enterprises activity	-	-	7,236	7,625	7,236	7,625
Total expenses	<u>1,613,086</u>	<u>1,649,739</u>	<u>1,170,214</u>	<u>1,119,615</u>	<u>2,783,300</u>	<u>2,769,354</u>
Increase in net assets before transfers	107,054	72,616	169,733	37,620	276,787	110,236
Transfers	505	2,423	(505)	(2,423)	-	-
Increase in net assets	107,559	75,039	169,228	35,197	276,787	110,236
Net assets, beginning of year (restated) <sup>(c)</sup>	<u>2,166,121</u>	<u>2,091,082</u>	<u>2,253,608</u>	<u>2,218,411</u>	<u>4,419,729</u>	<u>4,309,493</u>
Net assets, end of year	<u>\$ 2,273,680</u>	<u>\$ 2,166,121</u>	<u>\$ 2,422,836</u>	<u>\$ 2,253,608</u>	<u>\$ 4,696,516</u>	<u>\$ 4,419,729</u>

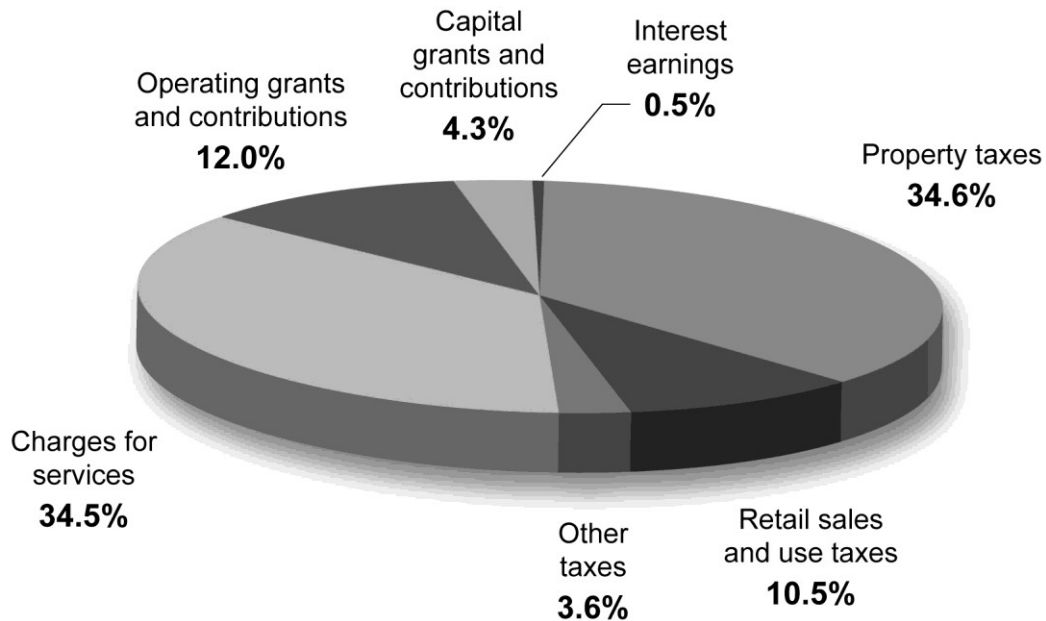
(a) Expenses for all functions include the allocation of indirect expenses from the general government function. The amount of indirect general government expenses allocated to each function is shown in a separate column on the County's government-wide Statement of Activities alongside the column that reflects the direct operating expenses incurred by each function. As a result of this allocation, the \$153.9 million in General government expense above consists of \$155.1 million in direct program expenses and loss on the disposal (transfer) of capital assets of \$46.5 million reduced by a net allocation of \$47.6 million to other County functions.

(b) General government expenses includes loss on sale/disposal/transfer of capital assets of \$46.5 million and \$116.1 million in 2011 and 2010, respectively.

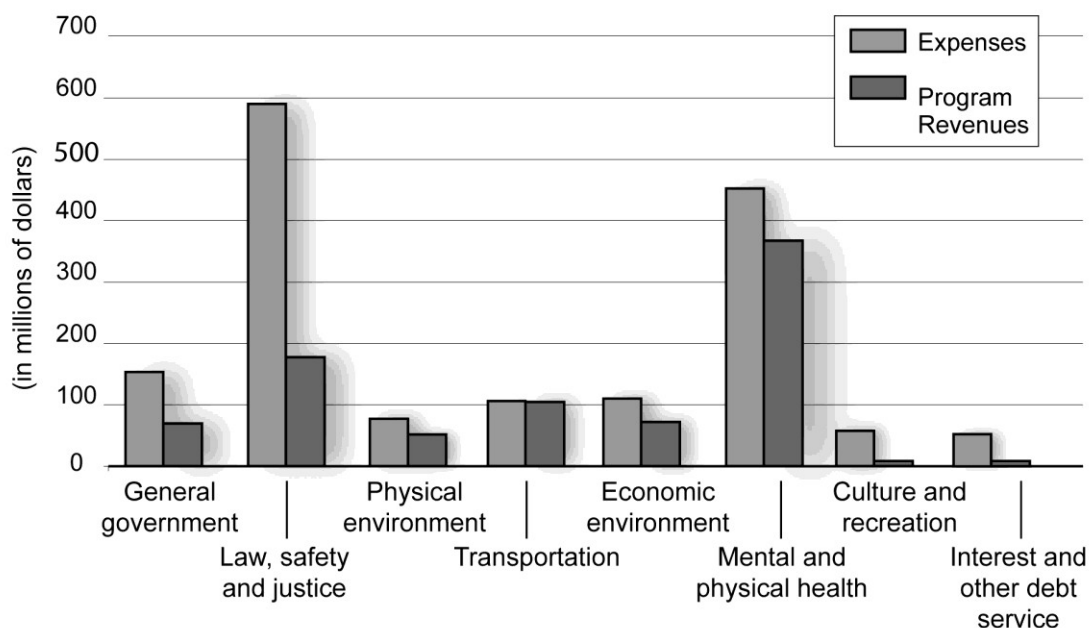
(c) Net assets, beginning of year has been restated, see Note 18 - "Restrictions, Components of Fund Balance, and Changes in Equity" – Restatements of Beginning Balances.

The charts below illustrate the County's revenues by source and its expenses and program revenues by function for its governmental activities:

### Revenues by Source — Governmental Activities 2011



### Expenses and Program Revenues — Governmental Activities 2011



Charges for services provided 34.5 percent, and property taxes 34.6 percent, of total revenues for governmental activities. One of the most significant expense amounts is for Law, safety and justice, a function that requires the greatest usage of general government revenues. The primary revenue sources for Mental and physical health are charges for services and operating grants and contributions, which paid for 81.3 percent of the activities of that

function. In 2011, Transportation received \$33.4 million in infrastructure and right-of-way capital assets from developers, which enabled program revenues to exceed expenses by \$282 thousand. These and other capital contributions accounted for 31.2 percent of the 2011 increase in governmental activities net assets.

A comparison of the cost of services by function for the County's governmental activities, along with the revenues used to cover the net expenses of the governmental activities (in thousands):

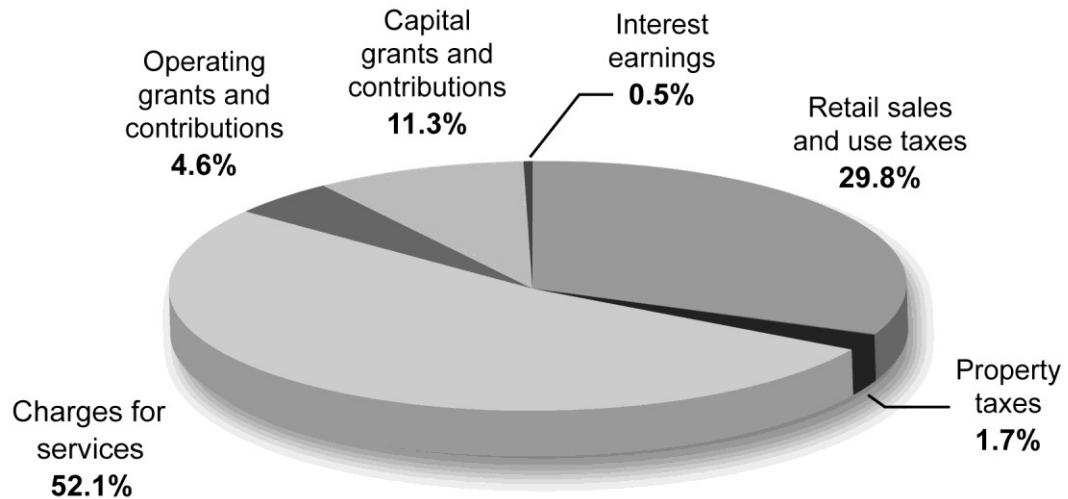
<b>(Expenses) Net of Program Revenues</b>	
General government	\$ (83,522)
Law, safety and justice	(413,694)
Physical environment	(25,359)
Transportation	282
Economic environment	(37,491)
Mental and physical health	(85,441)
Culture and recreation	(50,084)
Interest and other debt service costs	(44,451)
Total expenses	(739,760)
<b>General revenues</b>	
Property taxes	595,285
Retail sales and use taxes	180,948
Other taxes	62,387
Unrestricted interest earnings	8,194
Transfers from Business-type	505
Increase in net assets	<u>\$ 107,559</u>

**Business-type activities.** Business-type activities increased the County's net assets by \$169.2 million in 2011, accounting for 61.1 percent of the total growth in net assets of the County. Total revenues for business-type activities were \$1,339.9 million. The cost of all business-type activities for 2011 was \$1,170.2 million. Of that amount, 77.8 percent (\$910.6 million) was funded from program revenues, including \$697.5 million in charges for services, \$61.4 million from other governments and

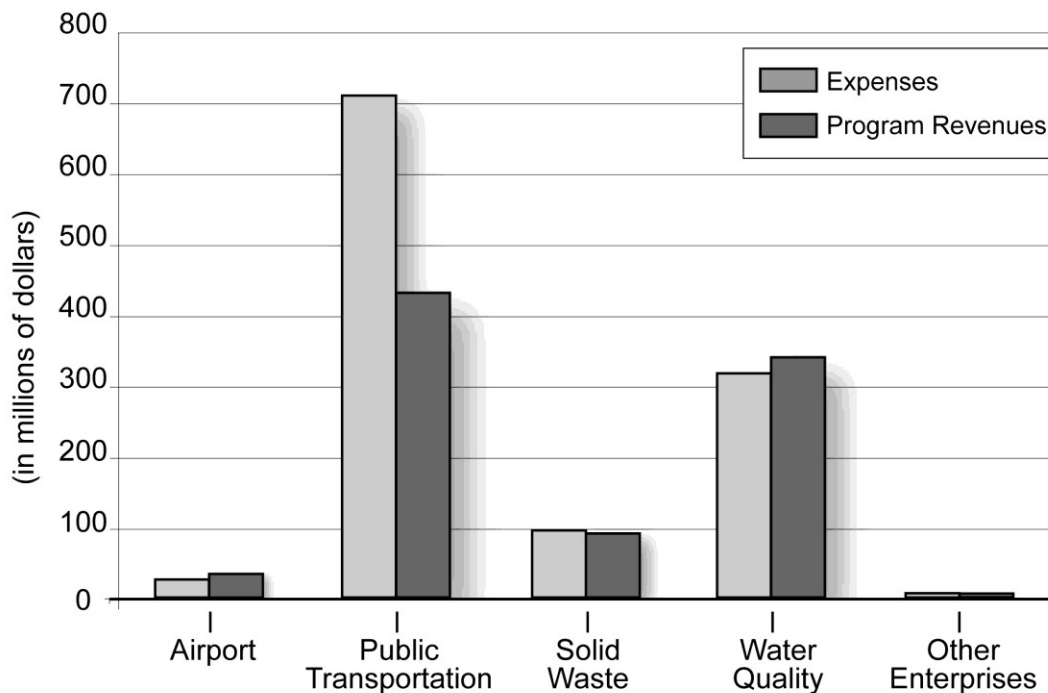
organizations that subsidized certain programs with operating grants, and \$151.8 million in capital grants and contributions. The Public Transportation operations are subsidized by retail sales and use tax revenues, which amounted to \$339.8 million in 2011 and property taxes of \$22.6 million. In addition, business-type activities earned \$6.9 million in unrestricted interest earnings.

Business-type revenues by source and business-type expenses and program revenues by function:

### Revenues by Source — Business-type Activities 2011



### Expenses and Program Revenues — Business-type Activities 2011



## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements.

As of December 31, 2011, the County's governmental funds reported combined ending fund balances of \$645.7 million, an increase of \$82.6 million in comparison with the prior year. Approximately 13.3 percent (\$85.6 million) constitutes unassigned fund balance available for spending in the coming year at the County's discretion. The remainder of fund balance is Nonspendable (2.5 percent), Restricted (64.9 percent), Committed (15.6 percent) or Assigned (3.7 percent).

Overall governmental fund revenues totaled approximately \$1,755.5 million for 2011, which represents an increase of 2.1 percent, (\$36.0 million), over the fiscal year ended December 31, 2010. While property taxes were up a modest \$2.2 million, Business and other taxes were up \$8.0 million largely due to an increase in the monthly E911 tax on switched and wireless telephone lines. While Intergovernmental revenues were up \$11.0 million overall, Intergovernmental revenues in the County Road Construction Fund were up \$30.6 million as a result of the South Park Bridge project. Charges for services were up \$15.3 million due to increases in revenues in the General Fund (\$8.6 million including \$4.3 million in revenues for Election services) and the Public Health Fund (\$5.7 million).

In 2011, expenditures for governmental funds totaled \$1,803.9 million, an increase of 2.3 percent (\$41.0 million) from the previous fiscal year. However, excluding payments to escrow agents, expenditures were only up 0.8 percent (\$14.3 million). Current expenditures were up 1.3 percent (\$20.4 million) from the previous fiscal year including increases in expenditures for General government (\$12.1 million), Economic environment (\$8.9 million), and Mental and physical health (\$6.8

million). Capital outlay expenditures were up \$6.9 million (6.0 percent). Total expenditures for governmental funds exceeded revenues by \$48.4 million in 2011, compared to \$43.3 million for 2010. The change in fund balances in 2011 of \$82.6 million included Other financing sources (uses) of \$130.9 million (including general government debt proceeds of \$109.1 million).

The **General Fund** is the primary operating fund for the County. At the end of the fiscal year, total fund balance for the General Fund was \$134.8 million. Unassigned fund balance, the amount considered available to spend, totaled \$96.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.0 percent of total General Fund expenditures, an increase from the 11.6 percent of a year ago. Total fund balance (excluding the Rainy Day Fund) represents 21.0 percent of total General Fund expenditures, an increase from the 15.1 percent of a year ago.

The fund balance of the County's General Fund increased \$30.6 million during 2011, compared to an increase in fund balance of only \$5.8 million in 2010. While revenues were up \$11.8 million (1.9 percent) in 2011, expenditures declined \$19.0 million (3.3 percent), Other financing sources increased \$10.0 million, and Other financing uses increased \$16.0 million. While property tax revenues increased by \$4.6 million, Sales and use taxes increased by \$4.6 million and Charges for services increased by \$8.6 million, Licenses and permits were down \$3.7 million due primarily to the transfer of pet license revenue to the Animal Services Fund (a special revenue fund) and intergovernmental revenues were down \$4.5 million, resulting in the net increase in revenues in 2011 from the 2010 level of \$11.8 million. Expenditures were down \$19.0 million due to reductions in every category of expenditure including reductions in general government of \$2.7 million, Law, safety and justice of \$10.6 million, and Physical environment of \$4.7 million (due to the transfer of Animal services to a new special revenue fund). The \$10.0 million increase in Other financing sources was due to the sale of land and the increase in Other financing uses of \$16.0 million was due to increased support for capital projects (\$6.9 million), IT projects (\$4.5 million), the Housing Opportunity Fund (\$3.6 million), and Animal services (\$2.0 million).

The **Public Health Fund** is used to account for health service centers located throughout the County and other public health programs that promote health and prevent disease to King County residents. At the end of 2011 it had a total fund balance of \$7.6 million (up \$0.2 million in 2011). While revenues were up \$2.1 million in 2011 from the 2010 level, expenditures were also up \$2.4 million in 2011 and other financing sources were down \$2.6 million resulting in an increase in fund balance of \$0.2 million in 2011 versus a increase of \$3.1 million in 2010.

#### **Proprietary Funds**

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

The County's net assets increased by \$169.2 million as a result of operations in the proprietary funds, adjusted to reflect the consolidation of internal service fund activities related to the enterprise funds. Of the two major proprietary funds, the Public Transportation Enterprise had an increase of \$138.2 million and the net assets of the Water Quality Enterprise increased by \$25.7 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance, capital improvements, and expansion of public transportation and related facilities in the County. At the end of 2011 the Public Transportation Enterprise had total net assets of \$1,592.9 million of which 70.4 percent (\$1,121.6 million) was invested in capital assets, net of related debt; 0.9 percent (\$14.3 million) was restricted as to use for capital purposes, debt service, and other purposes; and 28.7 percent (\$457.0 million) was unrestricted and available for spending. Net assets increased in 2011 and 2010. The increase was \$138.2 million in 2011 and \$0.5 million in 2010. The change in 2011 is primarily attributed to an increased sales tax receipts (up \$23.9 million in 2011 over 2010 receipts) and capital grants associated with revenue fleet replacements (up \$110.3 million in 2011 over 2010 capital grants). On December 31, 2011, cash balances were used to support interfund loans of \$49.3 million to other County agencies. At the end of 2010, interfund loans to other County agencies totaled \$116.1 million. The reserve for future fleet replacement continued to be replenished consistent with existing policies and in anticipation of upcoming fleet replacements.

The **Water Quality Enterprise** accounts for the operations, maintenance, capital improvements, and expansion of the County's water pollution control facilities. Total net assets in the Water Quality Enterprise were \$588.1 million at the end of 2011 of which 50.7 percent (\$298.0 million) was invested in capital assets, net of related debt; 50.5 percent (\$297.3 million) was restricted for debt service and regulatory assets and environmental liabilities; and the remaining negative 1.2 percent (\$7.3 million) was unrestricted. Water Quality operating revenues increased by 10.7 percent to \$337.4 million, while operating expenses net of depreciation increased by 1.2 percent to \$106.4 million. Water Quality collected a monthly sewage treatment charge of \$36.10 per Residential Customer Equivalents (RCE) in 2011 and \$31.90 in 2010. The negative unrestricted net assets balance was reduced to (\$7.3 million) at the end of 2011 from (\$79.2 million) at the end of 2010.

#### **General Fund Budgetary Highlights**

The County's final General Fund budget differs from the original budget in that it reflects an increase of \$28.5 million during the year due to 2011 supplemental budget appropriations. These supplemental appropriations included General Fund support for general government (\$4.2 million), transfers to support capital projects (\$19.5 million), and transfers to the Housing Opportunity Fund (\$3.6 million). However, actual budgetary basis expenditures (including encumbrances) were only \$7 million greater than the original budget. This resulted in an underutilization of the total final appropriation authority by \$24.8 million, including \$7.4 million of under-expenditures in General government services, \$6.9 million in Law, safety and justice, and \$9.5 million in Transfers out. During the year total budgetary basis revenues were greater than budgetary estimates by \$23.2 million with a net impact of increasing fund balance by \$30.6 million in 2011.

### **CAPITAL ASSETS, INFRASTRUCTURE, AND DEBT ADMINISTRATION**

#### **Capital assets**

The King County primary government's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$8.4 billion (net of accumulated depreciation). Capital assets include land, rights-of-way, easements and development rights, buildings,

improvements other than buildings, roads and bridges infrastructure, vehicles, machinery, computers, software and other equipment, and construction work-in-progress. The total increase in the investment in capital assets over the previous year (as restated) was 5.5 percent (1.7 percent increase for governmental activities and 7.4 percent increase for business-type activities).

Major capital asset events during 2011 included the following:

- Construction was completed on the new Brightwater Treatment Plant and the associated conveyance system. Construction activities are simultaneously ongoing in the treatment plant, the conveyance systems (portals and conveyance pipes), and ancillary facilities. The treatment plant began operations in September 2011 with the conveyance systems to be completed in 2012.

- Significant construction activity is also occurring in the Public Transportation and Solid Waste enterprises. Public Transportation continued to make improvements at bus bases, transit centers, and park-and-ride facilities. The Solid Waste Enterprise continued to make improvements to existing transfer stations and development of landfill ancillary systems.

- For governmental activities, significant additions and upgrades were made to parks facilities, development and improvements to the trail system, renovations and upgrades to various county buildings, and technology-related projects.

A summary of the 2011 capital assets activity is shown below. More detailed information on the County's capital assets can be found in Note 7 – "Capital Assets."

	Capital Assets (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and land rights	\$ 873.4	\$ 859.8	\$ 465.9	\$ 360.8	\$ 1,339.3	\$ 1,220.6
Buildings*	712.3	743.0	** 1,955.0	1,396.8	** 2,667.3	2,139.8
Improvements other than buildings*	38.9	38.9	** 127.9	106.8	** 166.8	145.7
Infrastructure - roads and bridges	952.0	925.4	-	-	952.0	925.4
Infrastructure - other*	5.0	5.3	945.8	728.3	950.8	733.6
Equipment, software and art collection*	85.1	78.6	862.0	516.8	** 947.1	595.4
Construction in progress	115.0	83.3	** 1,250.0	2,108.9	1,365.0	2,192.2
Total	<u>\$ 2,781.7</u>	<u>\$ 2,734.3</u>	<u>\$ 5,606.6</u>	<u>\$ 5,218.4</u>	<u>\$ 8,388.3</u>	<u>\$ 7,952.7</u>
* Net of depreciation/amortization						
** Restated						

### **Infrastructure**

The County has elected to use the modified approach in reporting roads and bridges. Under the modified approach, asset condition is reported rather than recording depreciation. The rating

scales for pavements (roads) and bridges are further explained in the required supplementary information which follows the notes to the basic financial statements.

The County performs condition assessments on its network of roads through the King County Pavement Management System, which generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index on a 100-point scale that represents the pavement's functional condition based on the quantity, severity, and type of visual distress. Condition assessments are undertaken every three years.

It is the policy of the King County Road Services Division to maintain at least 80.0 percent of the road system at a PCI of 40 or better. In the most recent condition assessments, 74.2 percent of the arterial roads in the County and 78.5 percent of the local access roads in the County had a PCI rating of 40 and above. The 2010 condition assessment indicates the arterial and local access road networks have fallen below the 80/40 threshold. The County Road Services Division's current budget conditions do not allow for additional funds to increase the number of miles overlaid. The accelerated condition of deterioration observed between the 2009 and 2010 reports are primarily the result of weather and system age. The majority of roads that fall below the established rating are local access roads that are situated in rural areas. The amount budgeted in 2011 for road preservation and maintenance was \$62.9 million. The amount actually expended was \$52.1 million. Underspensing of the budgeted amount is a result of the removal of roads from the project list because of conflicts with anticipated utility work, cost efficiencies related to relatively few roads to be

resurfaced in remote locations, and fewer weather-related work reductions or stoppages.

The County currently maintains 181 bridges. Physical inspections to uncover deficiencies are carried out at least every two years and documented. There is also an annual evaluation to determine which bridges are due for replacement or rehabilitation using a 10-point priority scale based on various factors of bridge condition. A key element in the priority scale is the sufficiency rating, which is a numerical rating (on a 100-point scale) of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 12 (6.5 percent) will have a sufficiency rating of 20 or less. The most current complete assessment showed five bridges at or below this threshold. The amount budgeted in 2011 for bridge preservation and maintenance was \$10.6 million, while the actual amount expended was \$5.5 million. Underspensing of the budgeted amount is due to the construction schedule of certain projects extending beyond the budget year.

#### **Debt Administration**

At the end of 2011, King County Primary Government has a total of \$4,859.3 million in bonds and notes outstanding for its governmental and business-type activities. Of this amount, \$2,149.6 million is comprised of debt backed by the full faith and credit of the County. The \$2,709.7 million remainder of the County's debt represents bonds secured solely by specified revenue sources.



**Outstanding Debt**  
(in millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
General obligation bonds	\$ 682.6	\$ 728.4	\$ 1,015.6	\$ 1,031.2	\$ 1,698.2	\$ 1,759.6
General obligation bond anticipation notes (long-term portion)	65.9	- <sup>(a)</sup>	-	-	65.9	-
Lease revenue bonds <sup>(b)</sup>	385.5	396.0	-	-	385.5	396.0
Revenue bonds	-	-	2,709.7	2,433.4	2,709.7	2,433.4
<b>Total</b>	<b>\$ 1,134.0</b>	<b>\$ 1,124.4</b>	<b>\$ 3,725.3</b>	<b>\$ 3,464.6</b>	<b>\$ 4,859.3</b>	<b>\$ 4,589.0</b>

(a) In 2010, \$84.3 million of GO bond anticipation notes in the governmental activities were short-term debt, and therefore have been removed from this schedule. See Note 15 - "Debt" for more information.

(b) Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation.

The total debt increased over the previous year by 5.8 percent or \$270 million (a 0.3 percent or \$5.9 million decrease for governmental activities and 11 percent or \$276.3 million increase for business-type activities). Debt outstanding in governmental activities increased primarily due to \$65.9 million of converted bond anticipation notes to limited general obligation bonds and a decrease of \$25.4 million in refunded limited general obligation bonds. Business-type activities' debt increased primarily due to \$275 million in new sewer revenue bonds.

During 2011, the County refinanced some of its existing debt to take advantage of favorable interest rates. The County refinanced \$25.4 million of general obligation various purpose bonds which will decrease future aggregate debt service payments by \$1.3 million over the life of the bonds.

Using excess proceeds from special taxes and revenues, the County completed a full defeasance of general obligation (baseball stadium) bonds that saved the County debt service payments of \$41.8 million.

The County maintains a rating of "Aa1" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AA+" from Fitch for its limited tax general obligation debt. For its unlimited tax general obligation debt the County has a rating of "Aaa" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AAA" from

Fitch. The ratings for Water Quality Enterprise's revenue debt are "Aa2" from Moody's and "AA+" from Standard & Poor's.

State statutes limit the amount of general obligation debt that the County may issue to 2.5 percent of its total assessed valuation for general county purposes and 2.5 percent for metropolitan functions. The current debt limitation of total general obligations for general county purposes is \$7,986.5 million, significantly higher than the County's outstanding net general obligation long-term liabilities of \$1,250.9 million. For metropolitan functions the debt limitation is \$7,986.5 million and the County's outstanding net general obligation debt is \$1,059.5 million.

Additional information on King County's long-term debt can be found in Note 15 - "Debt."

## ECONOMIC OUTLOOK AND 2012 BUDGET

Economic factors have a direct impact on the County's revenues and the demand for services. The County's revenue sources include taxes, charges for services, and intergovernmental revenues. The largest single source is taxes, which comprise approximately one-third of total revenues and consist primarily of taxes on real property. Property taxes tend to be stable because levy rates are calculated months in advance and King County establishes assessed value from the preceding four

years of real estate sales. Other tax sources, such as retail sales tax, are more volatile and directly influenced by economic conditions in the region.

The County's economy is dealing with the after effects of recessionary weakness and real estate decline. Total assessed valuation (TAV) fell by 3.4 percent for tax year 2011 and an additional 3.3 percent for tax year 2012. Despite the downward pressure, TAV per capita is relatively high at \$167,000. Taxpayer concentration is low, with the top ten property taxpayers accounting for less than five percent of 2012 TAV.

The increasing diversification of the County's employment base has been an important buffer during the economic downturn, and some employment sectors began to grow again in 2011. The County unemployment rate continues to steadily decline and is now well below eight percent, which is less than the state and national unemployment rates. The region's two most prominent employers, Boeing and Microsoft, retain strong demand for their products.

Following the recession, County taxable retail sales were particularly affected by declining incomes and consumer apprehension. Undesignated General Fund collections declined in 2008 by 5.1 percent from 2007 levels, the first drop since 2003, and then fell a further 13.3 and 0.2 percent respectively in 2009 and 2010. 2011 saw a growth rate of 6.6 percent in General Fund sales tax revenues, aided by a statewide tax amnesty program.

By law, the County is required to adopt a balanced budget. The budget for the County, adopted by the County Council in November 2011, totals \$5.4 billion, which includes both annual and biennial budgets. Of this amount, \$654.8 million, all annual, is appropriated for the General Fund; \$2,000.5 million, \$431.5 annual and \$1,569.0 biennial, for enterprise funds (including public transportation, solid waste and wastewater treatment); and \$1,145.1 million, \$868.4 annual and \$276.7 biennial, for special revenue funds (including public health, emergency medical services, human services, and road funds). The budget also includes \$833 million committed to capital improvements and for wastewater treatment, transit, roads, parks and other major public facilities. The General Fund current expense budget maintained a six percent budgetary undesignated fund balance as a percentage of revenues.

### **Other considerations**

King County will continue to face numerous challenges, including volatile energy prices, rising employee and programmatic healthcare costs, the cost of providing services to urban unincorporated areas, and the need to raise sufficient revenues to support utility, transit system, and general government activities.

Property taxes are the largest revenue source in the County General Fund at 40 percent of total General Fund revenues. The County Council approved property tax levy is limited to one percent growth each year plus the property tax on new construction.

The County continues an annexation initiative and will face operational and budgetary adjustments as annexations are completed. Ten major urban unincorporated areas are identified that, by County Planning Policies, should be incorporated into or annexed into cities by 2012. Incorporation or annexation is also encouraged by the Washington State Growth Management Act.

In 2011, the Juanita, Finn Hill, and Kingsgate areas were annexed by the City of Kirkland effective June 1, 2011. The completion dates of other major annexations are not currently known. The fiscal impacts of incorporation and annexation depend upon the revenue generating capacity of an area compared to its service demands.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide an overview of the County's financial activities for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Accountant, 500 Fourth Avenue Room 653, Seattle, WA 98104.





**CAFR**

**Basic  
Statements**

**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**  
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 907,896	\$ 1,012,948	\$ 1,920,844	\$ 236,624
Investments	-	-	-	37,761
Receivables, net	192,414	175,464	367,878	125,265
Due from primary government	-	-	-	1,357
Internal balances	(16,920)	16,920	-	-
Inventories	2,583	25,546	28,129	8,210
Prepayments and other assets	14,004	7,638	21,642	2,146
Capital assets				
Non-depreciable assets	1,950,849	1,709,586	3,660,435	47,870
Depreciable assets, net of depreciation	830,813	3,897,021	4,727,834	745,612
Deferred charges	7,487	32,853	40,340	-
Deposits with other governments	-	-	-	600
Regulatory assets - environmental remediation	-	48,536	48,536	-
Other utility assets	-	28,634	28,634	-
Other assets	-	823	823	2,718
<b>TOTAL ASSETS</b>	<b>3,889,126</b>	<b>6,955,969</b>	<b>10,845,095</b>	<b>1,208,163</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	73,940	86,243	160,183	63,844
Due to component unit	1,357	-	1,357	-
Accrued liabilities	40,586	102,567	143,153	38,291
Notes payable	16,547	140,795	157,342	-
Unearned revenues	41,319	11,709	53,028	5,021
Rate stabilization	-	76,500	76,500	-
Noncurrent liabilities				
Due within one year	236,645	85,424	322,069	5,302
Due in more than one year	1,205,052	4,029,895	5,234,947	49,785
<b>TOTAL LIABILITIES</b>	<b>1,615,446</b>	<b>4,533,133</b>	<b>6,148,579</b>	<b>162,243</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,925,686	1,618,931	3,544,617	757,169
Restricted for:				
Capital projects	68,998	608	69,606	-
Debt service	65,852	276,557	342,409	-
General government	36,984	-	36,984	-
Law, safety and justice	79,466	-	79,466	-
Physical environment	56,254	-	56,254	-
Transportation	23,654	-	23,654	-
Economic environment	41,878	-	41,878	-
Mental and physical health	77,677	-	77,677	-
Culture and recreation	13,904	-	13,904	-
Regulatory assets and environmental liabilities	-	32,017	32,017	-
Other purposes	-	2,414	2,414	-
Expendable	-	-	-	71,305
Nonexpendable	-	-	-	2,539
Unrestricted	(116,673)	492,309	375,636	214,907
<b>TOTAL NET ASSETS</b>	<b>\$ 2,273,680</b>	<b>\$ 2,422,836</b>	<b>\$ 4,696,516</b>	<b>\$ 1,045,920</b>

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

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Program Revenues	
				Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 201,532	\$ (47,622)	\$ 65,478	\$ 3,446	\$ 1,464
Law, safety & justice	574,150	20,216	155,857	24,815	-
Physical environment	77,525	1,246	43,607	8,595	1,210
Transportation	105,727	2,137	18,123	19,631	70,392
Economic environment	110,548	1,533	35,276	39,314	-
Mental & physical health	452,294	5,213	266,583	105,483	-
Culture & recreation	56,290	627	6,487	230	116
Interest and other					
debt service costs	51,670	-	1,695	5,524	-
Total governmental activities	<u>1,629,736</u>	<u>(16,650)</u>	<u>593,106</u>	<u>207,038</u>	<u>73,182</u>
Business-type activities:					
Airport	27,852	249	19,204	-	15,558
Public Transportation	704,726	12,223	244,511	61,374	127,892
Solid Waste	95,124	1,747	88,961	-	533
Water Quality	318,741	2,316	338,226	-	7,325
Institutional Network	3,028	46	2,864	-	-
Radio Communications Services	4,093	69	3,700	-	474
Total business-type activities	<u>1,153,564</u>	<u>16,650</u>	<u>697,466</u>	<u>61,374</u>	<u>151,782</u>
Total primary government	<u>\$ 2,783,300</u>	<u>\$ -</u>	<u>\$ 1,290,572</u>	<u>\$ 268,412</u>	<u>\$ 224,964</u>
<b>Component units</b>	<u>\$ 779,554</u>		<u>\$ 722,119</u>	<u>\$ 20,064</u>	<u>\$ 6,283</u>
General revenues					
Property taxes					
Retail sales and use taxes					
Business and other taxes					
Penalties and interest - delinquent taxes					
Interest earnings					
Transfers					
Total general revenues and transfers					
Change in net assets					
Net assets - January 1, 2011 (Restated)					
Net assets - December 31, 2011					

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
			Units Total
Governmental Activities	Business-type Activities	Total	
\$ (83,522)	\$	\$ (83,522)	\$
(413,694)		(413,694)	
(25,359)		(25,359)	
282		282	
(37,491)		(37,491)	
(85,441)		(85,441)	
(50,084)		(50,084)	
(44,451)		(44,451)	
(739,760)		(739,760)	
	6,661	6,661	
	(283,172)	(283,172)	
	(7,377)	(7,377)	
	24,494	24,494	
	(210)	(210)	
	12	12	
-	(259,592)	(259,592)	
(739,760)	(259,592)	(999,352)	
			(31,088)
595,285	22,629	617,914	-
180,948	399,812	580,760	-
40,498	-	40,498	-
21,889	-	21,889	-
8,194	6,884	15,078	4,710
505	(505)	-	-
847,319	428,820	1,276,139	4,710
107,559	169,228	276,787	(26,378)
2,166,121	2,253,608	4,419,729	1,072,298
\$ 2,273,680	\$ 2,422,836	\$ 4,696,516	\$ 1,045,920

King County, Washington

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011  
(IN THOUSANDS)**

	<b>GENERAL FUND</b>	<b>PUBLIC HEALTH FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 90,164	\$ 10,730	\$ 536,540	\$ 637,434
Taxes receivable - delinquent	7,192	-	9,467	16,659
Accounts receivable, net	11,766	615	26,102	38,483
Other receivables, net	-	-	473	473
Interest receivable	9,885	-	-	9,885
Due from other funds	6,835	3,377	24,512	34,724
Interfund short-term loans receivable	3,978	-	-	3,978
Due from other governments, net	42,878	21,205	55,919	120,002
Inventory of supplies	-	1,075	-	1,075
Prepayments	-	-	8,638	8,638
Advances to other funds	3,800	-	367	4,167
<b>TOTAL ASSETS</b>	<b>\$ 176,498</b>	<b>\$ 37,002</b>	<b>\$ 662,018</b>	<b>\$ 875,518</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,810	\$ 16,419	\$ 32,192	\$ 51,421
Due to other funds	5,097	175	31,378	36,650
Interfund short-term loans payable	-	-	13,684	13,684
Due to other governments	936	-	7,322	8,258
Due to component unit	-	-	1,357	1,357
Interest payable	-	-	1,850	1,850
Wages payable	14,915	4,071	7,322	26,308
Taxes payable	19	-	46	65
Bonds payable	-	-	3,420	3,420
Deferred revenues	15,535	8,529	37,405	61,469
Notes and contracts payable	-	-	16,547	16,547
Custodial accounts	2,418	244	5,429	8,091
Advances from other funds	-	-	667	667
<b>Total liabilities</b>	<b>41,730</b>	<b>29,438</b>	<b>158,619</b>	<b>229,787</b>
<b>Fund balances</b>				
Nonspendable fund balance	3,800	1,075	11,258	16,133
Restricted fund balance	3,309	4,319	411,439	419,067
Committed fund balance	23,694	-	77,227	100,921
Assigned fund balance	7,420	2,170	13,935	23,525
Unassigned fund balance	96,545	-	(10,460)	86,085
<b>Total fund balances</b>	<b>134,768</b>	<b>7,564</b>	<b>503,399</b>	<b>645,731</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 176,498</b>	<b>\$ 37,002</b>	<b>\$ 662,018</b>	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	2,395,493
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	30,598
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net assets.	69,096
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(867,238)
<b>Net assets of governmental activities</b>	<b>\$ 2,273,680</b>

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



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 276,387	\$ -	\$ 318,941	\$ 595,328
Retail sales and use taxes	87,329	-	93,619	180,948
Business and other taxes	8,175	-	32,261	40,436
Penalties and interest - delinquent taxes	21,889	-	-	21,889
Licenses and permits	4,563	13,186	9,069	26,818
Intergovernmental revenues	104,170	132,953	334,896	572,019
Charges for services	117,591	16,956	110,375	244,922
Fines and forfeits	8,169	-	466	8,635
Interest earnings	2,444	-	3,705	6,149
Miscellaneous revenues	14,537	6,325	37,511	58,373
<b>TOTAL REVENUES</b>	<b>645,254</b>	<b>169,420</b>	<b>940,843</b>	<b>1,755,517</b>
<b>EXPENDITURES</b>				
Current				
General government	96,106	-	61,109	157,215
Law, safety and justice	446,142	-	106,985	553,127
Physical environment	-	-	101,464	101,464
Transportation	-	-	114,028	114,028
Economic environment	417	-	111,265	111,682
Mental and physical health	23,577	193,116	250,716	467,409
Culture and recreation	-	-	53,260	53,260
Debt Service				
Principal	-	-	50,772	50,772
Interest and other debt service costs	-	3	30,667	30,670
Refunding bond issuance costs	-	-	234	234
Payment to escrow agent	-	-	41,722	41,722
Capital outlay	756	118	121,436	122,310
<b>TOTAL EXPENDITURES</b>	<b>566,998</b>	<b>193,237</b>	<b>1,043,658</b>	<b>1,803,893</b>
Excess (deficiency) of revenues over (under) expenditures	78,256	(23,817)	(102,815)	(48,376)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	936	24,550	131,541	157,027
Transfers out	(58,897)	(548)	(96,120)	(155,565)
General government debt issued	-	-	109,085	109,085
Premium on bonds sold	-	-	5,793	5,793
Refunding bonds issued	-	-	25,700	25,700
Sale of capital assets	10,300	7	6,834	17,141
Payment to refunded bonds escrow agent	-	-	(28,242)	(28,242)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(47,661)</b>	<b>24,009</b>	<b>154,591</b>	<b>130,939</b>
Net changes in fund balances	30,595	192	51,776	82,563
Fund balances - January 1, 2011 (Restated)	104,173	7,372	451,623	563,168
Fund balances - December 31, 2011	\$ 134,768	\$ 7,564	\$ 503,399	\$ 645,731

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

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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(IN THOUSANDS)**

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

Net change in fund balances - total governmental funds	\$ 82,563
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	89,520
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets.	(32,238)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,978
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(21,113)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(8,129)
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	(5,022)
Change in net assets of governmental activities	<u>\$ 107,559</u>

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

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes				
Property taxes	\$ 273,539	\$ 273,539	\$ 276,387	\$ 2,848
Retail sales and use taxes	80,524	80,524	87,329	6,805
Business and other taxes	7,215	7,215	8,175	960
Penalties and interest - delinquent taxes	17,700	17,700	21,889	4,189
Licenses and permits	3,968	3,968	4,563	595
Intergovernmental revenues	108,197	108,135	104,170	(3,965)
Charges for services	113,399	113,843	117,591	3,748
Fines and forfeits	10,107	10,107	8,169	(1,938)
Interest earnings	2,871	2,871	2,897	26
Miscellaneous revenues	15,841	15,840	14,537	(1,303)
Sale of capital assets	20	20	10,300	10,280
Transfers in	23	23	936	913
TOTAL REVENUES	633,404	633,785	656,943	23,158
EXPENDITURES				
Current				
General government services	100,518	104,673	97,281	7,392
Law, safety and justice	455,082	453,946	447,026	6,920
Economic environment	559	559	417	142
Mental and physical health	24,773	24,403	23,577	826
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	-	3
Capital outlay	771	1,176	1,151	25
Transfers out	42,885	68,367	58,897	9,470
TOTAL EXPENDITURES	624,625	653,161	628,349	24,812
Deficiency of revenues under expenditures (budgetary basis)	\$ 8,779	\$ (19,376)	28,594	\$ 47,970
Adjustment from budgetary basis to GAAP basis			2,001	(a)
Net change in fund balance			30,595	
Fund balance - January 1, 2011 (Restated)			104,173	
Fund balance - December 31, 2011			\$ 134,768	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized loss on investments on a GAAP basis			\$ (453)	
Adjustments to expenditures				
Encumbrances, not included in GAAP basis expenditures			2,454	
Adjustment from budgetary basis to GAAP basis			\$ 2,001	

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

**PUBLIC HEALTH FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Licenses and permits	\$ 12,618	\$ 12,638	\$ 13,186	\$ 548
Intergovernmental revenues	147,119	144,510	132,953	(11,557)
Charges for services	13,719	14,020	16,956	2,936
Miscellaneous revenues	15,316	17,525	6,325	(11,200)
Transfers in	24,465	24,527	24,550	23
Sale of capital assets	-	-	7	7
Total Revenues	213,237	213,220	193,977	(19,243)
EXPENDITURES				
Current				
Mental and physical health	211,694	212,051	193,169	18,882
Debt service				
Interest and other debt service costs	40	40	3	37
Capital outlay	955	581	118	463
Transfers out	548	548	548	-
Total Expenditures	213,237	213,220	193,838	19,382
Excess (Deficiency) of revenues over (under) expenditures (budgetary basis)	\$ -	\$ -	139	\$ 139
Adjustment from budgetary basis to GAAP basis - encumbrances			53	
Net change in fund balance			192	
Fund balances - January 1, 2011			7,372	
Fund balance - December 31, 2011			\$ 7,564	

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



**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets					
Cash and cash equivalents	\$ 381,921	\$ 4,052	\$ 75,508	\$ 461,481	\$ 263,283
Restricted cash and cash equivalents	18,326	234,673	360	253,359	2,198
Accounts receivable	18,259	33,274	6,453	57,986	605
Estimated uncollectible					
accounts receivable	(267)	-	(96)	(363)	(1)
Due from other funds	1,103	3,175	3,500	7,778	4,062
Interfund short-term loans receivable	49,289	-	-	49,289	-
Property tax receivable-delinquent	431	-	-	431	-
Due from other governments, net	113,406	-	3,582	116,988	946
Inventory of supplies	17,687	6,332	1,524	25,543	1,511
Prepayments and other assets	404	77	-	481	5,367
Total current assets	600,559	281,583	90,831	972,973	277,971
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	15,414	230,894	46,587	292,895	10,194
Due from other governments, net	22	325	-	347	122
Property tax receivable-delinquent	75	-	-	75	-
Total restricted assets	15,511	231,219	46,587	293,317	10,316
Capital assets					
Non-depreciable assets	289,572	1,302,788	117,226	1,709,586	20,396
Depreciable assets, net of depreciation	970,798	2,759,266	159,835	3,889,899	372,894
Total capital assets	1,260,370	4,062,054	277,061	5,599,485	393,290
Other noncurrent					
Prepayments	6,889	-	-	6,889	-
Notes receivable	823	-	-	823	-
Regulatory assets - environmental remediation	-	48,536	-	48,536	-
Other utility assets, net of accumulated depreciation	-	28,634	-	28,634	-
Deferred charges	915	31,878	60	32,853	3,905
Other assets	268	-	-	268	-
Total other noncurrent	8,895	109,048	60	118,003	3,905
Total noncurrent assets	1,284,776	4,402,321	323,708	6,010,805	407,511
TOTAL ASSETS	1,885,335	4,683,904	414,539	6,983,778	685,482

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

King County, Washington

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 2 OF 2)

	<b>BUSINESS-TYPE ACTIVITIES</b>				
	<b>PUBLIC TRANSPOR- TATION</b>	<b>WATER QUALITY</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 47,181	\$ 31,769	\$ 6,964	\$ 85,914	\$ 6,113
Retainage payable	3,925	1,274	492	5,691	125
Estimated claim settlements	-	-	-	-	95,811
Due to other funds	772	1,347	4,728	6,847	3,067
Interest payable	575	74,399	1,135	76,109	1,646
Interfund short-term loans payable	-	39,583	-	39,583	-
Wages payable	21,038	3,643	1,777	26,458	3,886
Compensated absences payable	7,537	405	153	8,095	661
Taxes payable	136	-	181	317	4
Unearned revenues	8,199	-	3,510	11,709	3,213
Environmental remediation - current portion	-	5,104	-	5,104	-
Revenue bonds payable	-	39,005	-	39,005	1,145
General obligation bonds payable	9,850	2,730	3,597	16,177	10,965
Capital leases payable	99	-	-	99	-
State revolving loan payable	-	8,599	-	8,599	-
Notes payable	-	100,000	40,795	140,795	-
Landfill closure and post-closure care liability	-	-	2,735	2,735	-
Other liabilities	-	-	104	104	1,995
Total current liabilities	99,312	307,858	66,171	473,341	128,631
Noncurrent liabilities					
Retainage payable	527	18	-	545	-
Rate stabilization	-	76,500	-	76,500	-
Compensated absences payable	44,391	10,799	5,927	61,117	11,932
Other postemployment benefits	5,895	856	718	7,469	1,256
Advances from other funds	3,500	-	-	3,500	-
General obligation bonds payable, net of unamortized premium, discount, and deferred amount on refunding loss	135,393	819,763	41,843	996,999	9,590
Revenue bonds payable	-	2,727,056	-	2,727,056	374,560
Capital leases payable	3,086	-	-	3,086	-
State revolving loans payable	-	120,677	-	120,677	-
Landfill closure and post-closure care liability	-	-	79,576	79,576	-
Estimated claim settlements	-	-	-	-	68,308
Environmental remediation	378	32,318	61	32,757	-
Other liabilities	-	-	428	428	-
Total noncurrent liabilities	193,170	3,787,987	128,553	4,109,710	465,646
<b>TOTAL LIABILITIES</b>	<b>292,482</b>	<b>4,095,845</b>	<b>194,724</b>	<b>4,583,051</b>	<b>594,277</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,121,571	298,014	192,224	1,611,809	2,596
Restricted for:					
Capital projects	608	-	-	608	300
Debt service	11,252	265,305	-	276,557	9,727
Regulatory assets and environmental liabilities	-	32,017	-	32,017	-
Other purposes	2,414	-	-	2,414	-
Unrestricted	457,008	(7,277)	27,591	477,322	78,582
<b>TOTAL NET ASSETS</b>	<b>\$ 1,592,853</b>	<b>\$ 588,059</b>	<b>\$ 219,815</b>	<b>2,400,727</b>	<b>\$ 91,205</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				22,109	
Net assets of business-type activities				<u>\$ 2,422,836</u>	

# King County, Washington

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2011 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES</b>					
I-Net fees	\$ -	\$ -	\$ 2,841	\$ 2,841	\$ -
Radio services	-	-	3,688	3,688	-
Solid waste disposal charges	-	-	83,057	83,057	-
Airfield fees	-	-	3,881	3,881	-
Hangar, building, and site rentals and leases	-	-	13,971	13,971	-
Reimbursement for services to tenants	-	-	956	956	-
Passenger	215,367	-	-	215,367	-
Special service contracts	8,620	-	-	8,620	-
Sewage disposal fees	-	280,907	-	280,907	-
Other operating revenues	19,844	56,523	185	76,552	433,785
Total operating revenues	243,831	337,430	108,579	689,840	433,785
<b>OPERATING EXPENSES</b>					
Personal services	393,564	41,839	47,171	482,574	88,557
Materials and supplies	74,952	10,473	7,332	92,757	10,770
Contract services and other charges	23,000	14,183	25,712	62,895	275,324
Utilities	5,824	13,183	4,119	23,126	-
Purchased transportation	53,202	-	-	53,202	-
Internal services	50,543	24,316	14,138	88,997	22,962
Environmental related amortization	-	2,376	-	2,376	-
Depreciation and amortization	102,863	108,385	17,376	228,624	18,132
Total operating expenses	703,948	214,755	115,848	1,034,551	415,745
OPERATING INCOME (LOSS)	(460,117)	122,675	(7,269)	(344,711)	18,040
<b>NONOPERATING REVENUES</b>					
Sales tax	399,812	-	-	399,812	-
Property tax	22,629	-	-	22,629	-
Intergovernmental	61,374	-	-	61,374	50
Interest earnings	2,973	2,824	1,033	6,830	2,099
DNR administration	-	-	3,529	3,529	-
Rental income	-	-	1,392	1,392	-
Other nonoperating revenues	680	717	1,229	2,626	-
Total nonoperating revenues	487,468	3,541	7,183	498,192	2,149
<b>NONOPERATING EXPENSES</b>					
Interest	5,098	103,807	2,970	111,875	19,860
DNR administration	-	-	5,496	5,496	-
(Gain) Loss on disposal of capital assets	2,779	3,900	3,369	10,048	(858)
Landfill closure and post-closure care	-	-	3,478	3,478	-
Other nonoperating expenses	8,950	144	1,444	10,538	745
Total nonoperating expenses	16,827	107,851	16,757	141,435	19,747
Income (loss) before contributions and transfers	10,524	18,365	(16,843)	12,046	442
Capital grants and contributions	127,892	7,311	16,565	151,768	1,411
Transfers in	-	-	420	420	231
Transfers out	(206)	(11)	(607)	(824)	(1,289)
<b>CHANGE IN NET ASSETS</b>	138,210	25,665	(465)	163,410	795
NET ASSETS - JANUARY 1, 2011	1,454,643	562,394	220,280		90,410
NET ASSETS - DECEMBER 31, 2011	\$ 1,592,853	\$ 588,059	\$ 219,815		\$ 91,205
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				5,818	
Change in net assets of business-type activities				\$ 169,228	

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





King County, Washington

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 1 OF 2)

	<b>BUSINESS-TYPE ACTIVITIES</b>				
	<b>PUBLIC TRANSPOR- TATION</b>	<b>WATER QUALITY</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 241,211	\$ 369,436	\$ 111,381	\$ 722,028	\$ 442,712
Cash payments to suppliers for goods and services	(209,351)	(89,356)	(55,989)	(354,696)	(320,888)
Cash payments for employee services	(391,564)	(41,573)	(46,856)	(479,993)	(86,971)
Other receipts	-	-	5,904	5,904	1,079
Other payments	-	-	(6,975)	(6,975)	-
Net cash provided (used) by operating activities	(359,704)	238,507	7,465	(113,732)	35,932
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating grants and subsidies received	480,508	-	-	480,508	50
Interfund loan principal amounts loaned to other funds	(49,289)	-	-	(49,289)	-
Interfund loan principal repayments from other funds	116,118	-	-	116,118	-
Interest paid on short-term loans	-	(1,581)	-	(1,581)	-
Interfund loan principal borrowed from other funds	-	39,583	-	39,583	-
Interfund loan principal repayment amounts	-	(96,313)	-	(96,313)	-
Grants to others	(8,950)	-	-	(8,950)	-
Transfers in	-	-	420	420	231
Transfers out	(206)	(11)	(607)	(824)	(1,289)
Net cash provided (used) by noncapital financing activities	538,181	(58,322)	(187)	479,672	(1,008)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(259,736)	(270,797)	(42,984)	(573,517)	(12,758)
Financing of environmental remediation	-	(3,930)	-	(3,930)	-
Proceeds from capital debt	-	802,892	-	802,892	2,190
Principal paid on capital debt	(9,584)	(535,876)	(6,031)	(551,491)	(11,710)
Interest paid on capital debt	(7,125)	(114,692)	(1,609)	(123,426)	(19,857)
Proceeds from short-term note	-	-	40,159	40,159	-
Assessment principal, interest, and penalties received	341	-	-	341	-
Deferred Cost	-	706	-	706	-
Capital grants and contributions	120,879	7,311	14,786	142,976	91
Other capitalized payments	-	-	(4,081)	(4,081)	-
Proceeds from disposal of capital assets	434	-	104	538	1,191
Net cash provided (used) by capital and related financing activities	(154,791)	(114,386)	344	(268,833)	(40,853)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	3,004	2,824	1,033	6,861	2,118
Proceeds from sales of investments	-	-	-	-	551
Net cash provided by investing activities	3,004	2,824	1,033	6,861	2,669
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	26,690	68,623	8,655	103,968	(3,260)
<b>CASH AND CASH EQUIVALENTS - JANUARY 1, 2011</b>	388,971	400,996	113,800	903,767	278,935
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31, 2011</b>	<u>\$ 415,661</u>	<u>\$ 469,619</u>	<u>\$ 122,455</u>	<u>\$ 1,007,735</u>	<u>\$ 275,675</u>

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 2 OF 2)

	<b>BUSINESS-TYPE ACTIVITIES</b>				<b>INTERNAL SERVICE FUNDS</b>
	<b>PUBLIC TRANSPOR- TATION</b>	<b>WATER QUALITY</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (460,117)	\$ 122,675	\$ (7,269)	\$ (344,711)	\$ 18,040
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Depreciation and amortization	102,863	110,760	17,376	230,999	18,132
Other nonoperating revenue/expense	-	-	(789)	(789)	-
Changes in assets - (increase) decrease					
Accounts receivable, net	(3,580)	(5,714)	2,832	(6,462)	1,179
Due from other funds	327	2,670	(1,143)	1,854	127
Due from other governments, net	2,971	9,550	135	12,656	(333)
Inventory of supplies	(225)	(574)	18	(781)	(114)
Prepayments	404	-	-	404	(2,757)
Changes in liabilities - increase (decrease)					
Accounts payable	(1,744)	(25,883)	(3,769)	(31,396)	(1,568)
Due to other funds	(244)	(721)	3	(962)	1,552
Retainage payable	(32)	(22)	272	218	5
Rate stabilization	-	25,500	-	25,500	-
Wages payable	609	(47)	(78)	484	256
Taxes payable	(14)	-	(13)	(27)	(6)
Unearned revenues	(2,324)	-	(90)	(2,414)	995
Claims and judgments payable	-	-	-	-	(2,237)
Estimated claim settlements	-	-	-	-	794
Compensated absences	108	130	242	480	1,069
Other postemployment benefits	1,267	183	151	1,601	261
Customer deposits and other liabilities	27	-	(413)	(386)	537
Total adjustments	100,413	115,832	14,734	230,979	17,892
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (359,704)</b>	<b>\$ 238,507</b>	<b>\$ 7,465</b>	<b>\$ (113,732)</b>	<b>\$ 35,932</b>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

Internal Service Funds received \$8,712 thousand of capital assets from other funds and transferred \$311 thousand of capital assets to other funds.

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2011**  
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 128,469
Assets held in trust - external investment pool	-	2,613,018
Assets held in trust - external impaired investment pool	-	9,486
Investments	2,621,446	500
Assets held in trust - individual investment accounts	-	103
Taxes receivable - delinquent	-	77,549
Accounts receivable	-	7,581
Interest receivable	1,161	-
Assessments receivable	-	6,171
Notes and contracts receivable	-	51
<b>TOTAL ASSETS</b>	<u>2,622,607</u>	<u>2,842,928</u>
<b>LIABILITIES</b>		
Warrants payable	-	83,330
Accounts payable	-	-
Wages payable	-	4,932
Custodial accounts - County agencies	-	61,209
Due to special districts/other governments	-	2,693,457
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 2,842,928</u>
<b>NET ASSETS</b>		
Held in trust for pool/individual investment account participants	<u>\$ 2,622,607</u>	

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(IN THOUSANDS)**

	<u><b>INVESTMENT TRUST FUNDS</b></u>
<b>ADDITIONS</b>	
Contributions	\$ 5,732,801
Net investment earnings	
Interest	17,181
Increase in the fair value of investments	<u>3,280</u>
<b>TOTAL ADDITIONS</b>	5,753,262
<b>DEDUCTIONS</b>	
Distributions	<u>5,790,509</u>
Change in net assets	(37,247)
Net assets - January 1, 2011	<u>2,659,854</u>
Net assets - December 31, 2011	<u><u>\$ 2,622,607</u></u>

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

**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**DECEMBER 31, 2011**  
(IN THOUSANDS)

	<b>Harborview Medical Center</b>	<b>WSMLB Stadium Public Facilities District</b>	<b>Cultural Development Authority</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 216,238	\$ 3,755	\$ 16,631	\$ 236,624
Investments	-	-	37,761	37,761
Receivables, net	124,757	27	481	125,265
Due from primary government	-	-	1,357	1,357
Inventories	8,210	-	-	8,210
Prepayments	2,145	1	-	2,146
Non-depreciable assets	9,446	38,424	-	47,870
Depreciable assets, net of depreciation	387,056	358,556	-	745,612
Deposits with other governments	600	-	-	600
Other assets	2,718	-	-	2,718
Total assets	<u>751,170</u>	<u>400,763</u>	<u>56,230</u>	<u>1,208,163</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	63,454	75	315	63,844
Accrued liabilities	38,291	-	-	38,291
Unearned revenues	-	-	5,021	5,021
Noncurrent liabilities				
Due within one year	1,573	3,271	458	5,302
Due in more than one year	20,684	27,569	1,532	49,785
Total liabilities	<u>124,002</u>	<u>30,915</u>	<u>7,326</u>	<u>162,243</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	391,029	366,140	-	757,169
Restricted for:				
Expendable	20,497	-	50,808	71,305
Nonexpendable	2,539	-	-	2,539
Unrestricted	213,103	3,708	(1,904)	214,907
Total net assets	<u>\$ 627,168</u>	<u>\$ 369,848</u>	<u>\$ 48,904</u>	<u>\$ 1,045,920</u>

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



**STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(IN THOUSANDS)**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Harborview Medical Center	\$ 757,149	\$ 718,294	\$ 7,011	\$ 3,036
WSMLB Stadium	14,306	3,805	-	3,247
Cultural Development Authority	8,099	20	13,053	-
Total component units	<u>\$ 779,554</u>	<u>\$ 722,119</u>	<u>\$ 20,064</u>	<u>\$ 6,283</u>
General revenues				
Interest earnings				
Change in net assets				
Net assets - January 1, 2011 (Restated)				
Net assets - December 31, 2011				

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



<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Harborview Medical Center</b>	<b>WSMLB Stadium Public Facilities District</b>	<b>Cultural Development Authority</b>	<b>Total</b>
\$ (28,808)	\$ -	\$ -	\$ (28,808)
-	(7,254)	-	(7,254)
-	-	4,974	4,974
(28,808)	(7,254)	4,974	(31,088)
2,494	45	2,171	4,710
(26,314)	(7,209)	7,145	(26,378)
653,482	377,057	41,759	1,072,298
<u>\$ 627,168</u>	<u>\$ 369,848</u>	<u>\$ 48,904</u>	<u>\$ 1,045,920</u>

## Notes to the Financial Section

For the Year Ended December 31, 2011

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## Note 1

### Summary of Significant Accounting Policies

#### The Reporting Entity

The reporting entity "King County" consists of King County Government as the primary government, the Harborview Medical Center (HMC), the Washington State Major League Baseball Stadium Public Facilities District (PFD), and the Cultural Development Authority of King County (CDA) as "discretely presented" component units. "Blended" component units include the King County Ferry District, the Flood Control Zone District, and four Building Development and Management Corporations. Most funds in this report pertain to the entity King County Government or component units. Certain agency funds, referred to as Agency Funds – Special Districts/Other Governments, pertain to the County's custodianship of assets belonging to independent governments and special districts. Under the County's Home Rule Charter, the King County Executive is the *ex officio* treasurer of all special districts of King County, other than cities and towns and the Port of Seattle. Pursuant to County ordinance, the Director of the Finance and Business Operations Division (FBOD) is responsible for the duties of the comptroller and treasurer. Money received from or for the special districts is deposited in a central bank account. The Director of the FBOD invests or disburses money pursuant to the instructions of the respective special districts.

#### Component Units – Discretely Presented

##### Harborview Medical Center (HMC)

The Harborview Medical Center (HMC), a 413 licensed-bed hospital with extensive ambulatory services, is located in Seattle, Washington. HMC is managed by the University of Washington (UW). The HMC Board of Trustees is appointed by the County Executive. The County Director of the Finance and Business Operations Division is the Treasurer of HMC. The management contract between the HMC Board of Trustees and the UW Board of Regents recognizes the Trustees' desire to maintain HMC as a means of meeting the King County Government's obligation to provide the community with a resource for health services, and UW's desire that HMC be maintained as a continuing resource for education, training, and research. The general conditions of the management contract specify that King County

retains title to all real and personal property acquired for King County with HMC capital or operating funds. The Trustees determine major institutional policies and retain control of programs and fiscal matters. The Trustees agree to secure UW's recommendations on any changes to the above. The Trustees are accountable to the public and King County Government for all financial aspects of HMC's operation and agree to maintain a fiscal policy that keeps the operating program and expenditures of HMC within the limits of operating income.

HMC is a component unit of the County for the following reasons: (1) it is a separate legal entity having its own corporate powers; (2) the County Executive appoints HMC's Board of Trustees, who may be removed only for statutorily defined causes and subject to legal appeal; and (3) although the County cannot impose its will on HMC, the unit creates a financial burden on the County because the County is responsible for the issuance and debt service of all general obligation bonds for HMC capital improvements. HMC's financial presentation is on the discrete component unit basis because the County and HMC's governing bodies are not substantively the same, and HMC does not provide services solely to King County. HMC financial data is as of its fiscal year-end, June 30, 2011, rather than the County's fiscal year-end of December 31, 2011.

The primary classification of HMC is that of a component unit, however the County is the issuer of HMC's general obligation bonds. Note 15 reports on all the general obligation bonds issued by the County as of December 31, 2011, including bonds reported by HMC as a component unit as of June 30, 2011.

HMC hires independent auditors and prepares its own audited financial statements. These statements may be obtained from the Finance Section of the Harborview Medical Center, 325 9th Ave., Seattle, Washington, 98104.

##### Washington State Major League Baseball Stadium Public Facilities District (PFD)

The Washington State Major League Baseball Stadium Public Facilities District (PFD) is the agency created by the Metropolitan King County Council (Ordinance 12000) on October 24, 1995, as authorized under chapter 36.100 Revised Code of Washington (RCW). The PFD operates as a

municipal corporation of the State of Washington and was formed to site, design, build, and operate a major league baseball park. The PFD is governed by a seven-member board of directors, four of whom are appointed by the County Executive. The other three are appointed by the Governor of the State of Washington. The County, as the *ex officio* treasurer for the PFD, maintains several funds to account for construction, debt redemption, and special revenue collection. Construction was financed by 1997 general obligation bond issues and contributions from the Baseball Club of Seattle. Debt service on the bonds is supported by sales and use taxes, special lottery proceeds, special license plate sales, and an admissions tax. The stadium was completed in 1999 and is reported as an asset of the PFD.

The PFD is a component unit of the County for the following reasons: (1) it is a separate legal entity; (2) a majority of its board of directors (4 of 7) are appointed by the County Executive; and (3) there exists an indirect financial burden relationship between the PFD and the County since the County issued the bonds for the construction of the stadium, thereby making the County ultimately responsible for the debt. The PFD's financial statements are discretely presented because the two governing boards are not substantively the same, and the PFD does not provide services solely to King County government.

The PFD reports on a fiscal year-end consistent with the King County primary government. It issues its own financial statements, which are audited by the State Auditor. These statements may be obtained from the Public Facilities District, P.O. Box 94445, Seattle, Washington 98124.

#### Cultural Development Authority of King County (CDA)

The Cultural Development Authority of King County (CDA) is a public authority organized pursuant to chapter 35.21 RCW and King County Ordinance 14482. The CDA commenced operations on January 1, 2003, and began doing business as "4Culture" effective April 4, 2004. It was created to support, advocate for, and preserve the cultural resources of the region in a manner that fosters excellence, vitality, and diversity.

The CDA is located in Seattle, Washington, and is governed by a 15-member board of directors and five *ex officio* members. The directors are appointed by the County Executive and confirmed by the County Council. The CDA receives various funds

from King County and other sources that are designated for arts, cultural, and public art use, including a portion of the revenue generated by the King County lodging tax and one percent of King County expenditures for certain construction projects.

The CDA is a component unit of the County for the following reasons: (1) it is a separate legal entity (public authority); (2) the CDA's board of directors is appointed by the County Executive (from a nonrestrictive pool of candidates) and confirmed by the County Council; and (3) the County is able to impose its will on the CDA, for example, the County has the power to remove a director from the CDA board and the power to dissolve the CDA. The CDA's financial presentation is as a discrete component unit because the County and CDA's governing bodies are not substantively the same and the CDA does not provide services solely to King County.

The CDA reports on a fiscal year-end consistent with the King County primary government. It issues its own financial statements, which are audited by the State Auditor. These statements may be obtained from the Cultural Development Authority of King County at 4Culture, 101 Prefontaine Place South, Seattle, Washington 98104.

#### **Component Units – Blended**

##### King County Ferry District

The King County Ferry District (KCFD) was created under the authority of chapter 36.54 RCW to expand local transportation options through water taxi services. By statute, the King County Council serves as the Board of Supervisors for the KCFD.

The KCFD is a component unit of the County for the following reasons: (1) it is a legally separate entity established as a quasi-municipal corporation and independent taxing authority; (2) King County appoints the voting majority of the KCFD board because the County Council members are the *ex officio* supervisors of the KCFD; and (3) the County can impose its will on the KCFD. The KCFD financial presentation is on a blended basis because the two governing boards are substantively the same. It issues its own financial statements, which are audited by the State Auditor. Financial statements for the KCFD are included with other Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR. Independently audited statements for the KCFD can be obtained from

Francis & Company, PLLC, 701 Dexter Avenue N, Suite 404, Seattle, WA 98109.

#### Flood Control Zone District

The Flood Control Zone District (FCZD) was created under the authority of chapter 86.15 RCW to manage, plan, and construct flood control facilities within district boundaries. By statute, the King County Council serves as the Board of Supervisors for the FCZD.

The FCZD is a component unit of the County for the following reasons: (1) it is a legally separate entity established as quasi-municipal corporation and independent taxing authority; (2) King County appoints the voting majority of the FCZD board because the County Council members are the *ex officio* supervisors of the FCZD; and (3) the County can impose its will on the FCZD. The FCZD financial presentation is on a blended basis because the two governing boards are substantively the same. It issues its own financial statements, which are audited by the State Auditor. Financial statements for the FCZD are included with other Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR. Independently audited statements for the FCZD can be obtained from Francis & Company, PLLC, 701 Dexter Avenue N, Suite 404, Seattle, WA 98109.

#### Building Development and Management Corporations

King County has project lease agreements with four Washington state nonprofit corporations, each a single-purpose entity created to assist the County in the development and construction of public buildings. Each agreement provides for the design and construction of a specific building to be financed with bonds (majority of which are tax-exempt) issued on behalf of the County by each of the corporations in accordance with IRS Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the agreements, the buildings are leased by the County from the nonprofit corporations with guaranteed monthly rent payments throughout the term of the lease or until the bonds are fully retired, after which ownership transfers to the County.

These nonprofit corporations are recognized as component units of the County in accordance with GASB Statement 14. Although they have independently-appointed boards, the nature and significance of their relationships with the County's

primary government are such that their exclusion would cause the King County reporting entity's financial statements to be misleading or incomplete. Because they provide services exclusively to the County, these corporations are reported using the blended method. A single internal service fund, the Building Development and Management Corporations Fund, is used to report the combined activities of the corporations.

The nonprofit corporations and the related buildings under their management include: (1) CDP-King County III for the King Street Center building; (2) Broadway Office Properties for the Patricia Steel Memorial building; (3) Goat Hill Properties for the Goat Hill Parking Garage and the Chinook Building; and (4) NJB Properties for the Ninth & Jefferson Building. Separately issued and independently audited financial statements may be obtained from the National Development Council, 1425 4th Avenue, Suite 608, Seattle, WA 98101.

#### Joint Venture

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act of 1998. It functions as the United States Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because of potential liability to grantors for disallowed costs. If expenditure of funds is disallowed by a grantor agency, the WDC can recover the funds from (in order): (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, from King County and the City of Seattle, each responsible for one-half of the disallowed amount. As of December 31, 2011, there are no outstanding program eligibility issues that might lead to a liability on the part of King County.

The WDC contracts with King County to provide programs related to dislocated workers, welfare to work, and workforce centers. For 2011, the WDC reimbursed King County approximately \$5 million

for the Work Training Program in eligible program costs.

Separately issued and independently audited financial statements may be obtained from the Workforce Development Council, 2003 Western Avenue, Suite 250, Seattle, Washington 98121.

### **Jointly governed organization**

The Washington State Convention Center (WSCC) public facilities district was created in July 2010 to acquire, own and operate the convention and trade center transferred from the state-controlled nonprofit corporation that owned the original WSCC. As of December 31, 2011, the transfer of assets to the WSCC public facilities district has been completed and new debt has been issued by the district to replace the State's outstanding bonds related to the WSCC. The district's initial board of directors consists of those nine directors who served at the time of the district's creation. Following the expiration of the terms of the initial board, three members will be nominated by the County Executive subject to confirmation by the County Council, three members will be nominated by the City of Seattle, and three members will be appointed by the Washington state governor. Because there is equal representation in the governance of the district among the two local governments and the state, and because the participant governments do not retain any ongoing financial interest, the WSCC public facilities district is a jointly governed organization.

### **Related Organizations**

Three entities are classified as related organizations because they are legally separate entities, though each is related to King County. These are the King County Library System (KCLS), the Library Capital Facility District (LCFD), and the King County Housing Authority (KCHA). The County Council appoints a majority of the board of the KCLS and the KCHA and selected Councilmembers make up the three-member board of the LCFD. There is no evidence that the County Council can influence the programs and activities of these three organizations or that they create a significant financial benefit or burden to the County. For these reasons, they are related organizations.

The County serves as the treasurer for the KCLS and the LCFD, providing services such as tax collection

and warrant issuance. Due to this fiduciary relationship, these districts are reported as agency funds to distinguish them from County funds.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule include interfund services provided and used between functions which are not eliminated because to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function. 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 services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. Indirect expenses that have been allocated from general government to various functional activities are reported in a separate column. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate 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 in separate columns in the fund financial statements. The County also has 65 nonmajor Special Revenue and Capital Projects funds that are combined into 17 roll-up funds.

### Major Governmental Funds

The County reports two major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in other funds.

The Public Health Fund is used to finance health service centers located throughout King County and public health programs. The Public Health Fund supports clinical health services/primary care assurance, management and business practice, population and environmental health services, and targeted community health services.

### Major Proprietary Funds

The County reports two major proprietary funds:

The Public Transportation Enterprise accounts for the operations, maintenance, capital improvements, and expansion of public transportation facilities in King County under the King County Metro Transit Division. Primary revenue sources include sales tax and passenger service fees. Construction and fleet replacement are funded through sales tax, bond issuance, and federal grants.

The Water Quality Enterprise accounts for the operations, capital improvements, and maintenance of the County's water pollution control facilities. The enterprise has three large treatment plants, the recently constructed Brightwater Treatment Plant that came online in 2011, the West Point Treatment Plant in Seattle, and the South Treatment Plant in Renton, as well as two smaller facilities, the Carnation and Vashon Island Treatment Plants.

### Nonmajor Governmental Funds

Special Revenue Funds are used to account for a variety of County programs including alcohol and substance abuse, the arts, an automated fingerprint identification system, community development, road maintenance, emergency medical services, the enhanced 911 emergency telephone system, local hazardous waste management, mental health services, parks, surface water management, and other services.

Debt Service Funds are used by the County to account for the accumulation of resources for, and the payment of, principal and interest on the County's general obligation bonds, and special assessment debt for certain Districts.

Capital Projects Funds are used to account for the acquisition, construction, and improvement of major capital assets and other capital-related activities such as infrastructure preservation, major maintenance of building facilities, office space leasing, storm management projects, technology systems, arts and historic preservation, and other projects.

### Nonmajor Proprietary Funds

Enterprise Funds are used to account for the County's business-type operations, including the King County International Airport, solid waste disposal facilities, and other services.

Internal Service Funds are used to account for the provision of motor pool, data processing, risk management, construction and facilities management, financial, employee benefits program, and other services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The Wastewater Equipment Rental Fund was established to serve the Water Quality Enterprise. This fund is reported under business-type activities in the government-wide statements.

### Fiduciary Funds

Investment Trust Funds are used to report investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities that are not part of the County's reporting entity.

King County recognizes two major classifications of Agency Funds: (1) those used with the operations of county government, such as the Undistributed Taxes Fund and the Accounts Payable Clearing Fund; and (2) those which account for cash received and disbursed in the County's capacity as *ex officio* treasurer or collection agent for special districts and other governments, such as school districts and fire districts.

### Bases of Accounting, Measurement Focus, 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 related cash

flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of, the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. User fees (sewage fees, passenger fares, disposal charges, etc.) charged by the County's enterprise funds for the use of its business-type facilities and charges for services of internal service funds are classified as operating revenues. Rental income is operating revenue to the Airport enterprise, whose principal operation is leasing real property. The corresponding costs of service provision and delivery, including direct administration costs, depreciation or amortization of capital assets, and other allocations of future costs to current year operations (e.g., landfill post-closure, other postemployment benefits), comprise operating expenses. All other revenues and expenses not meeting this definition are reported as nonoperating.

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

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 County considers revenues, such as retail sales and use taxes, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are

generally recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payments are due.

## **Terminology**

### **Expenditure Functions**

General Government Services – Provided by the legislative and administrative branches of the government entity for the benefit of the public or governmental body as a whole. This function includes the County Council, County Executive, Office of Management and Budget, Office of Information Resources Management, Records and Licensing Services, Elections, and Assessments.

Law, Safety and Justice – Essential to the safety of the public, including expenditures for law enforcement, detention and/or correction, judicial operations, protective inspections, emergency services, and juvenile services. This function includes the Sheriff's Office, Prosecuting Attorney, Superior Court, District Court, Public Defense, Judicial Administration, Adult and Juvenile Detention, and Emergency Medical Services.

Physical Environment – Provided to achieve a satisfactory living environment for the community and the individual. This function includes Natural Resources, River Improvement, Animal Control, Surface Water Management, and River and Flood Control Construction.

Transportation – Provided by the governmental entity for the safe and adequate flow of vehicles and pedestrians that includes expenditures for road and street construction, maintenance, transportation facilities and systems, and general administration. This function includes Road Services, Arterial Highway Development, Renton Maintenance Facilities, and county road construction.

Economic Environment – Provided for the development and improvement of the welfare of the community and individual. This function includes expenditures for employment opportunity and development, veterans' services, child-care services, and services for the aging and disabled. This function includes Veterans' Relief, Youth Employment Programs, Office of Aging, Women's Programs, Development and Environmental Services, and Planning and Community Development.



Mental and Physical Health – Provided to promote healthy people and healthy communities by preventing and treating mental, physical, and environmentally induced illnesses. This function includes expenditures for community mental health, communicable diseases, environmental health, public health clinics and programs, alcoholism treatment, drug abuse prevention, programs for the mentally disabled and mentally ill, the medical examiner, hospitals, and jail health services. This function also includes regional hazardous waste management.

Culture and Recreation – Provided to increase the individual's understanding and enjoyment that includes expenditures for education, libraries, community events, parks, and cultural facilities. This function includes Parks, Cooperative Extension Service, and various Park Capital Project Funds.

Debt Service – Accounts for the redemption of general long-term debt principal and interest and other debt service costs in the General, Special Revenue, Debt Service, and Capital Projects Funds and payments to escrow agents other than refunding bond proceeds.

Capital Outlay – Accounts for expenditures related to capital projects and expenditures for capital assets acquired by outright purchase and by capital lease financing agreements.

**Certain Accounts are Grouped on the Statement of Net Assets:**

- The asset account *Receivables, net* combines Taxes receivable – delinquent; Accounts receivable, net; Other receivables, net; Interest receivable; Notes and contracts receivable; and Due from other governments, net.
- The asset account *Deferred charges* combines Deferred – environmental remediation costs, Deferred charges – issuance costs, and Due from employees.
- The liability account *Accounts payable and other current liabilities* combines Accounts payable, Due to other governments, Taxes payable, Contracts payable, Custodial accounts, and other liabilities.
- The liability account *Accrued liabilities* combines Wages payable and Interest payable.

- The liability account *Noncurrent liabilities* includes Claims and judgments payable, Estimated claim settlements, General obligation bonds, Special assessment bonds, Revenue bonds payable, Excess earnings liabilities, Capital leases, State revolving loans payable, Compensated absences, Environmental and property remediation, Unamortized premium or discount on bonds sold, Deferred charges – refunding losses, and other liabilities.

**Cash and Cash Equivalents**

Cash and cash equivalents consists of: Cash and pooled investments, Petty cash/change funds, Cash with escrow agent, and Cash held in trust.

All County funds and most component units and special districts participate in the King County Investment Pool (the Pool) maintained by the King County Treasury Operations Section. (See Note 4 - "Deposits and Investments.") The Pool consists of internal and external portions. For Pool participants, the Pool functions essentially as a demand deposit account where participants receive an allocation of their proportionate share of pooled earnings. Each fund's equity share of the internal portion of the Pool's net assets is reported on the balance sheet as Cash and cash equivalents and reflects the change in fair value of the corresponding investment securities. Included in the internal portion of the Pool is the investment of short-term cash surpluses not otherwise invested by individual funds. The interest earnings related to investment of short-term cash surpluses that are not pool participants are allocated to the General Fund in accordance with legal requirements and are used in financing general County operations.

**Investments (See Note 4 – "Deposits and Investments")**

In addition to pooled investments described under Cash and cash equivalents, King County holds other investments in qualified public depositories for County government and special districts for which, either by Washington state law or by contract, King County is the custodian. Money is invested as directed by the governing authority for the fund or agency and proceeds are returned to the investing fund.

Investments purchased for individual funds are reported as investments, regardless of length of maturity. Those attributed to both the external

portion of the Pool and those in individual investment accounts are classified as "Investments" in separate investment trust funds. Statements of participants in the Pool's internal portion report pooled investments as cash equivalents. Statements of participants in the external portion report pooled investments as "Assets held in trust – external investment pool." Special district funds with individual investment accounts report their portion of net assets as "Assets held in trust – individual investment accounts." Investments are reported at fair value in compliance with the GASB Codification, Section 150.105, which provides for reporting investments of governmental entities using fair value. Fair value is the amount at which a financial instrument could be exchanged in a transaction between willing parties, other than in a forced or liquidation sale. See Note 4 - "Deposits and Investments."

### **Receivables**

#### **(See Note 5 - "Receivables")**

Receivables include charges for services rendered by the County or intergovernmental grants. All unbilled service receivables are recorded at year-end. The provisions for estimated uncollectible receivables are reviewed and updated at year-end. These provisions are estimated based on an analysis of an aging of the year-end Accounts receivable balance and/or the historical rate of uncollectibility.

Taxes Receivable – Property taxes levied for the current year are recorded on the balance sheet as Taxes receivable and Deferred revenues. Property taxes are recognized as revenue when collected in cash at which time the balance sheet accounts, Taxes receivable and Deferred revenues, are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end all uncollected property taxes are reported on the balance sheet as Taxes receivable – delinquent and Deferred revenues.

Abatements Receivable – This account records the unpaid abatement costs due the County from violations reported by the Code Enforcement Section on property within the County. Revenue is recognized when payment is received. Abatement costs may be certified to the property tax parcel; as a result, these costs might not be paid until the property is sold, which may take years.

Civil Penalties Receivable – This account records the unpaid civil penalty costs due the County from violations reported by the Code Enforcement Section within the County. Revenue is recognized when payment is received. Liens may be filed by the County against the property and are released once the penalties have been paid.

Assessments Receivable – In the governmental funds, unpaid assessments are reported in three accounts: Current, Delinquent, and Deferred. Current assessments are those due within one year, Delinquent assessments are past due, and Deferred assessments are due in the future. Revenues from the assessments are recognized as they become current; that is, both measurable and available to finance expenditures of the current period.

Short-term Interfund Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund short-term loans receivable/payable," (the current portion of interfund loans), or "Advances to/from other funds," (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

Advances to/from Other Funds – Noncurrent portions of long-term interfund loans are reported as Advances. In governmental funds they are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and are not available for appropriation.

### **Inventories**

Inventories of governmental funds are recorded using the consumption method; expenditures are recognized when inventories are actually consumed. Proprietary funds expense inventories when used or sold. The first-in, first-out (FIFO) valuation method is used by the Solid Waste, King County International Airport, Radio Communications, Construction and Facilities Management, and Public Health Funds. The Weighted Average valuation method is used by the Motor Pool Equipment Rental Fund, Public Works Equipment Rental Fund, and the Public Transportation and Water Quality Enterprises.

### **Prepayments**

Payments made to vendors for goods or services that will benefit future periods are recorded as prepaid items.

### **Capital Assets (See Note 7 – “Capital Assets”)**

Capital assets include: Land (fee simple land, rights-of-way and easements, and farmland development rights); Infrastructure (roads and bridges network); Buildings; Improvements other than buildings; Furniture, machinery and equipment; and Work in progress. General capital assets, including those in internal service funds that support governmental funds, are reported in the governmental column of the government-wide Statement of Net Assets. Capital assets of enterprise funds, including those in internal service funds that exclusively support enterprise funds, are reported in the business-type column of the government-wide Statement of Net Assets. Enterprise and internal service fund capital assets are also reported in the individual proprietary fund Statement of Net Assets. The capitalization threshold in the King County Primary Government is \$5 thousand for furniture, machinery and equipment, \$25 thousand for software, and \$50 thousand for buildings, building improvements, and other improvements.

Because the County is committed to maintaining the infrastructure indefinitely, it has elected to use the modified approach to infrastructure reporting in lieu of the depreciation method. The County is eligible to use the modified approach because it has an asset management system in place that allows for constant monitoring of the infrastructure to

ensure that assets are maintained and preserved at the predetermined condition level set by the Road Services Division. The asset management system tracks the mileage, condition, and the actual and planned maintenance and preservation costs of individual infrastructure assets.

Certain equipment and facilities used in the Solid Waste Enterprise landfill closure and post-closure activities are not reported as capital assets. Instead, the liability for landfill post-closure care is reduced by the extent of these costs.

Capital assets are valued at historical cost or estimated historical cost where actual historical cost is not available. Donated capital assets are valued at their estimated fair market value at the time of donation. Expenditures for normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item, or extend its useful life beyond the original estimate, are expensed as incurred. Expenditures for repairs and upgrades that materially add to the value or life of an asset are capitalized. Costs incurred to extend the life of governmental infrastructure assets are considered preservation costs and are therefore not capitalized.

Capital assets other than land, infrastructure, and artwork are depreciated in accordance with GASB Statement No. 34. As with business-type capital assets, provision is made for depreciation over the estimated useful lives of the depreciable assets using the straight-line method.

Using the straight-line method, capital assets and their components are depreciated over their estimated useful lives as follows:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings - constructed	40 - 60 years
Buildings - transfer stations, shops, scales offices, etc.	10 - 30 years
Buses and trolleys	12 - 18 years
Cars, vans, and trucks	5 - 10 years
Data processing equipment	3 - 10 years
Downtown transit tunnel	50 years
Heavy equipment	7 - 20 years
Medical and office equipment, software	3 - 25 years
Sewer lines	50 years
Shop equipment	5 - 20 years
Telecommunications equipment	3 - 20 years

### **Deferred Charges**

The government-wide financial statements and proprietary fund types in the fund financial statements defer expenditures for debt issuance, which are amortized over the life of the respective bond issues. The Public Transportation Enterprise includes certain amounts due from employees as deferred charges. The Water Quality Enterprise defers environmental remediation costs, which are amortized over 40 years. The Building Development and Management Corporations Fund defers organizational startup costs and amortizes over 5 years. Both the government-wide and proprietary fund types in the fund financial statements defer bond premiums, discounts, and refunding losses, which are reported in the Statement of Net Assets under Noncurrent liabilities and in the fund financial statements under Long-term liabilities.

### **Deferred Revenues**

Deferred revenues include: (1) amounts collected before revenue recognition criteria are met, such as deferred parks program revenue and building and land development permit fees; (2) receivables and uncollected delinquent taxes that, under the modified accrual basis of accounting, are measurable but not yet available; and (3) a Water Quality Enterprise rate stabilization reserve (see next section on regulatory deferrals).

### **Regulatory Deferrals**

The King County Council has taken various regulatory actions resulting in differences between the recognition of revenues for rate-making purposes in the Water Quality Enterprise fund and their treatment under generally accepted accounting principles for nonregulated entities. Currently, the Water Quality Enterprise is authorized to apply the accounting treatment of costs under the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 71 (FAS 71), *Accounting for the Effects of Certain Types of Regulation*. Water Quality meets FAS 71 criteria because the rates for its services are regulated by the King County Council, and the regulated rates chargeable to its customers are designed to recover the enterprise's allowable costs of operations.

**Rate Stabilization** – The County Council established a Rate Stabilization Reserve in the Water Quality Enterprise fund. This allows for deferral of certain operating revenues as a liability to be recognized in subsequent years through amortization in order to maintain stable sewer rates.

**Regulatory Assets** – In 2006, the County Council approved the application of FAS 71 to treat pollution remediation obligations as regulatory assets to allow for cost recovery through future rate increases. The portion of regulatory asset costs that

have been accrued is being amortized over a recovery period of 30 years.

### **Rebatable Arbitrage**

The County's tax-exempt debt is subject to arbitrage restrictions as defined by the Internal Revenue Code. All of the County's bonded debts are tax-exempt except certain taxable debts as identified in Note 15 - "Debt." Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government except when spending exceptions rules are met. The County does not recognize a liability for arbitrage at the fund level unless this liability is due and payable at the end of the year. At the government-wide level, the liability is recognized during the period the excess interest is earned.

### **Compensated Absences**

Eligible King County employees earn 12 days of sick leave and 12 to 30 days of vacation per year. An unlimited amount of sick leave and a maximum of 60 days of vacation may be carried over at year-end. An employee leaving employment at King County is entitled to be paid for unused vacation leave and, if leaving employment due to death or retirement, for 35 percent of the value of unused sick leave. For reporting purposes, a variety of factors are used to estimate the portion of the accumulated sick leave that is subject to accrual.

A liability is accrued for estimated excess compensation liabilities to the Washington State Department of Retirement Systems based on an employee's accrued vacation and sick leave. An excess compensation liability is incurred when an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a cashout of unused annual leave in excess of 240 hours and a cashout of any other form of leave.

All vacation pay liability and a portion of sick leave liability is accrued in the government-wide and proprietary statements.

### **Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the applicable

governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, refunding losses, as well as issuance costs, are deferred and amortized over the life of the bonds using outstanding principal balance method. Bonds payable are reported net of the applicable bond premium or discount. Bond refunding losses and issuance costs are reported as deferred charges and amortized over the term of the related debt. See Note 15 - "Debt" for further information.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, as well as bond issuance cost, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are 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.

### **Fund Equity**

In the fund financial statements beginning in 2011, governmental funds began classifying fund balance based on the relative strengths of the constraints for which the amounts can be spent. Reserves and designations are no longer reported externally to comply with a new accounting standard as discussed in the next section.

If funds consist of multiple components of fund balance, the County's spending prioritization policy is to use restricted fund balance first before unrestricted; and within unrestricted, in the following order: committed, assigned, and unassigned.

### **New Accounting Standard**

In February 2009, Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by (1) clarifying existing governmental fund type definitions, and (2) providing clearer fund balance classifications that can be more consistently applied. The provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented. The statement is effective for reporting periods beginning June 15, 2010, and was adopted by the County in 2011.

## Note 2

### Reconciliation of Government-wide and Fund Financial Statements

#### Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets (in thousands):

The governmental funds balance sheet includes reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

Bonds payable	\$ 734,327
Less: Deferred charge on refunding (to be amortized as interest expense)	(11,411)
Deferred charge for issuance costs (to be amortized over the life of the debt)	(3,582)
Plus: Unamortized premiums on bonds sold	23,946
Accrued interest payable	6,896
Compensated absences	84,514
Unemployment compensation payable	2,789
Other postemployment benefits	<u>29,759</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at net assets - governmental activities	<u>\$ 867,238</u>

#### Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (in thousands):

*balances - total governmental funds and changes in net assets of governmental activities* reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund*

Capital outlay	\$ 122,310
Depreciation expense	<u>(32,790)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 89,520</u>

Another element of that reconciliation states, "The net effect of various miscellaneous transactions

involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets."

In the statement of activities, only the gain on the sale of capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the book value of the capital assets sold.

\$ 64,369

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

(32,131)

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 32,238

Another element of that reconciliation states, "Revenues in the statement of activities that do not

provide current financial resources are not reported as revenues in the governmental funds."

Property tax accrual	\$ (42)
Abatement fee accrual	\$ 166
Noxious weed assessment accrual	\$ 62
Surface Water Management service charge accrual	188
Probation and parole service charge accrual	35
Fines and forfeits net accrual	1,485
Direct subsidy bonds reimbursement accrual	84

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 1,978

Another element of that reconciliation states, "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any

effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

Debt issued or incurred	
Issuance of general government debt	\$ 109,085
Issuance of refunding bonds	25,700
Premium on bonds sold	5,793
Bond issuance costs	123
Principal repayments	(50,772)
Receipts from component units for principal repayments	1,148
Payment to escrow agent	(69,964)

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 21,113

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources

and therefore are not reported as expenditures in governmental funds."

Compensated absences	\$ 1,579
Accrued unemployment compensation	323
Other postemployment benefits	5,882
Accrued interest	789
Amortization of issuance costs	762
Amortization of deferred charge on refunding	4,874
Amortization of bond premiums	<u>(6,080)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 8,129</u></u>

Another element of that reconciliation states, "Net revenues and expenses of certain activities of

internal service funds are reported with governmental activities."

Investment interest earnings	\$ (2,045)
Revenues related to services provided to outside parties	(4,874)
Expenses related to services provided to outside parties	5,056
Gain on disposal of capital assets	(948)
Interest on long-term debt	19,860
Capital contributions	(1,074)
Transfers in	(231)
Transfers out	1,191
Internal service fund gains allocated to governmental activities	<u>(11,913)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 5,022</u></u>

**Explanation of certain differences between the Proprietary Funds Statement of Net Assets and the Government-wide Statement of Net Assets (in thousands):**

The proprietary funds statement of *net assets* includes reconciliation between *net assets - total enterprise funds* and *net assets of business-type activities* as reported in the government-wide

statement of net assets. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The assets and liabilities of one internal service fund, Wastewater Equipment Rental Fund, are included in the business-type activities in the statement of net assets because the fund was established to serve the Water Quality Enterprise.



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Net assets of the business-type activities internal service fund	\$	12,165
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years		5,118
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year		<u>4,826</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	\$	<u>22,109</u>

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**Explanation of certain differences between the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Government-wide Statement of Activities (in thousands):**

The proprietary funds statement of revenues, expenses, and changes in fund net assets includes

a reconciliation between *change in net assets - total enterprise funds* and *change in net assets of business-type activities* as reported in the government-wide statement of activities. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds."

Investment interest earnings	\$	54
Revenues related to services provided to outside parties		79
Expenses related to services provided to outside parties		(76)
Loss on disposal of capital assets		(90)
Transfers in		25
Transfers out		(98)
Internal service fund gains allocated to business-type activities		<u>5,924</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	\$	<u>5,818</u>

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## Note 3

### Stewardship, Compliance, and Accountability

#### Basis of Budgeting

With the exception of the reconciling items described in the Reconciliation of Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis Statements and Schedules section of this note, King County uses the modified accrual basis of budgeting for the General Fund and most Debt Service and Special Revenue Funds. Revenues are estimated on the basis of when they become susceptible to accrual. Budgeted appropriations include both expenditures and other financing uses; they are budgeted based on liabilities expected to be incurred in the acquisition of goods and services. These are annual budgets applicable to the current fiscal year.

Two Special Revenue Funds (the County Road Fund and the Marine Operating Fund) have adopted biennial budgets for 2010 and 2011.

Two Special Revenue Funds (the Community Development Block Grant Fund and the Miscellaneous Grants Fund) do not have an annual budget. Budgets within these funds are on a multiyear basis with the budget for a particular program covering one or more fiscal years. Total revenues and expenditures for the program are budgeted at its inception and any unexpended balance at the end of the fiscal year is reappropriated to the next fiscal year.

The Flood Control Zone District Fund, the King County Ferry District Fund, the Parks Trust and Contribution Fund, the Road Improvement Districts Maintenance Fund, and the Treasurer's Operations and Maintenance Fund are not budgeted.

Three Debt Service Funds have annual budgets. They have annual budgets with budgeting concepts identical to the General Fund. The fourth budgeted Debt Service Fund, the Road Improvement

Guaranty Fund, has a biennial budget for 2010 and 2011.

The Road Improvement Districts Special Assessment Debt Redemption Fund is not budgeted.

All funds in the Capital Projects Fund type, except the Road Improvement Districts Construction Fund, are controlled by multiyear budgets. However, capital budget appropriations are canceled at the end of the year unless the County Executive submits to the County Council the report of the final year-end reconciliation of expenditures for all capital projects on or before March 1 of the year following the year of the appropriation and each year thereafter in which the appropriation remains open.

The Road Improvement Districts Construction Fund is not budgeted.

The Enterprise and Internal Service Funds, with the exception of the Insurance Fund and the Building Development and Management Corporations Fund, are budgeted on the modified accrual basis rather than the accrual basis (the GAAP basis for proprietary funds). Appropriations are based on an estimate of expenditures expected to be incurred during the fiscal year. Estimated revenues are based on the amount estimated to be earned and available during the fiscal year. Several divisions within the Department of Transportation are appropriated as biennial budgets for the 2010-2011 biennium.

The Insurance Fund is budgeted on the modified accrual basis with one exception. Consistent with the intent of the County ordinance that delegates full claims settlement authority to the County Executive, the recognition of the portion of judgment and claims settlements that occurs and remains unpaid at the end of a fiscal year, and exceeds current year expenditure appropriations, is deferred to the following year when the claim is paid.

The Building Development and Management Corporations Fund and the Trust and Agency Funds are not budgeted.

Encumbrances

Encumbrances outstanding as of December 31, 2011, by fund type (in thousands):

General Fund	\$ 2,454
Public Health Fund	53
Special Revenue Funds	8,571
Enterprise Funds	2,216
Internal Service Funds	<u>1,999</u>
Total All Funds	<u>\$ 15,293</u>

**Reconciliation of Budgetary Basis and GAAP Basis Statements and Schedules for Governmental Funds**

In the General and budgeted Special Revenue and Debt Service Funds, the legally prescribed budgetary basis differs from the GAAP basis. For those statements and schedules in which budget comparisons are presented, the legally adopted budget is compared with actual data on the budgetary basis rather than the GAAP basis. All statements that do not have budget comparisons are prepared on the GAAP basis.

**Budgeted Level of Expenditures**

Appropriations are authorized by ordinance, generally at the fund level, with the exceptions of the General Fund and seven Special Revenue Funds (Children and Family Services, Community Development Block Grant, County Roads, Developmental Disabilities, Mental Illness and Drug Dependency, Miscellaneous Grants and Public Health), which are appropriated at the department/division level. The Capital Projects Funds are appropriated at the project level.

These are the legal levels of budgetary control. Unless otherwise provided by the appropriation ordinances, all unexpended and unencumbered annual appropriations lapse at year-end. The budgetary comparison schedules (budgetary basis) include variances at the function of expenditure level. These variances are presented for informational purposes only and, if negative, do not constitute a legal violation. Administrative control is guided by the establishment of more detailed line

item budgets.

**Expenditures including Other Financing Uses, Materially in Excess of Amounts Legally Authorized**

**Funds with Annual or Biennial Budgets**

Except for the departments/funds listed below, all other funds and departments/divisions with annual or biennial budgets completed the year within their legally authorized expenditures, including other financing uses. In the General Fund, expenditures for Adult and Juvenile Detention and the appropriation unit used to pay State Auditor billings exceeded their legally authorized budgets. Expenditures in the Road Improvement Guaranty Fund also exceeded the legally authorized budget.

**Funds with Multi-year Budgets**

One hundred five capital projects in twenty Capital Projects and Enterprise Funds with multi-year budgets have a combined total of \$14.8 million of expenditures in excess of budget. These deficits are expected to be corrected by additional appropriations in 2012.

**Material Fund Balance and Net Asset Deficits**

Building Development and Management Corporations – The deficit of \$18.4 million is the result of assets being depreciated at greater rate than the principal payments of the lease revenue bonds and bond interest expenses exceeding rent collected by the NJB Properties in the earlier years of the bonds. Once the lease revenue bonds principal payments

start to increase, the fund balance deficit will be reduced.

County Road Fund – During 2011, the Road Services Division (RSD) reduced its starting deficit by \$6.8 million, resulting in an ending fund deficit of \$3.9 million. The deficit persists in spite of an aggressive program to pare operating expenditures by \$5 million and a CIP transfer reduction of \$6 million intended to erase the deficit by the end of 2011. The 2011 deficit balance has two chief causes: (1) inability to achieve the full \$5 million in operating expenditure reductions, and (2) planned work to the Roads CIP program, reimbursable work for contract cities and other reimbursable work were deferred, delayed, or not realized. In the 2012 budget process, RSD reduced its risk to outside labor demand fluctuation by \$1.4 million compared to 2011; that will be further adjusted in the RSD 2012 first quarter review. These changes will assure that RSD meets its executive approved fund balance target in 2012.

Park Facilities Rehabilitation – The deficit of \$118 thousand of unassigned fund balance was due to costs incurred ahead of reimbursements from other funds.

Renton Maintenance Facilities Construction – The deficit of \$2.7 million was the result of costs to

begin the design of a new regional maintenance facility in Ravensdale. The deficit will be eliminated from proceeds received from the sale of property at a future date.

#### **Unrestricted Net Asset Deficits**

Solid Waste Enterprise Fund – The deficit of \$8.4 million in unrestricted net assets is the result of recognizing a long-term liability for landfill closure and post-closure care which is being funded through annual contributions from operations.

Water Quality Enterprise Fund – The deficit of \$7.3 million in unrestricted net assets is the result of short term borrowing by the Water Quality Enterprise from other County funds. The Enterprise plans to issue general obligation bonds, which will eliminate this deficit.

Construction and Facilities Management Fund – The deficit of \$654 thousand in unrestricted net assets is the result of one-time tenant rebate. The deficit will be reduced partly by the saving associated with space consolidations and building closures in 2012.

## Note 4

### Deposits and Investments

#### Deposits

The County maintains deposit relationships with several local commercial banks and thrift institutions in addition to its concentration bank. All deposits that are not insured by the Federal Deposit Insurance Corporation (FDIC) are fully collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority established under chapter 39.58 RCW. It constitutes a multiple financial institution collateral pool that can make pro rata assessments to all public depositories within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance, in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 150.110.

**Custodial credit risk – Deposits** The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositories in the State of Washington and total deposits cannot exceed the net worth of the financial institution. The County establishes deposit limitations for all financial institutions with which deposits are placed, based on publications by IDC Financial Publishing, Incorporated. The County's diversification policy limits the maximum amount of investment in certificates of deposit to 20 percent of the total amount of the portfolio and 7.5 percent of a single issuer.

As of December 31 the County's total deposits, excluding the equity in the component units, were \$225.8 million in carrying amount and \$220.8 million in bank balance, of which \$15.8 million was exposed to custodial credit risk as uninsured and uncollateralized as shown in the following schedule (in thousands):

	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>Uninsured and Uncollateralized</b>
Demand deposits	\$ 211,884	\$ 206,835	\$ 1,863
Money Market Accounts	13,962	13,962	13,962
Total deposits	<u>\$ 225,846</u>	<u>\$ 220,797</u>	<u>\$ 15,825</u>

The money market accounts are cash held with trustees for four Washington state nonprofit corporations reported in the internal service funds as Building Development and Management Corporations, a blended component unit of King County. The cash held in various financial institutions, including most notably the Bank of New York Trust Company (Trustee), is invested in United States Government Money Market accounts. All of the \$15.8 million held in money market accounts is exposed to custodial credit risk as uninsured and uncollateralized.

#### Investments

**Investment Instruments** State statutes authorize King County to invest in savings or time accounts in designated qualified public depositories and in certificates, notes, or bonds of the United States.

The County is also authorized to invest in other obligations of the United States, its agencies, or in any corporation wholly owned by the U.S. government. Other authorized investments include bankers' acceptances purchased on the secondary market, federal home loan bank notes and bonds, federal land bank bonds, and federal national mortgage association notes, debentures, and guaranteed certificates of participation. In addition, the County is authorized to invest in the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System. The County may also invest in commercial paper (within the policies established by the State Investment Board), debt instruments of banking institutions, local and state general obligations, and revenue bonds issued by

Washington State governments that are rated at least “A” by a nationally recognized rating agency. King County voluntarily invests in the Washington State Treasurer’s Local Government Investment Pool (LGIP). The amount is carried at cost, which approximates fair value. The LGIP is a 2a7-like pool overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor’s Office.

The County is authorized to enter into repurchase agreements. County investment policies require that securities’ tri-party underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement for investment terms of 30 days or less, and 105 percent for terms longer than 60 days. Repurchase agreements in excess of 60 days are not allowed. Currently, the County’s tri-party custodial bank monitors compliance with these provisions.

Although the County is authorized to enter into reverse repurchase agreements, the County has chosen to not enter into this type of transaction during the year.

The County operates under the GASB’s *Codification*, Section 2300.601, definition of derivatives and similar transactions. During the year, the County did not buy, sell, or hold any derivative or similar instrument except for certain U.S. agency collateralized mortgage obligation securities. Although these securities are sensitive to early prepayments by mortgagees, usually resulting from a decline in interest rates, County policies are in place to ensure that only the lowest risk securities of this type are acquired.

**External Investment Pool** For investment purposes, the County pools the cash balances of County funds and participating component units, and allows for participation by other legally separate entities such as special districts, for which the County is *ex officio* treasurer, and public authorities. The King County Investment Pool (the main Pool), administered by the King County Treasury Operations Section, is an external investment pool. The external portion of the Pool (the portion that belongs to special districts and public authorities other than component units) is reported in an Investment Trust Fund. It is County policy to invest all County funds in the Pool. All non-County participation in the Pool is voluntary.

The main Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. The EFC, which reviews Pool performance monthly, consists of the Chair of the County Council, the County Executive, the Director of the Office of Performance, Strategy and Budget, and the Director of the Finance and Business Operations Division, or their designees. All investments are subject to written policies adopted by the EFC.

In 2008, the County placed four impaired commercial paper investments into an impaired investment pool (Impaired Pool), which is separated from the King County Investment Pool. The Impaired Pool holds one commercial paper asset (Victoria), where the County accepted an exchange offer in 2009 and is receiving the cash flows from the investment’s underlying securities (Victoria). For the other three commercial paper investments (Cheyne, Mainsail and Rhinebridge), the County accepted a cash-out option in 2008, based on the results of three separate restructuring auctions conducted by the designated “receiver” of each commercial paper asset. The County is currently involved in pending lawsuits and is seeking recovery for losses associated with all four of the impaired investments.

The Depository Trust Company (DTC), a clearing house for settling trades, was responsible for distributing the cash proceeds from each restructuring auction based on directions provided by each applicable receiver. However, DTC insisted on being indemnified before they would consent to distribute proceeds from the restructuring process. The receivers agreed to set aside a “reserve” for potential legal claims that might arise and potentially impact the receiver and/or DTC. The receivers also retained funds for possible legal actions and to protect other parties involved in the restructuring process. The amount reserved for the County amounted to a total of \$2.4 million for the Cheyne, Rhinebridge, and Mainsail restructurings. The “Estimated Fair Value” of the \$2.4 million was based on the value of the cash retained by the receivers at each auction in 2008. The receivers indicated that future cash distribution of the reserve would occur gradually in two, four and six year increments, with the caveat that distributions could be impacted by legal claims.

To date, each receiver has elected to not distribute any funds that were segregated for the various parties involved in the restructuring process until there is more certainty about the impact of the County's pending legal claims. As of December 31, 2011, the County has not received any of the \$2.4 million from the receivers. The fair value of the \$2.4 million continues to be the value of the cash retained by each receiver after the various restructuring auctions.

When accounting for all four impaired investments, the fair value of the Impaired Pool at December 31, 2011, was \$13.3 million and the book value was \$30.4 million. The fair value at year end was determined by a combination of the December 2011 value of Victoria based on a market quote from one dealer and, as stated earlier, the value of the cash

retained by the receivers after the 2008 auctions associated with the three cash-out impaired investments. Also, because of the extremely low interest rates, the County chose not to discount these future cash flows since the results would not be materially changed.

The main Pool, excluding the equity in the component units, has a balance of \$4.4 billion. The change in the fair value of the total investments for the reporting entity as of December 31, 2011, after considering purchases, sales and maturities, resulted in a net markup from cost of \$11.8 million. The following schedule shows the types of investments, the average interest rate, and the effective duration limits of the various components of the King County Investment Pool as of December 31, 2011 (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>
U.S. Agency Discount Notes	\$ 507,479	\$ 507,718	0.14%	0.667
U.S. Treasury Notes	961,660	950,000	0.73%	0.869
U.S. Agency Notes	2,368,786	2,349,643	0.68%	0.913
U.S. Agency Collateralized Mortgage Obligations	24,395	22,815	4.35%	1.505
State Treasurer's Investment Pool	794,517	794,517	0.13%	-
Totals	\$ 4,656,837	\$ 4,624,693	0.68%	0.724

All securities are reported at fair value. Fair value reports are prepared monthly and are distributed to all Pool participants. Fair value pricing is provided by the County's investment accounting system. If a security is not priced by the County's accounting system vendor, prices are obtained from the County's safekeeping bank or from Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. In 2011, the County also obtained quotes from primary investment dealers to help determine the fair values of impaired investments. The County has not provided or obtained any legally binding guarantees to support the value of the Investment Pool's shares.

The main Pool values participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period. Income is calculated based on: (1) realized investment gains and losses; (2) interest income based on stated rates (both paid and accrued); and (3) the amortization of discounts and premiums on a straight-line basis. Income is

reduced by the contractually agreed upon investment fee. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute to participants all unrealized gain and loss due to change in the fair values. The net change in the fair values of the investments are reported as an increase or decrease in cash and cash equivalents in the statement of net assets.

**Custodial credit risk – Investments** Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County's safekeeping bank or its tri-party custodian banks.

Concentration of credit risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end the Pool had concentrations greater than 5 percent of the total investment pool portfolio in the following issuers: Federal Home Loan Mortgage Corporation–15 percent, Federal National Mortgage Association–24 percent, Federal Home Loan Bank–15 percent, and Federal Farm Credit Bank–8 percent.

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the Pool. The policy limit for the Pool's maximum effective duration is 1.5 years, and 40 percent of the Pool's total value in securities must have a maturity of 12 months or fewer. Securities in the portfolio cannot have an average life greater than five years at purchase. As of December 31, 2011, the combined effective duration of the liquidity and core portfolios was 0.724 years.

Credit risk of Debt Securities Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, the King County Investment Pool was not rated by a Nationally Recognized Statistical Rating Organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

The credit quality distribution below is categorized to display the greatest degree of credit risk as rated by Standard and Poor's, Moody's, or Fitch. For example, a security rated "AAA" by one rating agency and "AA" by another would be listed as "AA." This table shows the credit quality for all securities in the main Pool not backed by the full faith and credit of the United States (in thousands):

**Credit Quality Distribution**

<u>Investment Type</u>	<u>AAA or A-1</u>	<u>AA</u>	<u>Not Rated</u>	<u>Total</u>
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
U.S. Agency Discount Notes	507,479	-	-	507,479
Taxable Municipal Notes	-	-	-	-
U.S. Agency Notes	-	2,368,786	-	2,368,786
U.S. Agency Zero Coupon Notes	-	-	-	-
U.S. Agency Collateralized Mortgage Obligations	-	24,395	-	24,395
State Treasurer's Investment Pool	-	-	794,517	794,517
<b>TOTAL</b>	<b>\$ 507,479</b>	<b>\$ 2,393,181</b>	<b>\$ 794,517</b>	<b>\$ 3,695,177</b>

The main Pool's policies limit the maximum amount that can be invested in various securities. At year-end the Pool was in compliance. The Pool's actual composition consisted of U.S. Treasury Notes, 20.7 percent, U.S. Agency Notes, 61.8 percent, U.S. Agency

Mortgage Backed Securities, 0.5 percent, and the State Treasurer's Investment Pool, 17.0 percent. The following table summarizes the Pool's diversification policy.



**OVERVIEW OF THE KING COUNTY INVESTMENT POOL'S POLICIES  
TO LIMIT INTEREST RATE & CREDIT RISK**

<b><u>Investment Type</u></b>	<b><u>Maximum Maturity</u></b>	<b><u>Security Type Limit</u></b>	<b><u>Single Issuer Limit</u></b>	<b><u>Minimum Credit Rating</u></b>
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency	5 Years	100%	35%	N/A
U.S. Federal Agency MBS <sup>(1)</sup>	5 Year WAL	25%	25%	N/A
Certificates of Deposit <sup>(2)</sup>	1 Year	25%	2.5%	A3/P3/F3
Municipal Securities <sup>(3)</sup>	5 Years	20%	2.5%	A <sup>(4)</sup>
Bank Securities	5 Years	20%	2.5%	A <sup>(4)</sup>
Repurchase Agreements <sup>(5)</sup>	60 Days <sup>(4)</sup>	40%	5%	A1/P1/F1 <sup>(5)</sup>
Commercial Paper	180 Days	25%	2.5%	A1/P1/F1 <sup>(6)</sup>
Bankers' Acceptances	180 Days	25%	2.5%	A1/P1/F1 <sup>(7)</sup>
State LGIP <sup>(8)</sup>	N/A	25%	25%	N/A

N/A = Not applicable

(1) MBS count toward the total that can be invested in any one U.S. Federal Agency.

(2) Institution must be a Washington State depository and participate in the PDPC collateralization program.

(3) County policy limits purchases to general obligation bonds.

(4) Must be rated A or better by two rating agencies.

(5) Tri-party repurchase agreements collateralized at 102%.

(6) Must be rated in top credit category by at least two rating agencies. Maturities > 100 days must have AA long-term rating.

(7) Bankers' acceptances must be rated in top credit category by at least two rating agencies.

(8) The State LGIP is a money market-like fund managed by the State Treasurer's Office.

**King County Investment Pool (Main Pool) and Impaired Investment Pool's Condensed Statements**

The King County Investment Pool's (the Main Pool) and the Impaired Investment Pool's Condensed Statements of Net Assets and Changes in Net Assets as of December 31, 2011 (in thousands):

**Condensed Statement of Net Assets**

	<b>Total</b>	<b>Main Pool</b>	<b>Impaired Pool</b>
Assets	\$ 4,671,245	\$ 4,657,920	\$ 13,325
Net assets held in trust for pool participants	\$ 4,671,245	\$ 4,657,920	\$ 13,325
Equity of internal pool participants	\$ 2,048,741	\$ 2,044,902	\$ 3,839
Equity of external pool participants	2,622,504	2,613,018	9,486
Total equity	\$ 4,671,245	\$ 4,657,920	\$ 13,325

**Condensed Statement of Changes in Net Assets**

Net assets - January 1, 2011	\$ 4,351,668	\$ 4,335,604	\$ 16,064
Net change in investments by pool participants	319,577	322,316	(2,739)
Net assets - December 31, 2011	\$ 4,671,245	\$ 4,657,920	\$ 13,325

**Individual Investment Accounts**

King County also purchases individual investments for other legally separate entities, such as special districts and public authorities, that are not part of the financial reporting entity. Net assets in these individual investment accounts are reported in a separate Investment Trust Fund in the Fiduciary Funds section.

**Component Units****Harborview Medical Center (HMC)**

Harborview Medical Center (HMC) participates in the County's investment pool and follows the applicable criteria as described above for the King County Investment Pool deposits and investments.

**Custodial credit risk – Deposits** The custodial credit risk for deposits is the risk that in the event of a bank failure, the HMC's deposits may not be recovered. HMC maintains demand deposit accounts in various banks (insured up to \$250 thousand per bank) totaling \$4.2 million and the carrying amount of \$4.2 million. In addition, HMC has equity in the Investment Pool (reported as cash equivalents on June 30, 2010). HMC's equity in the pool applies the same criteria as the King County Investment Pool to classify the amounts of deposits and investments exposed to custodial credit risk as uninsured and uncollateralized. As of June 30, 2011, HMC's equity in the pool was \$216.2 million and the carrying amount was \$216.2 million, as shown in the following table (in thousands):

	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash in other banks	\$ 4,691	\$ 4,691
Total Equity in Investment Pool	211,547	211,522
Total	\$ 216,238	\$ 216,213

Washington State Major League Baseball Stadium Public Facilities District (PFD)

The Washington State Major League Baseball Stadium Public Facilities District (PFD) participates in the County's investment pool and follows the applicable criteria as described above for the King County Investment Pool deposits and investments.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that in the event of a bank failure, the PFD's deposits may not be recovered. The PFD maintains demand deposit

accounts in various banks (insured up to \$250 thousand per bank) totaling \$16 thousand and the carrying amount of \$16 thousand. In addition, the PFD has equity in the King County Investment Pool. The PFD's equity in the pool applies the same criteria as the Investment Pool to classify the amounts of deposits and investments exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2011, the PFD's equity in the pool was \$3.8 million and the carrying amount was \$3.8 million as shown in the following table (in thousands):

	<b>Carrying Amount</b>	<b>Bank Balance</b>
Equity in Investment Pool		
Investments	3,755	3,755
Total Equity in Investment Pool	3,755	3,755
Total	\$ 3,755	\$ 3,755

Cultural Development Authority of King County (CDA)

Deposits The CDA maintains a deposit relationship with a local commercial bank. All deposits with this qualified public depository that are not insured by the Federal Deposit Insurance Corporation (FDIC) are fully collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC); accordingly, the CDA has no custodial credit risk for its deposits. Carrying amounts of deposits for book purposes are materially the same as bank balances.

The CDA is also authorized to invest in the Washington State Local Government Investment Pool (LGIP), which is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. The LGIP funds are limited to high quality obligations with limited maximum and average maturities, with the effect of minimizing both market and credit risk. Funds in the amount of \$5.2 million were held in the LGIP at December 31, 2011; the interest rate for these funds was 0.26 percent at December 31, 2011.

Investments The CDA has an Investment Policy to guide the management of its assets and ensure that

investment activity is within regulations established by State and County Code. The primary objective is the preservation of principal.

State statutes authorize the CDA to invest in certificates, notes, or bonds of the United States, other obligations of the United States or its agencies, or any corporation wholly owned by the government of the United States. Statutes also authorize the CDA to invest in bankers' acceptances purchased on the secondary market, federal home loan bank notes and bonds, federal land bank bonds, federal national mortgage association notes and debentures, and guaranteed certificates of participation.

All investment securities are recorded at fair market value based on reports provided by the CDA's investment trustee.

The schedule below shows the types of investments, the average interest rate, the effective duration limits and concentration of all CDA investments as of December 31, 2011 (in thousands):

## Cultural Development Authority

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>	<u>Concentration</u>
U.S. Treasury Notes	\$ 19,612	\$ 18,015	2.91%	3.871	51.94%
Federal Home Loan Mortgage Corp Debentures	5,455	5,219	3.90%	2.499	14.45%
Federal National Mortgage Association Notes	7,771	7,452	4.05%	2.619	20.58%
Federal Home Loan Bank Bonds	3,440	3,156	3.97%	7.002	9.11%
Federal Farm Credit Bank Bonds	1,405	1,291	3.81%	3.992	3.72%
Other	79	79	0.20%	0.003	0.21%
Totals	<u>\$ 37,761</u>	<u>\$ 35,211</u>	<u>3.41%</u>	<u>3.697</u>	<u>100.00%</u>

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the CDA manages its exposure to interest rate risk by setting maturity and effective duration limits for its portfolio. As of December 31, 2011, the combined weighted average effective duration of the CDA's portfolio was 3.70 years.

Credit risk Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2011, all issuers of investments in the CDA portfolio had a Standard & Poor's rating of "AAA."

Concentration of credit risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the CDA's investment in a single issuer. As of December 31, 2011, the CDA had concentrations greater than 5 percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal National Mortgage Association - 21 percent, Federal Home Loan Mortgage Corporation - 14 percent, and Federal Home Loan Bank - 9 percent.

## Note 5

### Receivables

financial statement, Balance Sheet–Governmental Funds. The schedule below shows receivables at gross with the related estimated uncollectible accounts (in thousands):

#### Estimated Uncollectible Accounts Receivable

Receivables for governmental funds are reported net of estimated uncollectible amounts in the basic

	<u>General Fund</u>	<u>Public Health Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Accounts receivable				
Accounts receivable	83,690	\$ 620	\$ 31,260	\$ 115,570
Estimated uncollectible accounts receivable	(71,924)	(5)	(5,158)	(77,087)
Net accounts receivable	<u>\$ 11,766</u>	<u>\$ 615</u>	<u>\$ 26,102</u>	<u>\$ 38,483</u>
Other receivables				
Abatements receivable	\$ -	\$ -	\$ 514	\$ 514
Estimated uncollectible abatements receivable	-	-	(126)	(126)
Assessments receivable - current	-	-	85	85
Net other receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473</u>	<u>\$ 473</u>
Due from other governments	\$ 43,198	\$ 21,207	\$ 55,919	\$ 120,324
Estimated uncollectible due from other governments	(320)	(2)	-	(322)
Net due from other governments	<u>\$ 42,878</u>	<u>\$ 21,205</u>	<u>\$ 55,919</u>	<u>\$ 120,002</u>

## Note 6

### Property Taxation

#### Taxing Powers

The County is authorized to levy both “regular” property taxes and “excess” property taxes. Regular property taxes are subject to rate limitations and amount limitations and are imposed for general municipal purposes, including the payment of debt service on limited tax general obligation bonds. The County also may impose “excess” property taxes that are not subject to limitation when authorized by a 60 percent majority popular vote, as provided in Article VII, Section 2, of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40 percent of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the numbers of voters approving the excess levy is at least 60 percent of a number equal to 40 percent of the number who voted at the last County general election. Excess levies may be imposed without a popular vote when necessary to prevent the impairment of the obligation of contracts.

Regular property tax levies are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1, of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the district. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

*Maximum Rate Limitations.* The County may levy regular property taxes for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to \$1.80 per thousand of assessed value; the County levied \$1.14534 per thousand in 2011. The road district purposes levy, which is levied in unincorporated areas of the county for road construction and maintenance and other County services provided in the unincorporated areas, is limited to \$2.25 per thousand; the County levied \$2.19730 per thousand in 2011. Both the general purposes levy and the road district purposes levy are below the maximum allowable rate because of an additional limitation

on the increase from one year to the next in the amount of taxes levied.

The County is authorized to increase its general purposes levy to a maximum of \$2.475 per thousand of assessed value if the total combined levies for both general and road purposes do not exceed \$4.05 per thousand and if no other taxing district has its levy reduced as a result of the increased County levy (RCW 84.52.043).

The \$1.80 per thousand limitation on the general purposes levy is exclusive of the following regular property taxes: (1) a voted levy for emergency medical services, limited to \$0.50 per thousand (authorized by RCW 84.52.069); (2) a voted levy to finance affordable housing for very low income households, limited to \$0.50 per thousand (authorized by RCW 84.52.105), however, the County has not sought approval from voters for this levy; (3) a non-voted levy for conservation futures, limited to \$0.0625 per thousand (authorized by RCW 84.34.230); and (4) a non-voted levy for transit-related purposes, limited to \$0.075 per \$1,000 (authorized by RCW 84.52.140). The County’s levy rate for conservation futures in 2011 is \$0.05191 per \$1,000 of assessed value and its levy rate for transit-related purposes is \$0.06884.

In November 2007, voters approved a six-year Emergency Medical Services property tax at a maximum rate of \$0.30 per thousand beginning in the 2008 tax year (the 2011 rate was \$0.30 per \$1,000 of assessed value). On November 8, 2005, voters approved a \$0.05 Veterans and Human Services temporary lid lift for six years. The County levied \$0.04708 per thousand for Veterans and Human Services in 2011. In 2006, voters in the County approved a six-year temporary lid lift to finance an automated fingerprint identification system. This six-year levy began in 2008; the 2011 levy rate is \$0.03528 per thousand. A Regional and Rural Parks lid lift plus a companion lid lift for the Woodland Park Zoo/Open Space and Trails were approved by voters in 2007 for a six-year period beginning in 2008. The 2011 levy rate is \$0.05821 each per \$1,000 of assessed value.

*One Percent Aggregate Regular Property Tax Levy Limitation.* Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of one percent of the true and fair value of property (or \$10.00 per thousand) by

Article VII, Section 2, of the State Constitution and by RCW 84.52.050.

*\$5.90/\$1,000 Aggregate Regular Property Tax Levy Limitation.* Within the one percent limitation described above, aggregate regular property tax levies by all taxing districts except the State, port districts and public utility districts are subject to a rate limitation of \$5.90 per thousand of assessed value (or 0.59 percent) by RCW 84.52.043(2). This limitation is exclusive of levies for emergency medical services, affordable housing for very low income households, and acquiring conservation futures.

If aggregate regular property tax levies exceed the one percent or \$5.90 per thousand limitations, levies requested by “junior” taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010) to bring the aggregate levy into compliance. Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts, and public utility districts.

*Regular Property Tax Increase Limitation.* The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amounts of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year’s rate. The limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than one percent, the limit factor can be increased to 101 percent, if approved by a majority plus one vote of the governing body of the taxing district, upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the taxing district upon a finding of substantial need and is also approved by the voters at a general or special election within the taxing district. Such election must be held less than 12 months before the date on which the proposed levy will be made, and any tax increase cannot be greater than described under “Maximum Rate Limitations.” The approval of a majority of the voters would be required for the limit factor to be increased. The new limit factor will be effective for taxes collected in the following year only.

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as “banked” levy capacity.

With a majority vote of its electors, a taxing district may levy for the following year, within the statutory rate limitations described above, more than what otherwise would be allowed by the tax increase limitations, as allowed by RCW 84.55.050. This is known as a “levy lid lift,” which has the effect of increasing the jurisdiction’s levy “base” when calculating permitted levy increases in subsequent years. The new base can apply for a limited or unlimited period, except that if the levy lid lift was approved for the purpose of paying debt service on bonds, the new base can apply for no more than nine years. After the expiration of any limited purpose or limited duration specified in the levy lid lift, the levy is calculated as if the taxing district had levied only up to the limit factor in the interim period.

Since the regular property tax increase limitation applies to the total dollar amount levied, rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction) which exceed the growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy.

*Component Units with Taxing Authority.* In 2007, the County Council created a countywide flood control zone district and a countywide ferry district with rates of \$0.10976 and \$0.00360, respectively for the 2011 tax year. The boundaries of each district are coterminous with the boundaries of the County and the members of the County Council serve (at least initially) as the legislative body for each district, but under State law each district is a separate taxing district with independent taxing authority.

Pursuant to Ordinance 16742, adopted in January 2010, the County Council created a Transportation Benefit District (TBD) with boundaries comprised of the unincorporated portions of the County. Pursuant to State law, the members of the County Council serve as the governing body of the TBD, which is a separate taxing district with independent taxing authority. The TBD is not authorized to levy regular property taxes but may levy excess

property taxes for a one-year period for any purpose or over multiple years to provide for the retirement of voter-approved general obligation bonds, issued for capital purposes, in either case only when authorized by the voters. The TBD has not sought voter approval for any such excess levies.

### **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 payments due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment due.

### **Tax Collection Procedures**

Property taxes are levied in specific amounts by the County Council and the rate for all taxes levied for all taxing districts in the County is determined, calculated and fixed by the County Assessor (the "Assessor") based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the tax levied within each taxing district upon a tax roll that contains the total amounts of taxes levied and to be collected and assigns a tax account number to each tax lot. The tax roll is delivered to the Treasury Operations Section Manager, who is responsible for the billing and collection of taxes due for each account. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds fifty dollars, one-half may be paid then and the balance no later than October 31 of that year (except that the half to be paid on April 30 may be paid at any time prior to October 31 if accompanied by penalties and interest accrued until the date of payment).

The methods for giving notice of payment of taxes due, collecting such taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed State statutes. Personal property taxes levied by the County

Council are secured by a lien on the personal property assessed. A federal tax lien filed before the County Council levies the personal property taxes is senior to the County's personal property tax lien. In addition, a federal civil judgment lien is senior to a lien on real property taxes once the federal lien has been recorded. In all other respects, and subject to the possible homestead exemption described below, the lien of property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County may commence foreclosure on a tax lien on real property after three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first \$125 thousand in proceeds of the forced sale of a family residency or other homestead property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

### **Assessed Valuation Determination**

The Assessor determines the value of all real and personal property throughout the County that is subject to *ad valorem* taxation, with the exception of certain public service properties for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes, the assessed value of property is 100 percent of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the County Council receives the Assessor's final certificate of assessed value of property within the County.



**Accounting for Property Taxes Receivable**

In the governmental funds, property taxes levied for the current year are recorded on the balance sheet as taxes receivable and deferred revenue at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time the accounts Taxes receivable and Deferred revenues on the balance sheet are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end, all uncollected property taxes are reported on the balance sheet as Taxes receivable-delinquent and Deferred revenues. For the government-wide financial statements, the deferred revenue related to the current period, net

of the allowance for uncollectible property taxes, is reclassified to revenue.

**Allocation of Tax Levies**

The following table compares the allocation of the 2010 and 2011 countywide, Emergency Medical Services (EMS), and unincorporated County tax levies by fund, showing for each year the original tax levy and levy rate. The original tax levy reflects the levy before any supplemental levies, tax cancellations, or other adjustments. The 2011 countywide assessed valuation was \$330.4 billion, a decrease of \$11.6 billion from 2010; the assessed valuation for the unincorporated area levy was \$39.4 billion, a decrease of \$4.6 billion from 2010.

## ALLOCATION OF 2011 AND 2010 TAX LEVIES

	2011 Original Taxes Levied (in thousands)	2011 Levy Rate (per thousand)	2010 Original Taxes Levied (in thousands)	2010 Levy Rate (per thousand)
<b>Countywide Levy Assessed Valuation:</b>				
\$330,414,999 thousand <sup>(a)</sup>				
<b>Items Within Operating Levy<sup>(b)</sup></b>				
General Fund	\$ 278,188	\$ 0.84638	\$ 274,311	\$ 0.80597
Veterans' Relief	2,557	0.00778	2,539	0.00746
Human Services	5,739	0.01746	5,640	0.01657
Intercounty River Improvement	49	0.00015	50	0.00015
Limited GO Bonds Debt Service	24,582	0.07479	22,850	0.06714
Automated Fingerprint Identification System <sup>(c)</sup>	11,596	0.03528	15,557	0.04571
Parks Levy <sup>(d)</sup>	38,264	0.11642	37,103	0.10902
Veterans and Human Services <sup>(e)</sup>	15,473	0.04708	15,207	0.04468
Total Operating Levy	<u>376,448</u>	<u>1.14534</u>	<u>373,257</u>	<u>1.09670</u>
Public Transportation <sup>(f)</sup>	<u>22,625</u>	<u>0.06884</u>	<u>22,124</u>	<u>0.06501</u>
<b>Conservation Futures Levy<sup>(g)</sup></b>				
Conservation Futures Levy	10,008	0.03045	9,734	0.02860
Farmland and Park Debt Service	7,053	0.02146	7,004	0.02058
Total Conservation Futures Levy	<u>17,061</u>	<u>0.05191</u>	<u>16,738</u>	<u>0.04918</u>
<b>Unlimited Tax GO Bonds</b>				
(Voter-approved Excess Levy)	23,501	0.07207	25,044	0.07410
Total Countywide Levy	<u>439,635</u>	<u>1.33816</u>	<u>437,163</u>	<u>1.28499</u>
<b>EMS Levy Assessed Valuation:</b>				
\$210,206,057 thousand <sup>(a) (h)</sup>	<u>62,740</u>	<u>0.30000</u>	<u>65,162</u>	<u>0.30000</u>
<b>Unincorporated County Levy</b>				
<b>Assessed Valuation:</b>				
\$39,449,376 thousand <sup>(a) (i)</sup>				
County Road Fund	86,111	\$ 2.19730	84,684	\$ 1.93572
Total County Tax Levies <sup>(j)</sup>	<u>\$ 588,486</u>		<u>\$ 587,009</u>	

(a) Assessed valuation for taxes payable in 2011.

(b) The operating levy tax rate is statutorily limited to \$1.80 per thousand of assessed valuation.

(c) The Automated Fingerprint Identification System (AFIS) levy is a regular property tax assessed for six years beginning in 2007 at a levy rate of not more than \$0.05680 per thousand of assessed valuation (RCW 84.55.050).

(d) The Parks Levy was renewed as a two-part regular property tax (parks and open space/trails/zoo) to be assessed for six years beginning in 2008 at a levy rate of not more than \$0.05 per \$1,000 of assessed value for each part, as authorized by RCW 84.55.050 and approved by a majority of the voters in the County.

(e) The Veterans and Human Services levy is a regular property tax to be assessed for six years beginning in 2006 at a levy rate of not more than \$0.05 per thousand of assessed valuation as authorized by RCW 84.55.050 and a proposition approved by a majority of voters in the County.

(f) The non-voted levy for transit-related purposes is limited to \$0.075 per \$1,000 of assessed value.

(g) The Conservation Futures levy tax rate is statutorily limited to \$0.0625 per thousand of assessed value.

(h) The Emergency Medical Services (EMS) levy shown excludes that portion of the levy within the City of Seattle, which is paid to the city. The levy was approved by the voters in the County in 2007 for a six-year period with collection beginning in 2008.

(i) The tax rate is statutorily limited to a maximum of \$2.25 per thousand of assessed valuation.

(j) Excludes tax levy of the blended component units a) the Flood Control Zone District (in 2011 and 2010, the original taxes levied were \$36,076 and \$35,783 thousand, respectively) and b) the Ferry District (in 2011 and 2010 the original taxes levied were \$1,185 thousand and \$1,186 thousand).

## Note 7

### Capital Assets

#### Primary Government

A summary of changes in capital assets for the King County Primary Government (in thousands):

	Balance 1/1/2011	Increases	Decreases	Balance 12/31/2011
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 436,777	\$ 17,961	\$ (3,978)	\$ 450,760
Right of way and easements	423,035	19,012	(19,390)	422,657
Infrastructure	925,456	68,203	(41,687)	951,972
Art collections	8,807	2,687	(1,032)	10,462
Work in progress	83,307	45,540	(13,849)	114,998
Total capital assets not being depreciated	1,877,382	153,403	(79,936)	1,950,849
Capital assets being depreciated				
Buildings	1,032,896	9,466	(7,409)	1,034,953
Improvements other than buildings	47,248	1,891	-	49,139
Infrastructure	5,294	-	-	5,294
Furniture, machinery & equipment	165,398	25,324	(21,824)	168,898
Software	39,573	5,433	(414)	44,592
Total capital assets being depreciated	1,290,409	42,114	(29,647)	1,302,876
Less accumulated depreciation for:				
Buildings	(290,017)	(32,675)	-	(322,692)
Improvements other than buildings	(8,317)	(1,877)	-	(10,194)
Infrastructure	-	(313)	-	(313)
Furniture, machinery & equipment	(109,513)	(14,404)	12,780	(111,137)
Software	(25,670)	(2,322)	265	(27,727)
Total capital assets being depreciated - net	856,892	(9,477)	(16,602)	830,813
Governmental activities capital assets - net	\$ 2,734,274	\$ 143,926	\$ (96,538)	\$ 2,781,662
<b>Business-type Activities:</b>				
Capital assets not being depreciated				
Land	\$ 323,300	\$ 107,571	\$ (5)	\$ 430,866
Right of way and easements	37,459	32	(10,033)	27,458
Art collections	1,290	-	-	1,290
Work in progress	2,108,942	576,142	(1,435,112)	1,249,972
Total capital assets not being depreciated	2,470,991	683,745	(1,445,150)	1,709,586
Capital assets being depreciated				
Buildings	2,406,216	641,755	(11,022)	3,036,949
Improvements other than buildings	271,148	34,539	(61,931)	243,756
Right of way - Easements Temp	-	7,635	-	7,635
Infrastructure	1,064,897	247,668	(5,989)	1,306,576
Furniture, machinery & equipment	1,558,145	472,586	(65,467)	1,965,264
Software	77,537	20,186	(1,542)	96,181
Total capital assets being depreciated	5,377,943	1,424,369	(145,951)	6,656,361
Less accumulated depreciation for:				
Buildings	(1,009,421)	(82,576)	10,047	(1,081,950)
Improvements other than buildings	(164,296)	(9,894)	58,361	(115,829)
Right of way - Easements Temp	-	(55)	-	(55)
Infrastructure	(336,624)	(25,471)	1,339	(360,756)
Furniture, machinery & equipment	(1,073,038)	(134,736)	63,339	(1,144,435)
Software	(47,150)	(10,075)	910	(56,315)
Total capital assets being depreciated - net	2,747,414	1,161,562	(11,955)	3,897,021
Business-type activities capital assets - net	\$ 5,218,405	\$ 1,845,307	\$ (1,457,105)	\$ 5,606,607

Beginning balances have been restated; see Note 18 - "Restrictions, Components of Fund Balance, and Changes in Equity." Governmental activities include capital assets of governmental internal service

funds except for the Wastewater Equipment Rental Fund, which is reported under business-type activities because it provides services exclusively to the Water Quality Enterprise.

## Depreciation Expense

Depreciation and amortization expense charged to functions of the Primary Government (in thousands):

<b>Governmental Activities</b>	
General government services	\$ 12,304
Law, safety and justice	14,771
Physical environment	387
Transportation	330
Economic environment	99
Mental and physical health	1,264
Culture and recreation	3,635
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	17,428
Total depreciation and amortization expense - governmental activities	<u>\$ 50,218</u>

<b>Business-type Activities</b>	
Water Quality	\$ 108,385
Public Transportation	102,863
Solid Waste	11,474
King County International Airport	4,147
Radio Communications	348
Institutional Network	1,407
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	704
Total depreciation and amortization expense - business-type activities	<u>\$ 229,328</u>

## Infrastructure

Infrastructure capital assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in King County's non-depreciable infrastructure are the roads and bridges network maintained by the Roads Division of the Department of Transportation. The roads and bridges network infrastructure is reported using the modified approach. Under the modified approach depreciation is not recorded; instead, costs incurred to extend an asset's useful life are expensed as preservation costs.

### Roads and Bridges Infrastructure Valuation

The roads and bridges infrastructure network acquired or constructed prior to 2002 is valued at estimated historical cost. Base year estimates of 2001 replacement costs for all existing roads and 1988 replacement costs for all bridges were obtained using standard costing methods with the resultant values being deflated to the acquisition year (or estimated acquisition year, where the actual year was unknown), using the Engineering News Record Construction Cost Index. Retroactive reporting of traffic control elements is based on replacement cost.

## **Rights-of-Way and Easements**

### **Rights-of-Way**

Historical costs for infrastructure-related rights-of-way were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indexes from the King County Assessor's Office.

### **Conservation Easements**

A conservation easement is a legal agreement between a landowner and the County that permanently limits land uses in order to protect conservation values.

### **Farmland Development Rights**

The Farmland Preservation Program was established in 1979 to preserve, protect, and enhance agricultural lands and open spaces. Under this program the County has acquired farmland development rights for approximately 12,800 acres. Acquisition of these development rights ensures that land will not be developed in a nonagricultural use.

### **Governmental Buildings in Internal Service Funds**

Certain capital assets classified under governmental activities are reported under a building development and management internal service fund which consists of the aggregation of four separate nonprofit property management corporations that are recognized as blended component units of the County in accordance with GASB Statement 14. These buildings are the King Street Center building, the Patricia Bracelin Steel Memorial building, the Chinook building and Goat Hill parking garage, and the Ninth & Jefferson Building.

## **Construction Commitments**

Project commitments are defined as authorized and planned expenditures for the capital budget period.

### **Proprietary Funds**

Public Transportation Enterprise – \$164 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise – \$1 billion is committed to completing construction of the conveyance to Puget Sound for a new major wastewater treatment plant and ensuring the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises – \$82 million is committed to improving the County's solid waste regional landfill and transfer stations, \$19.4 million is committed to runway rehabilitation and facilities improvements at the King County International Airport, and \$2 million is committed to maintaining the radio communications systems within the county.

### **Capital Projects Funds**

\$187 million is committed to various capital projects, including: (1) strategic property acquisitions oriented towards conservation of natural resources, protection of habitat, and control of urban sprawl; (2) development and improvement of trails, playgrounds and ball fields, and other cultural facilities; (3) affordable housing; (4) technology initiatives to improve business efficiency, emergency preparedness, and network security; (5) flood control to protect the ecosystem and public property; (6) preservation and widening of roads and bridges; and (7) improvement of building facilities.

**Discretely Presented Component Units****Harborview Medical Center (HMC)**

Capital assets activity for HMC during the fiscal year ended June 30, 2011 (in thousands):

	<b>Balance 07/01/10</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 06/30/11</b>
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	15,686	10,421	(18,247)	7,860
Total capital assets not being depreciated	17,272	10,421	(18,247)	9,446
Capital assets being depreciated:				
Buildings	389,588	2,363	-	391,951
Improvements other than buildings	13,958	169	-	14,127
Equipment	350,280	33,451	(2,174)	381,557
Total capital assets being depreciated	753,826	35,983	(2,174)	787,635
Less accumulated depreciation for:				
Buildings	(120,715)	(13,642)	-	(134,357)
Improvements other than buildings	(2,238)	(899)	-	(3,137)
Equipment	(234,950)	(30,214)	2,079	(263,085)
Total accumulated depreciation	(357,903)	(44,755)	2,079	(400,579)
HMC capital assets, net	\$ 413,195	\$ 1,649	\$ (18,342)	\$ 396,502

HMC owns other properties (net book value of \$2.7 million) which are held for future use and are reported under "Other assets" in the component unit's statement of net assets.

**Washington State Major League Baseball Stadium Public Facilities District (PFD)**

Capital assets activity for the PFD for the fiscal year ended December 31, 2011 (in thousands):

	<b>Balance 01/01/11</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/11</b>
Capital assets not being depreciated:				
Land	\$ 38,424	\$ -	\$ -	\$ 38,424
Capital assets being depreciated:				
Baseball stadium	489,251	4	-	489,255
Improvements other than buildings	26,869	201	-	27,070
Equipment	65	-	-	65
Total capital assets being depreciated	516,185	205	-	516,390
Less accumulated depreciation for:				
Baseball stadium	(142,881)	(12,231)	-	(155,112)
Improvements other than buildings	(1,980)	(677)	-	(2,657)
Equipment	(65)	-	-	(65)
Total accumulated depreciation	(144,926)	(12,908)	-	(157,834)
PFD capital assets, net	\$ 409,683	\$ (12,703)	\$ -	\$ 396,980

## Note 8

### Restricted Assets

Within the Statement of Net Assets are amounts that are restricted as to their use.

The restricted assets for these funds (in thousands):

#### **Proprietary Funds**

<u>Public Transportation</u> - restricted for future construction projects, debt service and obligations.	\$ 33,837
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	465,892
<u>King County International Airport</u> - restricted for construction projects and obligations.	601
<u>Solid Waste</u> - restricted for landfill closure and post-closure care costs.	46,346
<u>Building Development &amp; Management Corporations</u> - restricted for construction projects and debt service.	12,514
Total Proprietary Funds restricted assets	<u>\$ 559,190</u>

#### **Component Unit - Harborview Medical Center (HMC)**

<u>HMC Construction Fund</u> - restricted for construction projects, seismic, public safety and other improvements, and furnishings of HMC buildings.	\$ 14,703
<u>HMC Special Purpose Fund</u> - restricted donations, gifts, and bequests from various sources for specific uses.	9,114
<u>HMC Operating Fund</u> - restricted resources that are board-designated for specific purposes, including planned capital and service components, self-insurance, commuter services, net fixed assets held for future use, research and training.	40,377
<u>HMC Plant Fund</u> - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.	34,111
Total HMC restricted assets	<u>\$ 98,305</u>

#### **Component Unit - Cultural Development Authority of King County**

<u>Public Arts Projects Fund</u> - restricted for the one percent for public art programs operated for the benefit of King County.	\$ 5,021
<u>Cultural Grant Awards Fund</u> - restricted for arts and heritage cultural programs.	51,209
Total CDA restricted assets	<u>\$ 56,230</u>

## Note 9

### Pension Plans

Substantially all full-time and qualifying part-time County employees participate in either the Public Employees' Retirement System (PERS), the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), the Public Safety Employees' Retirement System (PSERS), or the Seattle City Employees' Retirement System (SCERS). PERS, LEOFF, and PSERS are statewide local government retirement systems administered by the State of Washington's Department of Retirement Systems under cost-sharing, multiple-employer defined benefit and defined contribution retirement plans.

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

Historical trend and other information regarding SCERS is presented in the Seattle City Employees' Retirement System annual financial report. A copy of this report may be obtained at: Seattle City Employees' Retirement System, 720 Third Avenue, Suite 1000, Seattle, WA 98104.

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

##### **Plan Descriptions**

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans. Plan 3 is a defined benefit plan with a defined contribution component. PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3. PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent



annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned 10 years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

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

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years

of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of

employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

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

#### Judicial Benefit Multiplier

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

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75 percent of AFC; pay higher contributions; stop contributing to the Judicial Retirement Account (JRA); and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required to participate in the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as

of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and beneficiaries receiving benefits	76,899
Terminated plan members entitled to, but not yet receiving benefits	28,860
Active plan members vested	105,521
Active plan members nonvested	<u>51,005</u>
Total	<u><u>262,285</u></u>

### Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates

range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

Members not participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	7.25%	7.25%	7.25%
Employee	6.00%	4.64%	Variable

The employer rates include the employer administrative expense fee currently set at 0.16%.

PERS Plan 3 is the defined benefit portion only.

Variable rate: 5.0% minimum/15.0% maximum based on rate selected by the PERS 3 member.

Members participating in the JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer - Local government	7.25%	7.25%	7.25%
Employee - Local government	12.26%	11.60%	7.50%

The employer rates include the employer administrative expense fee currently set at 0.16%.

PERS Plan 3 is the defined benefit portion only. For PERS Plan 3: 7.5% is the minimum rate.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 (in thousands):

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$ 3,097	\$ 46,437	\$ 7,159
2010	\$ 2,197	\$ 37,286	\$ 6,083
2011	\$ 2,247	\$ 43,421	\$ 7,270

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

#### **Plan Descriptions**

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1

members. Those who joined on or after October 1, 1977, are Plan 2 members.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations.

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

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

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

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) if eligible spouse, 50 percent of the FAS, plus 5

percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) if no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if

found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

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

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

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

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child (ren) may request service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

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

premiums paid to the Washington State Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if

found eligible by the Department of Labor and Industries.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and beneficiaries receiving benefits	9,647
Terminated plan members entitled to, but not yet receiving benefits	782
Active plan members vested	13,420
Active plan members nonvested	<u>3,656</u>
Total	<u>27,505</u>

### Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund

the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer	0.16%	5.24%
Employee	None	8.46%

The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 (in thousands):

	LEOFF Plan 1	LEOFF Plan 2
2009	\$ 1	\$ 4,099
2010	\$ 1	\$ 4,035
2011	\$ 1	\$ 4,081

**Public Safety Employees' Retirement System  
(PSERS) Plan 2**

**Plan Description**

The Legislature created PSERS in 2004 and the system became effective July 1, 2006. PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006, by a covered employer, that meet at least one of the PSERS eligibility criteria. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

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

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Corrections departments of Washington State counties;
- Corrections departments of Washington State cities except for Seattle, Tacoma and Spokane; and
- Interlocal corrections agencies.

To be eligible for PSERS, 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 Washington peace officer, as defined in RCW 10.93.020; or

- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS Plan 2 members are vested after completing five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of 2 percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than 10 service credit years).

PSERS Plan 2 members can receive service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child (ren) may request service credit on behalf of the deceased member.

PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2010:

Retirees and beneficiaries receiving benefits	7
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members vested	-
Active plan members nonvested	4,210
	<hr/>
Total	4,217
	<hr/>

#### Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level

established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	PSERS Plan 2
Employer	8.86%
Employee	6.36%

The employer rate includes an employer administrative expense fee of 0.16%.

Both the County and the employees made the required contributions. The County's required contributions for the year ended December 31 (in thousands):

	PSERS Plan 2
2009	\$ 2,156
2010	\$ 2,039
2011	\$ 2,120

#### Seattle City Employees' Retirement System (SCERS)

SCERS is a cost-sharing, multiple-employer retirement plan administered in accordance with chapter 4.36 of the Seattle Municipal Code. County

employees of the Department of Public Health who have established membership in SCERS remain covered by the City Retirement System. Employees of Public Transportation who are former employees of Seattle Transit are also covered by the system.



SCERS provides retirement, death, and disability benefits.

Employees covered by this plan may retire after 30 years of service regardless of age; after age 52 with 20 years or more of service; after age 57 with 10 or more years of service; and after age 62 with five or more years of service. Disability retirement is available after 10 years of service. The unmodified monthly retirement allowance is based on a percentage of average salary for every year of service to a maximum of 60 percent. The average salary for this plan is defined as the highest consecutive twenty-four months' average rate of pay. The percentage for each year of service used to compute the retirement benefit depends on the age at retirement and the years of service. It ranges from 1.2 percent at age 52 with 20 years of service to a maximum of 2 percent for each year of service. The maximum allowance a member can receive is the unmodified plan, which has no provision for a beneficiary and, at the member's death, stops all payments. Several optional retirement benefit formulas exist which provide for beneficiaries with reduced monthly allowances.

The SCERS member contribution rate is 9.03 percent of compensation except for members qualifying for lower rates prior to June 1972. The County is required to contribute at an actuarially determined rate. The current rate is 9.03 percent of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the Board of Administration. Both the County and the employees made the required contributions. The County's required contributions for the years 2009, 2010, and 2011 ending December 31 were \$615, \$596, and \$544 thousand, respectively.

**Component Unit – Harborview Medical Center (HMC)**

HMC personnel are University of Washington (UW) employees. HMC faculty and professional staff participate in the University of Washington Retirement Plan (UWRP), an IRC Section 403 (b) defined contribution retirement plan, authorized by

the Board of Regents. HMC staff participate in a plan authorized by the State of Washington Department of Retirement Systems (DRS). Plan participation is defined by position, with the majority of HMC employees enrolled in one of the three Public Employees' Retirement Systems (PERS) plans.

All plans include contributions by both employee and employer. Employee contributions are tax-deferred. Employer contributions are paid semi-monthly by the UW in accordance with rates specified by the retirement systems.

**Component Unit – Washington State Major League Baseball (WSMLB) Stadium Public Facilities District (PFD)**

Employees of the District have the option of participating in either the Public Employees' Retirement System (PERS) or the Stadium PFD Retirement Plan (in 2011, no employees elected to participate in PERS). Employer contributions are paid by the District in accordance with rates specified by the individual plans.

Employees are also able to select the Stadium PFD Retirement Plan as an alternative benefit plan to PERS. The Plan is designated as a profit-sharing plan in accordance with Section 401 (a) (27) (B) of the Internal Revenue Code. No contributions by participants are required or permitted other than authorized rollover contributions. All contributions to the plan vest immediately. Actual contributions made to the plan in 2011 were zero.

**Component Unit – Cultural Development Authority of King County (CDA)**

All CDA personnel participate in the Public Employees' Retirement System (PERS). PERS is a statewide local government retirement system administered by the State of Washington Department of Retirement Systems under cost-sharing, multiple-employer defined benefit public employee retirement systems.

## Note 10

### Postemployment Health Care Plan

During the year ended December 31, 2007, the County elected to adopt the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45), which requires the County to accrue other postemployment benefits (OPEB) expense related to its postretirement health care plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the County, under GASB No. 45, has recorded a liability of \$38.5 million for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. Such liability is included in other noncurrent liabilities in the accompanying December 31, 2011, balance sheet.

The effect of GASB No. 45 for the current fiscal year was to decrease the County's excess of revenue over expenses before capital contributions and the County's increase in net assets for the year ended December 31, 2011, by approximately \$7.8 million.

The components of the County's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the County's net OPEB obligation to the Health Plan for the year ended December 31, 2011 (in thousands):

Normal cost - Unit Credit Method	\$ 4,833
Amortization of unfunded actuarial accrued liability (UAAL)	8,696
Annual Required Contribution (ARC)	13,529
Interest on net OPEB obligation	860
Adjustment to annual required contribution	(1,528)
Annual OPEB cost (expense)	12,861
Contributions made	(5,117)
Increase in net OPEB obligation	7,744
Net OPEB obligation - beginning of year	30,740
Net OPEB obligation - end of year	<u>\$ 38,484</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation (in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 12,836	39.0%	\$ 22,912
12/31/2010	12,835	39.0%	30,740
12/31/2011	12,861	39.8%	38,484

Plan Description The King County Health Plan (the Health Plan) is a single-employer defined-benefit health care plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

Funding Policy LEOFF 1 retirees are not required to contribute to the Health Plan. All other retirees are required to pay the COBRA rate associated with the elected plan.

For the fiscal year ended December 31, 2011, the County contributed an estimated \$5.1 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits.

Annual OPEB Cost and Net OPEB Obligation The basis for the County's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, the actuary projects will cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2011 (in thousands):

Actuarial accrued liability (AAL) – Unit Credit (12/31/11 Valuation)	\$ 178,502
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>178,502</u>
Funded ratio (actuarial value of plan assets ÷ AAL)	0.00%
Covered payroll (2011)	\$ 956,750
UAAL as a percentage of covered payroll	18.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the County and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Members of the Health Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2011, valuation used the projected unit credit actuarial cost method. The actuarial assumptions included a 2.8 percent investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 10.0 percent for KingCare medical, 8.0 percent for KingCare pharmacy, and 10.0 percent for HMO medical/pharmacy, each reduced by

decrements to an ultimate rate of 4.2 percent after 71 years and 12 years for medical and pharmacy, respectively. The vision trend rate is 4.0 percent, the miscellaneous trend rate is 7.0 percent, and the Medicare Premium trend rate is 7.0 percent, for all years. All trend rates include a 3.0 percent inflation assumption, with the exception of vision trends. The amortization of the UAAL at transition uses a level dollar amount on an open basis. The amortization of the UAAL at transition uses a level dollar amount on an open basis. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 30 years.

**Component Unit – Harborview Medical Center (HMC)**

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). All University of Washington employees, including Medical Center employees, are employees of the State of Washington. State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors.

An actuarial study performed by the Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in the University's nor the Medical Center's financial statements. This liability is recorded at the statewide level. The Medical Center was billed and paid \$56.1 million and \$54.8 million, for health care expenses for the years ended June 30, 2011, and 2010, respectively, which included funding of the OPEB liability.

## Note 11

### Risk Management

The County uses three internal service funds to account for and finance property/casualty, workers' compensation, and employee medical and dental benefits self-insurance programs. Unemployment liability is accounted for in the funds with loss experience and as governmental long-term liability. The County contracts with a plan administrator to process medical and dental claims. County fund/claims managers, together with the Civil Division of the Prosecuting Attorney's Office, are responsible for processing all tort and workers' compensation claims.

Claims settlements and loss expenses are accrued in the three internal service funds for the estimated settlement value of both reported and unreported claims. These funds are responsible for collecting interfund premiums from insured funds and departments for paying claim settlements and for purchasing certain policies. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses or expenditures.

#### **Insurance Fund**

The Insurance Fund, an internal service fund, accounts for the County's property/casualty program. The fund, established in 1977, accounts for the County's exposures to loss due to the tortious conduct of the County, including those exposures commonly covered by general liability, automobile liability, police professional, public officials, errors and omissions, and professional malpractice insurance policies. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2011, is \$59.8 million.

The County purchases excess liability coverage that currently provides \$92.5 million in limits above a \$7.5 million per occurrence self-insured retention (SIR) for its general liability, automobile liability, police professional, public officials, errors and omissions, and professional malpractice exposures.

Effective July 1, 2011, the County renewed the property insurance policy. This policy has a blanket limit of \$500 million above a \$250 thousand per occurrence deductible and provides an overall earthquake sublimit of \$100 million subject to a 5 percent deductible. The 2011 policy was endorsed to cover Certified and Non-Certified Acts of Terrorism on a blanket basis up to \$250 million.

In addition to its excess liability policy and property insurance policies, the County has specific liability insurance policies to cover some of its other exposures. The County has a liability policy for the King County International Airport with policy limits of \$300 million per occurrence and an annual aggregate deductible of \$50 thousand; a liability policy to cover police helicopter activities with a limit of \$50 million per occurrence; a policy to cover the King County International Airport properties with a limit of \$160 million above a \$100 thousand per occurrence deductible and provides an earthquake sublimit of \$50 million subject to 2 percent deductible; several flood insurance policies to cover County property in the Green River Valley with limits of \$250 to \$500 thousand and a deductible of \$1 thousand; Marine liability policies to include Ferry District exposures with a limit of \$150 million per occurrence; and excess statutory coverage for the Workers' Compensation program over a \$2.5 million per occurrence SIR.

In the past three years there were six occurrences that resulted in payment in excess of the self-insured retention of \$3.5 million.

During 2011, there was significant change made in the County's insurance program. In April 2011, the County renewed its excess liability insurance program with a new \$7.5 million SIR versus the \$3.5 million SIR from previous year.

With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques. Nonincremental claim adjustment expenses are not included as part of the liability.

Changes in the Insurance Fund's estimated claims liability in 2010 and 2011 (in thousands):

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2010	\$ 62,641	\$ 20,718	\$ (18,316)	\$ 65,043
2011	65,043	9,579	(14,854)	59,768

### **Safety and Workers' Compensation Fund**

The Safety and Workers' Compensation Fund, an internal service fund, accounts for the County's self-insurance for workers' compensation as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act. Interfund premiums are based on the hours worked by the fund/department-covered employees times an hourly rate that varies for different classes of employees and are recorded as quasi-external interfund transactions. Public Transportation and Water Quality internal fund charges are derived from actuarial projections of their future claims and administrative costs. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the financial statements is not discounted due to low rate of return on

investment. As of December 31, 2011, the total claim liability is \$84.8 million.

The County purchases an excess workers' compensation policy that provides statutory limits coverage. The amount of loss retained by King County (the self-insured retention) under this policy, effective September 1, 2004, was \$2.5 million. In the prior three years, there has been no settlement in excess of the insurance coverage.

The Fund's claims liability is estimated by an independent actuary. The claim liability represents the estimated ultimate amount to be paid for reported and incurred but not reported claims based on past experience and other actuarial techniques. Nonincremental claim adjustment expenses are not included as part of the liability.

Changes in the Safety and Workers' Compensation Fund's claims liability in 2010 and 2011 (in thousands):

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2010	\$ 76,817	\$ 22,336	\$ (19,722)	\$ 79,431
2011	79,431	25,320	(19,925)	84,826

### **Employee Benefits Program Fund**

The Employee Benefits Program Fund, an internal service fund, accounts for employee medical, dental, vision, life, accidental death and dismemberment (AD&D), and long-term disability (LTD) benefit programs. There are two self-insured medical plans. The pharmacy, dental, and vision plans are also self-insured. The life, AD&D, and LTD are fully

insured. Interfund premiums are determined on a per employee, per month basis and charged to departments through a composite rate of expected claims and expenses. In some cases, there are employee contributions towards premiums. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2011, is \$19.5 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2010 and 2011 (in thousands):

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2010	\$ 13,471	\$ 173,807	\$ (168,427)	\$ 18,851
2011	18,851	174,237	(173,563)	19,525

**Unemployment Liability**

The County has elected to retain the risk for unemployment compensation payable to former County employees. The State of Washington Employment Security Department bills the County for the unemployment compensation benefits paid to former employees.

Expenditures are then recognized in various county funds. In addition, a long-term liability of \$2.8 million is recorded in governmental long-term liability for the estimated future claims liability for employees as of December 31, 2011.

Changes in the Unemployment liability in 2010 and 2011 (in thousands):

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2010	\$ 2,578	\$ 3,327	\$ (3,439)	\$ 2,466
2011	2,466	4,019	(3,696)	2,789

**Component Unit – Harborview Medical Center****Insurance Fund**

Harborview Medical Center (HMC) participates in a self-insurance revolving fund for professional liability coverage through the University of Washington (UW). As of June 30, 2011, the UW did not carry commercial general liability coverage at levels below \$10 million per occurrence. The UW's philosophy, with respect to its self-insurance programs, is to fully fund its anticipated losses through the establishment of actuarially determined self-insurance reserves. These reserves are deposited in a statutorily created and regulated fund and can only be expended for payment of claim costs and related expenses.

The annual funding to the self-insurance revolving fund is determined by the UW administration, based on recommendations from the UW's Risk Management Advisory Committee. The HMC's *pro rata* share of premiums paid to the self-insurance revolving fund was approximately \$2.0 million in the period July 1, 2009 to June 30, 2010, and \$2.1 million in the period July 1, 2010 to June 30, 2011.

**Employee Benefits Program**

Eligible permanent employees of HMC receive the basic insurance benefits package purchased by the University of Washington through the Public Employees Benefits Board (PEBB). HMC faculty and staff meeting PEBB eligibility rules receive this package of medical, dental, life, and long-term disability (LTD) insurance. In addition, there are

optional employee-paid components to the life and LTD insurance available to employees.

All employees of HMC are covered by Workers' Compensation and Medical Aid Acts for injuries and occupational diseases that occur during the course of their employment. Coverage includes doctors' services; hospital care; ambulance; appliances; compensation for permanent, partial, and total disability; and allowances and pensions to surviving spouses and children in the case of fatal injuries. A majority of the premium cost is paid by the UW and a small deduction is made from the employee's pay to conform with state law.

**Component Unit – WSMLBS Public Facilities District****Insurance Fund**

The Washington State Major League Baseball Stadium Public Facilities District (PFD) carries commercial general liability insurance with a general aggregate limit of \$2 million and a per occurrence limit of \$1 million. Commercial personal property losses are covered up to the replacement value not exceeding \$67 thousand.

**Component Unit – Cultural Development Authority of King County****Insurance Fund**

The Cultural Development Authority of King County (CDA) carries comprehensive general liability, auto liability, and employee benefit liability coverage with a limit of \$10 million per occurrence and no

aggregate limit. Commercial property losses are covered up to the replacement cost on file with Enduris Washington. The CDA also carries Public Official Errors and Omissions Liability coverage with a limit of \$10 million per occurrence and an aggregate limit of \$10 million.

Employee Benefits Program

Employees of the CDA have a comprehensive health benefits package through the Public Employees

Benefits Board (PEBB), which includes medical, dental, basic life, and long-term disability coverage. In addition, the PEBB offers the following optional products: long-term care, auto, and home insurance. The State of Washington Health Care Authority (HCA) is the administrating authority. The CDA also offers insurance with American Family Life Assurance Company (AFLAC). With the AFLAC coverage, the CDA employees can pick from a selection of insurance policies at their own expense.

## Note 12

### Leases

#### Capital Leases

King County has entered into agreements to purchase buildings, machinery, and equipment through capital lease and installment purchase

agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for under Governmental Activities. All capital leases related to Governmental Activities were settled during 2011. Such assets and liabilities related to proprietary funds are accounted for within the proprietary funds (Business-type Activities).

Capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2011 (in thousands):

	<b>Business-type Activities</b>	
	<b>Capital Assets</b>	<b>Capital Leases Payable</b>
Leasehold improvements	\$ 4,881	\$ 3,185
Less depreciation	(1,597)	-
Totals	<u>\$ 3,284</u>	<u>\$ 3,185</u>

Future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2011 (in thousands):

	<b>Minimum Lease Payments</b>
2012	\$ 255
2013	\$ 255
2014	\$ 255
2015	\$ 255
2016	\$ 255
2017-2021	\$ 1,275
2022-2026	\$ 1,275
2027-2031	\$ 1,168
Total minimum lease payments	4,993
Less: Amount representing interest	(1,808)
Present value of net minimum lease payments	<u>\$ 3,185</u>

#### Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year

ended December 31, 2011, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$37.7 million. The patterns of future lease payment requirements are systematic and rational.



Future minimum lease payments for these leases (in thousands):

Year	Office Space	Equipment	Other	Total
2012	\$ 4,967	\$ 276	\$ 682	\$ 5,925
2013	4,903	161	659	5,723
2014	4,710	-	651	5,361
2015	3,885	-	602	4,487
2016	3,312	-	605	3,917
2017-2021	10,373	-	2,631	13,004
2022-2026	1,036	-	1,870	2,906
2027-2031	1,036	-	1,821	2,857
2032-2036	430	-	1,965	2,395
2037-2041	-	-	2,169	2,169
2042-2046	-	-	2,398	2,398
2047-2051	-	-	2,645	2,645
2052-2053	-	-	1,134	1,134

The County currently leases some of its property to various tenants under long-term, renewable, and noncancelable contracts. Under business-type activities, the King County Airport Enterprise leases out most of the buildings and grounds in the King

County International Airport/Boeing Field complex to companies and government agencies in the aviation industry.

The County's investment in property under long-term, noncancelable operating leases as of December 31, 2011 (in thousands):

	Governmental Activities	Business-type Activities	
		Airport	Other
Land	\$ 153	\$ 11,220	\$ 3,657
Buildings	784	33,375	313
Less depreciation	(728)	(17,044)	(85)
Total cost of property under lease	\$ 209	\$ 27,551	\$ 3,885

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2011 (in thousands):

Year	Governmental Activities	Business-type Activities		Total
		Airport	Other	
2012	\$ 2,120	\$ 4,889	\$ 522	\$ 7,531
2013	1,863	4,637	118	6,618
2014	1,801	4,518	58	6,377
2015	1,735	4,295	16	6,046
2016	1,715	4,200	16	5,931

## Note 13

### Landfill Closure and Post-Closure Care Costs

King County is legally responsible for closure and post-closure care costs associated with the County's solid waste landfills. Estimated costs of closure and post-closure care are recognized as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in current dollars. Actual cost may be different due to inflation, deflation, changes in technology, or changes in laws or regulations.

State and federal laws and regulations require King County to place a final cover on its Cedar Hills Landfill site when the County stops accepting waste at this location. Certain maintenance and monitoring functions are also required at the sites for 30 years following closure. Enumclaw, Hobart, Duvall, Vashon, and Cedar Falls landfills have been covered. Puyallup, Houghton, Bow Lake, and First Northeast are custodial landfills which were covered 30 or more years ago and are no longer subject to these laws and regulations.

Although closure and post-closure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period. The expense is based on landfill capacity used as of each year-end.

The County is required by state and federal laws and regulations to make annual contributions to a

reserve fund to finance closure and post-closure care. The County is in compliance with these requirements. As of December 31, 2011, cash and cash equivalents of \$32.8 million were held in the Landfill Reserve Fund. Cash and cash equivalents and other restricted assets of \$12.7 million were held in the Landfill Post-closure Maintenance Fund.

The County expects that future cost increases resulting from inflation will be covered by the interest income earned on these annual contributions. If interest earnings are inadequate, or additional post-closure care requirements are determined (due to changes in technology or regulations), the County may need to increase future user fees or tax revenues.

The County also established the Environmental Reserve Fund for future investigation and possible remediation of custodial landfills. Because landfill investigations and foreseeable remediation efforts are complete, there is no liability recorded for custodial landfills.

In 2010, estimated Cedar Hills Landfill capacity increased due to the approval of Area 8, and the post-closure estimate was revised accordingly beginning that year.

The \$82.3 million reported as landfill closure and post-closure care liability as of December 31, 2011 represents the cumulative percentage reported based on the amount that each of the landfills has been filled to date as follows (dollars in thousands):

Landfill	Percent Filled	Estimated Liability	Estimated Remaining Liability	Estimated Year of Closure
Cedar Hills	75%	\$ 57,218	\$ 37,973	2024
Covered	100%	18,731	-	Closed
Custodial	100%	6,362	-	Closed

## Note 14

### Environmental Remediation

The County accounts for pollution remediation liabilities in accordance with GASBS 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This guidance mandates recognition and reporting of a liability for pollution remediation whenever the County is obligated for future cleanup and the amounts are reasonably estimable.

Liabilities reported at the end of 2011 do not include potential costs of cleanup that may arise out of the legal issues described in Note 19 - "Legal Matters, Contingent Liabilities, and Other Commitments." The likelihood of negative outcomes in these matters and the amount of liabilities that may arise cannot be reasonably estimated. The major sites where the County is conducting remediation activities are:

*Elliott Bay and the Lower Duwamish Waterway* – These ongoing projects include the sediment management of aquatic habitats along Elliott Bay and the cleanup of certain sites along the Lower Duwamish Waterway. The Sediment Management Project has been approved by the King County Council as a self-obligated pollution remediation program. The Lower Duwamish Waterway project became an obligation when King County entered into an Administrative Order on Consent (AOC) with the Washington State Department of Ecology (DOE) and the U.S. Environmental Protection Agency (EPA). This AOC also includes the Boeing Company, the City of Seattle, and the Port of Seattle as parties to the cleanup. Each party has agreed to pay one-fourth of the cleanup costs.

Both projects may result in additional cleanup efforts as a result of additional regulatory orders. The EPA has announced its intention to negotiate an agreement with local governments, including King County, and other Potentially Responsible Parties (PRPs) for the remediation of Combined Sewer Outflows which may result in the recording of additional pollution remediation liabilities in the future. These potential cleanup liabilities cannot be currently estimated. Ongoing regulatory action may identify other PRPs for the Lower Duwamish Waterway cleanup.

There are no estimated recoveries at this time that will reduce the amount of these obligations. However, the State of Washington has indicated that it intends to fund grants in support of the Lower Duwamish Waterway cleanup. These amounts are forecast at \$1.2 million over the period from 2011 to 2016. The total environmental remediation liability at December 31, 2011, stands at \$37.4 million. This liability is an estimate and is subject to changes resulting from price increases or reductions, changes in technology, or changes in applicable laws or regulations.

The methods for estimating liabilities are based on internal engineering analysis, program experience, and cost projections for the remediation activities scheduled to be undertaken in future years as programmed under Water Quality's Regional Wastewater Services Plan. Certain costs were developed by consulting engineers. Costs were estimated using the expected cash flow method. For the Lower Duwamish Waterway Project a weighted average method is used to calculate the liability. The Sediment Management Plan does not employ a weighted average cost estimate because the remaining work is well-defined and negates the utility of multiple estimates. The cost estimates continue to be remeasured as succeeding benchmarks are reached or when cost assumptions are modified.

*Lake Union Tank and Dearborn Groundwater Monitoring* – The Public Transportation Enterprise reported an environmental remediation liability of \$378 thousand at year-end. The remediation obligation is primarily related to monitoring soil and groundwater contamination at the Lake Union Tank and Dearborn sites (under consent decrees from the DOE), and groundwater monitoring at two bus operation bases on a voluntary basis. The liability was measured at the estimated amounts compiled by Public Transportation staff with knowledge of environmental issues at the sites, using the expected cash flow technique. This liability is an estimate and is subject to changes resulting from additional information regarding the level of contamination at specific sites, price increases or reductions, changes in technology, or changes in applicable laws or regulations.

*Gasworks Park* – In 2005, the City of Seattle and Puget Sound Energy (PSE) entered an agreed order with the DOE for investigating and identifying

cleanup options for Lake Union sediments surrounding Gasworks Park. The City and PSE named the Public Transportation Enterprise and Chevron Corporation as additional potentially liable parties (PLPs) related to this site. Subsequently, the DOE notified the Public Transportation Enterprise and Chevron Corporation that they might be PLPs under the Model Toxics Control Act. The DOE has not issued a final decision regarding the Enterprise's status as a PLP. No liability has been recorded because outlays for the site cleanup were not reasonably estimable at December 31, 2011.

*Lower Duwamish Waterway North Boeing Field* – Due to a recent discovery of elevated concentration of trichloroethylene (TCE) at North Boeing Field, the DOE has decided an investigation is needed to determine the extent of the problem. The total liability, based on a contract with a firm to perform the environmental investigation, is estimated to be \$61 thousand. Remediation cost estimates are subject to changes due to price increases or reductions, changes in technology, or changes in applicable laws or agreements.

*Maury Island Gravel Mine Site* – In December 2010, King County acquired approximately 250 acres of property on Vashon Island. The property is within the footprint of the former ASARCO smelter plume, and contains elevated levels of lead and arsenic. In February 2011, King County was named a “potentially liable party” for cleanup of the site by the Washington State Department of Ecology. An Agreed Order between Ecology and King County which will guide future site assessments and eventual cleanup action is currently being formalized. Due to the high level of regulatory review, approval requirements, and environmental permitting associated with any remediation project, at present the County is unable to determine what type of remediation activity may be required or the schedule of any required remediation. In addition, the County is unable to determine any potential cost obligations or possible recoveries that would reduce the amount of these obligations

## Note 15

### Debt

#### Short-term Debt Instruments and Liquidity

For governmental activities, the County has one short-term debt instruments outstanding at year-end. On June 15, 2011, the County completed the sale of \$82.3 million Series B limited tax general obligation (GO) Bonds, of which \$16.36 million are tax-exempt Bond Anticipation Notes. The proceeds of the notes are accounted for in the Office of Information Resource Management capital project fund. Proceeds from the sale of the notes are used to refinance a Bond Anticipation Note issued on June 29, 2010, for interim financing to upgrade the County's technology infrastructure. Also, a portion of the proceeds from the sale of the notes are used to pay for the costs of issuing the note. The County

intends to finance the repayment of the note by issuing bonds in 2012.

For business-type activities, the County completed the sale of \$40.0 million tax-exempt Bond Anticipation Notes on February 13, 2011, with a maturity of March 1, 2012. The proceeds of the Note has been accounted for in the Solid Waste Construction Fund, and provide financing to upgrade the County's solid waste facilities.

The County also has \$100 million of commercial paper outstanding in the Water Quality Enterprise Fund at year-end. The commercial paper has maturity dates ranging from 62 to 94 days. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the Enterprise. The debt will be repaid from operating revenues.

#### CHANGES IN SHORT-TERM DEBT FOR THE YEAR ENDED DECEMBER 31, 2011 (IN THOUSANDS)

	Balance 01/01/11	Additions	Reductions	Balance 12/31/11
<b>Governmental activities:</b>				
Limited Tax GO Bond Anticipation Notes	\$ 84,290	\$ 16,360	\$ (84,290)	\$ 16,360
Unamortized premium bonds sold	630	449	(892)	187
Governmental activities short-term debt	<u>\$ 84,920</u>	<u>\$ 16,809</u>	<u>\$ (85,182)</u>	<u>\$ 16,547</u>
<b>Business-type activities:</b>				
Commercial paper	\$ 100,000	\$ 909,110	\$ (909,110)	\$ 100,000
Limited Tax GO Bond Anticipation Notes	\$ -	40,000	-	40,000
Unamortized premium bonds sold	\$ -	954	(159)	795
Business-type activities short-term debt	<u>\$ 100,000</u>	<u>\$ 950,064</u>	<u>\$ (909,269)</u>	<u>\$ 140,795</u>

#### Long-term Debt

King County has long-term debt reported with both governmental activities and business-type activities. For governmental activities, long-term debt consists of general obligation bonds and lease revenue bonds accounted for in the Internal Service Funds.

For business-type activities, long-term debt consisted of limited tax general obligation bonds accounted for in the King County International Airport, Institutional Network (I-NET), Solid Waste, Public Transportation, and Water Quality Enterprise Funds; capital leases accounted for in the Public Transportation Fund; and Sewer Revenue Bonds and State of Washington revolving loans accounted for in the Water Quality Enterprise Fund.

# King County, Washington

## SCHEDULE OF LONG-TERM DEBT (IN THOUSANDS)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/11
<b>I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT</b>					
<b>IA. Limited Tax General Obligation Bonds (LTGO)</b>					
2001 Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	\$ 26,865	\$ -0-
2002 Refunding 1997B Bonds (Baseball Stadium)	06/04/02	12/01/14	4.00-5.50%	124,575	-0-
2002 Various Purpose (Road CIP) Bonds	10/01/02	12/01/16	2.00-5.00%	38,340	2,970
2003 Limited Tax GO (Payoff BAN 2003B) Series A	10/30/03	06/01/23	2.00-5.25%	27,605	2,485
2003 Various Purpose Refunding Bonds Series B (Partial)	10/30/03	06/01/23	2.00-5.25%	27,890	795
2004 Refunding Bonds Series A	09/21/04	01/01/16	2.00-5.00%	57,045	34,480
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	01/01/25	2.50-5.00%	82,435	65,405
2005 Refunding Bonds Series A	06/29/05	01/01/19	5.00%	22,510	22,510
2006 Refunding Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	38,330	25,350
2006 HUD Section 108 Bonds – Greenbridge Project	08/01/06	08/01/24	4.96-5.70%	6,783	4,269
2007 Kingdome Debt Series A Refunding 1997F	09/05/07	12/01/15	4.00-5.00%	48,665	47,825
2007 Various Purpose Series C	11/01/07	01/01/28	4.00-4.50%	10,695	9,535
2007 Various Purpose Series D	11/01/07	01/01/28	4.00-5.00%	34,630	30,980
2007 Various Purpose Series E (Partial)	11/27/07	12/01/17	4.00-5.00%	3,070	2,005
2009 Multi-Modal Limited Tax GO Bond Series A	02/26/09	06/01/29	Variable <sup>(a)</sup>	50,000	46,100
2009 Various Purpose Capital Facilities Project Series B2	05/12/09	06/01/29	2.00-5.13%	34,810	31,945
2009 Limited Tax GO (Refg 1993B) Series C	12/10/09	01/01/24	4.50%	17,150	16,975
2009 Refunding Bonds Series D (Partial)	12/10/09	12/01/12	4.50-5.25%	6,149	2,118
2010 Partial Refunding 2001VP Series A	10/18/10	12/31/21	2.00-5.00%	11,695	11,475
2010 Partial Refunding 2002 VP Series A	10/18/10	12/31/21	2.00-5.00%	9,600	9,600
2010 Tax Exempt Series A	11/15/10	12/01/14	2.00-5.00%	17,240	12,615
2010 Taxable BABs Series B	11/15/10	12/01/30	2.85-6.05%	17,355	17,355
2010 Taxable RZEDBs Series C	11/15/10	12/01/30	4.58-6.05%	23,165	23,165
2010 Taxable QECBs Series D	11/15/10	12/01/25	4.33-5.43%	2,825	2,825
2010 Tax Exempt Series E	11/15/10	12/01/30	2.00-4.50%	10,025	9,665
2011 Refunding 2002, 2003 Series A & B (Roads)	08/01/11	06/01/23	2.00-5.00%	25,700	25,485
2011 Flood Plain Series B/payoff 2010B BAN	12/01/11	12/01/19	2.00-4.00%	5,725	5,725
2011 Taxable Series C/payoff 2010C BAN	12/01/11	12/01/19	.03-1.85%	15,530	15,530
2011 Series D/Maury Island Proj & KCCF Water Pipe Repl	12/21/11	12/01/31	2.00-3.50%	21,895	21,895
Total Payable From Limited Tax GO Redemption Fund				<u>818,302</u>	<u>501,082</u>
Payable From Internal Service Funds					
2001 Various Purpose (Partial)	11/01/01	12/01/11	3.00-5.00%	1,050	-
2010 Tax Exempt Series A	11/15/10	12/01/14	2.00-5.00%	4,730	3,610
2010 Taxable BABs Series B	11/15/10	12/01/30	4.58-6.05%	7,125	7,125
Total Payable From Internal Service Funds				<u>12,905</u>	<u>10,735</u>
<b>IB. Limited Tax GO Bond Anticipation Notes</b>					
Payable From Property Taxes					
2011 Limited Tax GO Bond Anticipation Notes <sup>(d)</sup>	06/15/11	06/13/12	3.00%	65,935	65,935
Total Limited Tax General Obligation Debt				<u>897,142</u>	<u>577,752</u>
<b>IC. Unlimited Tax General Obligation Bonds (ULTGO)</b>					
Payable From Unlimited Tax GO Redemption Fund					
2003 Refunding 1993 Series C Bonds	04/23/03	06/01/19	2.00-5.25%	108,795	11,825
2004 Harborview Medical Center Series A	05/04/04	12/01/23	2.00-5.00%	110,000	85,465
2004 Harborview Medical Center Series B	09/14/04	06/01/23	3.00-5.00%	54,000	43,005
2009 Refunding 2001(HMC) Series A	12/10/09	12/01/20	4.30-5.00%	19,570	17,715
2010 Partial Refunding 2000 UTGO Series A	10/18/10	12/31/15	3.00-5.00%	16,305	10,930
Total Payable From Unlimited Tax GO Bond Redemption Fund				<u>308,670</u>	<u>168,940</u>
Payable From Stadium GO Bond Redemption Fund					
2010 Refunding 2000 UTGO Series A	10/18/10	12/31/12	3.00-5.00%	3,500	1,790
Total Unlimited Tax General Obligation Bonds				<u>312,170</u>	<u>170,730</u>
<b>ID. Lease Revenue Bonds <sup>(b)</sup></b>					
Payable From Internal Service Funds					
2002 Broadway Office Property – HMC Office Space	11/13/02	12/01/31	4.00-5.38%	62,540	54,385
2005 Goathill Property – Chinook Building	02/03/05	12/01/33	4.00-5.25%	101,035	91,910
2006A NJB Properties – HMC	12/05/06	12/01/36	5.00%	179,285	175,780
2006B NJB Properties – HMC (Taxable)	12/05/06	12/01/36	5.51%	10,435	10,245
2007 King Street Center Project Refunding 1997	03/08/07	06/01/25	4.00-5.00%	62,400	53,205
Total Lease Revenue Bonds Payable from Internal Service Funds				<u>415,695</u>	<u>385,525</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT</b>				<u>1,625,007</u>	<u>1,134,007</u>

# King County, Washington

## SCHEDULE OF LONG-TERM DEBT (IN THOUSANDS)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/11
<b>II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT</b>					
<b>IIA. Limited Tax General Obligation Bonds (LTGO)</b>					
Payable From Enterprise Funds					
2001 LTGO Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	\$ 8,635	\$ -
2002 LTGO (Public Transp. Sales Tax) Refunding Bonds	11/05/02	12/01/19	3.00-5.50%	64,285	37,195
2004 LTGO (Public Transp. Sales Tax) Bonds	06/08/04	06/01/34	2.50-5.50%	49,695	43,625
2005 LTGO (WQ-LTGO) Bonds	04/21/05	01/01/35	5.00%	200,000	200,000
2006 Refunding Bonds (Partial)	12/14/06	01/01/15	4.00-5.00%	7,995	2,530
2007 Various Purpose Series E (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	35,255
2008 LTGO (WQ-LTGO) Refunding Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	227,885
2009 LTGO (Public Transp. Sales Tax) Refunding Bonds	02/18/09	12/01/19	2.00-4.00%	48,535	36,570
2009 LTGO (WQ-LTGO) Bonds Series B	04/08/09	01/01/39	5.00-5.25%	300,000	300,000
2009 Refunding Bonds Series D (Partial)	12/10/09	12/01/12	2.00-4.00%	3,126	1,077
2010 Partial Refunding 2001VP Series A	10/18/10	12/31/21	2.00-5.00%	5,110	5,010
2010 Tax Exempt Series A	11/15/10	12/01/14	2.00-5.00%	3,855	2,940
2010 Taxable BABs Series B	11/15/10	12/01/30	2.85-6.05%	20,555	20,555
2010 Taxable QECBs Series D	11/15/10	12/01/25	4.33-5.43%	3,000	3,000
2010 LTGO (WQ) Series A	01/12/10	01/01/40	Variable <sup>(a)</sup>	50,000	50,000
2010 LTGO (WQ) Series B	01/12/10	01/01/40	Variable <sup>(a)</sup>	50,000	50,000
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>1,092,376</u>	<u>1,015,642</u>
<b>IIB. Revenue Bonds, Capital Leases and Loans</b>					
Payable From Enterprise Funds					
2001 WQ Revenue Bonds Junior Lien Series A	08/06/01	01/01/32	Variable <sup>(c)</sup>	\$ 50,000	\$ 50,000
2001 WQ Revenue Bonds Junior Lien Series B	08/06/01	01/01/32	Variable <sup>(c)</sup>	50,000	50,000
2001 WQ Revenue and Refunding Bonds	11/28/01	01/01/35	3.00-5.25%	270,060	3,915
2002 WQ Revenue Bonds Series A	08/14/02	01/01/35	5.00-5.50%	100,000	-
2002 WQ Revenue Refunding Bonds Series B	10/03/02	01/01/33	3.00-5.50%	346,130	25,185
2003 WQ Revenue Refunding Bonds	04/24/03	01/01/35	2.00-5.25%	96,470	90,155
2004 WQ Revenue Bonds Series A	03/18/04	01/01/35	4.50-5.00%	185,000	141,975
2004 WQ Revenue Refunding 1999-2 Bonds Series B	03/18/04	01/01/35	2.00-5.00%	61,760	55,080
2006 WQ Revenue and Refunding 1999-1 Bonds Series A	05/16/06	01/01/36	5.00%	124,070	124,070
2006 WQ Revenue and Refunding Bonds Series B-2	11/30/06	01/01/36	3.50-5.00%	193,435	183,405
2007 WQ Revenue Bonds	06/26/07	01/01/47	5.00%	250,000	250,000
2008 WQ Revenue Bonds	08/14/08	01/01/48	5.00-5.75%	350,000	350,000
2009 WQ Revenue Bonds	08/12/09	01/01/42	4.00-5.25%	250,000	250,000
2010 WQ Revenue Bonds	07/19/10	01/01/50	2.00-5.00%	334,365	334,215
2011 WQ Revenue Bonds	01/25/11	01/01/41	5.00-5.125%	175,000	175,000
2011 WQ Revenue Bonds Series B	10/05/11	01/01/41	1.00-5.00%	494,270	494,270
2011 WQ Revenue Bonds Series C	11/01/11	01/01/35	3.00-5.00%	32,445	32,445
2011 WQ Revenue Bonds Junior Lien	10/26/11	01/01/42	Variable <sup>(c)</sup>	100,000	100,000
2000-2010 State of Washington Revolving Loans	Various	Various	0.50-3.10%	177,834	129,276
2000 Public Transp. Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	3,186
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				<u>3,645,561</u>	<u>2,842,177</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT</b>				<u>4,737,937</u>	<u>3,857,818</u>
<b>TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)</b>				<u>\$ 6,362,944</u>	<u>\$ 4,991,826</u>

(a) The Multi-Modal bonds initially issued in the Weekly Mode bear interest at Weekly Rates. The bonds in the Weekly Mode may be converted to Daily Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode.

(b) Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County.

(c) The variable rate bonds initially issued in the Weekly Mode will bear interest at Weekly Rates. The Weekly Rate for each Interest Period is determined by the Remarketing Agents. The bonds in the Weekly Mode may be changed to or from the Weekly Mode to or from a Daily Mode, a Commercial Paper Mode, or a Long-term Mode, or to a Fixed Mode, upon satisfaction of the "Change in Modes" conditions.

(d) On May 23, 2011, the County refinanced 80% of the Bond Anticipation Notes with long-term debt.

King County, Washington

DEBT SERVICE REQUIREMENTS TO MATURITY  
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES							
Year	General Obligation Bonds		Lease Revenue Bonds		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	122,671	27,797	10,965	18,892	133,636	46,689	
2013	67,911	25,496	11,490	18,365	79,401	43,861	
2014	67,558	22,549	12,060	17,795	79,618	40,344	
2015	69,852	19,647	12,675	17,180	82,527	36,827	
2016	52,023	16,700	13,305	16,552	65,328	33,252	
2017-2021	197,528	56,837	76,745	72,536	274,273	129,373	
2022-2026	128,354	18,627	90,085	52,257	218,439	70,884	
2027-2031	42,585	3,752	92,605	30,821	135,190	34,573	
2032-2036	-	-	65,595	9,422	65,595	9,422	
2037-2041	-	-	-	-	-	-	
TOTAL	\$ 748,482	\$ 191,405	\$ 385,525	\$ 253,820	\$ 1,134,007	\$ 445,225	

BUSINESS-TYPE ACTIVITIES						Debt Service Requirements to Maturity	
Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	16,177	44,812	47,703	119,423	63,880	164,235	197,516
2013	15,690	44,161	48,159	125,337	63,849	169,498	143,250
2014	22,200	43,349	56,335	123,266	78,535	166,615	158,153
2015	23,075	42,257	58,650	120,829	81,725	163,086	164,252
2016	23,445	41,184	61,142	118,280	84,587	159,464	149,915
2017-2021	177,730	181,247	279,336	555,535	457,066	736,782	731,339
2022-2026	179,125	138,404	330,216	487,564	509,341	625,968	727,780
2027-2031	211,730	89,375	360,421	403,381	572,151	492,756	707,341
2032-2036	188,590	35,649	590,960	300,601	779,550	336,250	845,145
2037-2041	157,880	4,972	438,740	184,064	596,620	189,036	596,620
2041-2045	-	-	423,275	77,354	423,275	77,354	423,275
2046-2050	-	-	147,239	10,353	147,239	10,353	147,239
TOTAL	\$ 1,015,642	\$ 665,410	\$ 2,842,176	\$ 2,625,987	\$ 3,857,818	\$ 3,291,397	\$ 4,991,825



King County, Washington

Summary of changes in long-term liabilities for the year ended December 31, 2011 (in thousands):

	<u>Balance 01/01/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 728,409	\$ 134,785	\$ (114,712)	\$ 748,482	\$ 122,671
Lease revenue bonds <sup>(a)</sup>	395,990	-	(10,465)	385,525	10,965
Less deferred amounts:					
Unamortized premium bonds sold	24,233	5,793	(6,079)	23,947	-
Refunding	(9,021)	(7,265)	4,874	(11,412)	-
Total bonds payable	1,139,611	133,313	(126,382)	1,146,542	133,636
Claims and judgments payable	2,237	-	(2,237)	-	-
Retainage payable	-	125	-	125	125
Compensated absences liability	94,459	8,299	(5,651)	97,107	4,284
Other postemployment benefits	24,872	6,143	-	31,015	-
Unemployment compensated liabilities	2,466	4,019	(3,696)	2,789	2,789
Estimated claims settlements and other liabilities	163,325	214,410	(213,616)	164,119	95,811
Total Governmental activities long-term liabilities	<u>\$ 1,426,970</u>	<u>\$ 366,309</u>	<u>\$ (351,582)</u>	<u>\$ 1,441,697</u>	<u>\$ 236,645</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 1,031,211	\$ -	\$ (15,569)	\$ 1,015,642	\$ 16,117
Revenue bonds	2,433,350	801,715	(525,350)	2,709,715	39,005
Less deferred amounts:					
Unamortized premium bonds sold	71,075	65,331	(8,382)	128,024	-
Refunding	(59,633)	(19,450)	4,939	(74,144)	-
Total bonds payable	3,476,003	847,596	(544,362)	3,779,237	55,122
Capital leases	3,279	-	(94)	3,185	99
State revolving loans	135,995	1,177	(7,896)	129,276	8,599
Retainage payable	21,864	3,189	(18,817)	6,236	5,566
Compensated absences liability	68,732	20,028	(19,548)	69,212	8,095
Other postemployment benefits	5,868	2,142	(541)	7,469	-
Landfill closure and post-closure care liability	85,497	-	(3,186)	82,311	2,735
Environmental remediation	42,540	3,622	(8,301)	37,861	5,104
Customer deposits	690	25	(183)	532	104
Total Business-type activities long-term liabilities	<u>\$ 3,840,468</u>	<u>\$ 877,779</u>	<u>\$ (602,928)</u>	<u>\$ 4,115,319</u>	<u>\$ 85,424</u>

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of \$163.3 million are included in the above amount. Governmental activities compensated absences are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

(a) Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County.

**Computation of Legal Debt Margin**

Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2.5 percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax

general obligation debt in an amount up to 1.5 percent of assessed value of property within the County for general county purposes and 0.75 percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1.5 percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2.5 percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy.

The legal debt margin computation for the year ended December 31, 2011 (in thousands):

2011 ASSESSED VALUE (2012 TAX YEAR)	\$ 319,460,937
Debt limit of limited tax (LT) general obligations for metropolitan functions	
0.75 % of assessed value	\$ 2,395,957
Less: Net LT general obligation indebtedness for metropolitan functions	(1,059,464)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 1,336,493
Debt limit of LT general obligations for general county purposes and metropolitan functions - 1.5 % of assessed value	\$ 4,791,914
Less: Net LT general obligation indebtedness for general county purposes	(1,086,766)
Net LT general obligation indebtedness for metropolitan functions	(1,059,464)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	(2,146,230)
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	\$ 2,645,684
Debt limit of total general obligations for metropolitan functions	
2.5 % of assessed value	\$ 7,986,523
Less: Net total general obligation indebtedness for metropolitan functions	(1,059,464)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 6,927,059
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	\$ 7,986,523
Less: Net unlimited tax general obligation indebtedness for general county purposes	(164,096)
Net LT general obligation indebtedness for general county purposes	(1,086,766)
Net total general obligation indebtedness for general county purposes	(1,250,862)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	\$ 6,735,661

**Refunding and Defeasing General Obligation Bond Issues – 2011**

**Limited Tax General Obligation Refunding Bonds, 2011A** – On August 1, 2011, the County issued \$25.7 million in limited tax general obligation bonds, 2011 Series A with an effective interest cost of 4.3 percent to advance refund \$25.46 million of outstanding limited tax general obligation refunding bonds 2002, 2003A and 2003B. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$345 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2023, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$1.2 million over the life of the bonds.

**Full Defeasance of Limited Tax General Obligation (Baseball Stadium) Refunding Bonds, 2011** – On September 28, 2011, the County completed defeasance of limited tax general obligation (Baseball Stadium) refunding bonds, 2002 for \$36.365 million using the excess proceeds from special taxes and revenues. This amount, reported in the statement of net assets as a reduction in bonds payable, was charged to operations during 2011, using the outstanding principal balance method.

**Limited Tax General Obligation (Sewer Revenue) Refunding Bonds, 2011** – On October 5, 2011, the County issued \$494.3 million in limited tax general obligation (Sewer Revenue) bonds, Series B with an effective interest cost of 4.9 percent to advance partial refund \$457.9 million of outstanding limited tax general obligation (Sewer Revenue) bonds, 2001, 2002A, 2002B and 2004A. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$36.3 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2041, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$36.3 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$52.6 million.

**Limited Tax General Obligation (Sewer Revenue) Refunding Bonds, 2011** – On November 1, 2011, the County issued \$32.5 million in limited tax general obligation (Sewer Revenue) bonds, Series C with an effective interest cost of 4.8 percent to advance partial refund \$33.5 million of outstanding limited tax general obligation (Sewer Revenue) bonds, 2001, 2002A and 2004A. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$1.5 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2035, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$1.0 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$2.0 million.

**Refunded Bonds**

King County has eleven refunded and defeased bond issues consisting of limited tax general obligation bonds (\$62.8 million) and sewer revenue bonds (\$491.5 million) that were originally reported in the Primary Government's statement of net assets. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, U.S. Bank of Washington, and the liability for the defeased bonds has been removed from the statement of net assets.

## Note 16

### Interfund Balances and Transfers

#### Interfund Balances

Due from/to other funds and interfund short-term loans receivable and payable (in thousands):

Fund types with account balances of less than \$500 thousand are aggregated into "All Others."

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 7,129
	Nonmajor Enterprise Funds	2,998
	Internal Service Funds	643
	All Others	43
Public Health Fund	Nonmajor Governmental Funds	3,311
	All Others	66
Nonmajor Governmental Funds	General Fund	4,261
	Nonmajor Governmental Funds	18,036
	Nonmajor Enterprise Funds	556
	Internal Service Funds	1,155
	All Others	504
Public Transportation Enterprise	Nonmajor Governmental Funds	10,372
	Water Quality Enterprise	39,583
	All Others	437
Water Quality Enterprise	Nonmajor Governmental Funds	2,164
	Water Quality Enterprise	921
	All Others	90
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	1,828
	Nonmajor Enterprise Funds	1,102
	All Others	570
Internal Service Funds	General Fund	572
	Nonmajor Governmental Funds	2,222
	Internal Service Funds	904
	All Others	364
Total		<u>\$ 99,831</u>

The interfund balances resulted from the time lag between the dates: (1) when interfund goods and services were provided or reimbursable expenditures incurred, and when interfund payments were made; and (2) when interfund short-term loans were made and when the loans were repaid.

\$3,978 thousand due from Nonmajor Governmental Funds to the General Fund, \$9,705 thousand due from Nonmajor Governmental Funds to the Public Transportation Enterprise, and \$39,583 thousand due from the Water Quality Enterprise to the Public Transportation Enterprise were short-term loans made for the purpose of cash flow.

**Advances from/to other funds (in thousands)**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Transportation Enterprise	\$ 3,500
	Nonmajor Governmental Funds	300
Nonmajor Governmental Funds	Nonmajor Governmental Funds	367
Total		<u>\$ 4,167</u>

All three of these advances consisted of loans made for the purpose of cash flow. None of the advances is scheduled to be repaid in 2012.

**Interfund Transfers (in thousands)**

Fund types with account balances of less than \$500 thousand are aggregated into "All Others."

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Public Health Fund	\$ 24,507
	Nonmajor Governmental Funds	34,270
	All Others	120
Public Health Fund	Nonmajor Governmental Funds	548
Nonmajor Governmental Funds	General Fund	913
	Nonmajor Governmental Funds	94,764
	All Others	443
Public Transportation Enterprise	All Others	206
Water Quality Enterprise	All Others	11
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	595
	All Others	12
Internal Service Funds	Nonmajor Governmental Funds	1,157
	All Others	132
Total transfers out		<u>\$ 157,678</u>

Transfers are used to move resources from a fund collecting them to the fund using them, as required by statute or budget, and to account for ongoing operating subsidies between funds in accordance with budget authorizations.

## Note 17

### Related Party Transactions

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth & Jefferson Building. Rent is paid to two nonprofit corporations which are part of the blended component unit of the County – the building development and management corporations fund. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofits which funded construction of the buildings. HMC has agreed to include the annual rental payments in their operating budget for as long as they use the buildings. In 2011, the primary government, through the building development and management corporations fund, received \$17.6 million from HMC for rent on the two buildings and \$3.8 million in property management fees for Ninth & Jefferson.

The Cultural Development Authority (CDA), a discretely presented component unit of King County, annually receives funding from various County funds under the One Percent for Art program. Revenues are used to support activities related to the development and maintenance of County public art. In 2011, the King County primary government transferred \$791 thousand to the CDA. The CDA spent \$2.0 million on art projects for which the County recorded a corresponding decrease in receivables from the CDA and an increase in artwork work-in-progress. The County also distributes to the CDA the lodging taxes that it collects for funding arts and heritage programs. In 2011, the County distributed \$10.0 million to the CDA for this purpose.

The Public Transportation Enterprise (Transit) has a ground lease agreement as lessor with the King County Housing Authority (KCHA), a related organization to the County, for the development of affordable housing units and a parking garage in the City of Redmond. The lease provides for a set-aside of a minimum of 150 parking stalls for use by park-and-ride commuters. The lease term is 50 years with an option to extend by an additional 25 years. Transit recorded revenues related to the lease of \$38.0 thousand in 2011. Transit also provided loans to KCHA for which \$822.8 thousand was outstanding at year-end.

## Note 18

### Restrictions, Components of Fund Balance, and Changes in Equity

#### Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are classified into three categories:

Invested in capital assets, net of related debt – Consists of capital assets net of accumulated

depreciation and reduced by outstanding balances of bonds, notes and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets – Results when constraints are placed on net asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net assets – Consists of net assets that do not meet the definition of the two preceding categories.

#### Restricted Net Assets - Business-type Activities (in thousands)

Public Transportation Enterprise restricted for future construction projects (\$608), debt service (\$11,252) and other purposes (\$2,414).	\$ 14,274
Water Quality Enterprise restricted for debt service (\$265,305) and regulatory assets and environmental liabilities (\$32,017).	<u>297,322</u>
Total Business-type Restricted Net Assets	<u><u>\$ 311,596</u></u>

#### Restricted Net Assets - Internal Service Funds (in thousands)

Building Development & Management Corporations Fund restricted for future construction projects (\$300) and debt service (\$9,727).	<u><u>\$ 10,027</u></u>
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#### Components of Fund Balance

King County's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

- **Nonspendable.** Balances that either are not in a spendable form or are legally or contractually required to remain intact.
- **Restricted.** Balances that are restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- **Committed.** Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the King County Council.

• **Assigned** Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.

• **Unassigned.** Residual balances that are not contained in the other classifications.

A summary of governmental fund balances at December 31, 2011, is as follows (in thousands)(page 1 of 2):

	<b>General Fund</b>	<b>Public Health Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Nonspendable:				
Advances	\$ 3,800	\$ -	\$ -	\$ 3,800
Other Facilities	-	-	2,620	2,620
Inventories	-	1,075	-	1,075
Prepayments			8,638	8,638
Total Nonspendable Fund Balance	<u>3,800</u>	<u>1,075</u>	<u>11,258</u>	<u>16,133</u>
Restricted for:				
Crime Victim Compensation Program	70			70
Criminal Justice	968			968
Dispute Resolution	154			154
Drug Enforcement	2,092			2,092
Real Property Title Assurance	25			25
Public Health		4,302		4,302
Alcoholism and Substance Abuse Services			3,902	3,902
Animal Services			258	258
Automated Fingerprint ID System			12,451	12,451
Building Construction and Improvement			2,723	2,723
Community Development Block Grant			738	738
Conservation Futures			19,385	19,385
County Road Construction			17,521	17,521
Development and Environmental Services			6,096	6,096
Developmental Disabilities			6,903	6,903
Emergency Medical Services			42,904	42,904
Enhanced 911 Emergency Telephone System			15,671	15,671
Flood Control Zone District			49,059	49,059
Historical Preservation and Programs			76	76
Information Resource Management			21,202	21,202
King County Ferry District			23,568	23,568
King County Flood Control contract			560	560
Mental Health			26,742	26,742
Mental Illness and Drug Dependency			30,175	30,175
Miscellaneous Grants			1,449	1,449
Noxious Weed Control			832	832
Open Space Acquisition and Improvement			1,433	1,433
Parks and Recreation			6,617	6,617
Real Estate Excise Tax Capital			11,144	11,144
Recorder's Operations And Management			1,914	1,914
Risk Abatement			8,654	8,654
Surface Water Management			1,709	1,709
Veterans and Human Services			9,335	9,335
Veterans' Relief			921	921
Green River Flood Mitigation			3,182	3,182
Housing Opportunity Acquisition			31,874	31,874
Major Maintenance Reserve			24,584	24,584
Surface Water Management Construction			4,738	4,738
Transfer of Development Credit Program			454	454
PFD Stadium Bond Debt Service			11,778	11,778
Debt Service			10,887	10,887
Training and Equipment for Medic One		17		17
Total Restricted Fund Balance	<u>3,309</u>	<u>4,319</u>	<u>411,439</u>	<u>419,067</u>



# King County, Washington

A summary of governmental fund balances at December 31, 2011, is as follows (in thousands)(page 2 of 2):

	General Fund	Health Fund	Governmental Funds	Total
Committed for:				
Antiprofitteering Program	\$ 69	\$	\$	\$ 69
Capital Project	7,600			7,600
Rainy Day Fund	16,025			16,025
Building Repair and Replacement			7,120	7,120
Community Development Block Grant			411	411
Parks and Recreation			2,206	2,206
Debt Service			38,627	38,627
Farmland and Open Space Acquisition			1,406	1,406
Information and Telecommunication Capital			6,828	6,828
Parks Expansion and Construction			19,129	19,129
Parks Recreation and Open Space			773	773
Urban Restore Habitat Restoration			727	727
Total Committed Fund Balance	23,694	-	77,227	100,921
Assigned for:				
Inmate Welfare	3,534	-	-	3,534
Health IT System		1,500		1,500
Environmental Health Services		670		670
Animal Services			70	70
Children and Families Services			1,461	1,461
Citizen Councilor Revolving			15	15
Intercounty River Improvement			3	3
Local Hazardous Waste			7,078	7,078
Road Improvement Districts Construction			3	3
Road Improvement Districts Maintenance			5	5
Treasurer's Operations and Management			60	60
Youth Employment Programs			40	40
Youth Sports Facilities Grant			614	614
Arts and Historic Preservation Capital			897	897
Long-term Leases			1,756	1,756
Regional Justice Center Construction			1,724	1,724
Surface and Storm Water Management Construction			1	1
Working Forest			208	208
Encumbrances	2,411			2,411
Reappropriation	1,475			1,475
Total Assigned Fund Balance	7,420	2,170	13,935	23,525
Unassigned Fund Balance	96,545		(10,460)	86,085
Total Fund Balance	\$ 134,768	\$ 7,564	\$ 503,399	\$ 645,731

## Rainy Day Reserve

Ordinance 15961 created the Rainy Day Reserve for the purposes of accumulating revenues to be available for emergencies. The fund is fully invested for its own benefit.

The ordinance states that the Rainy Day Reserve shall be used in the event of an emergency, as declared by a vote of the County Council, for the following purposes:

1. Maintenance of essential county services in the event that current expense fund revenue collections in a given fiscal year are less than 97 percent of adopted estimates;
2. Payment of current expense fund legal settlements or judgments in excess of the County's ability to pay from other sources;
3. Catastrophic losses in excess of the County's other insurances against such losses; and

4. Other emergencies, as determined by the County Council.

In 2008, the County Council moved the rainy day fund from the general fund to a special revenue fund reducing general fund balance by approximately \$15 million. In 2011, in accordance with the recently implemented GASB 54, it is being reported as part of the general fund. As of

December 31, 2011, the Rainy Day Reserve had a committed fund balance of \$16,025 thousand.

Management Plans for Internal Service Fund Unrestricted Net Assets

Insurance Fund – \$14.7 million for catastrophic losses. The catastrophic loss reserve will be used to respond to large, nonrecurring losses exceeding \$1 million per incident.

**Restatements of Beginning Balances**

Detailed information regarding restatements of beginning balances (in thousands):

	Governmental Activities			
Net Assets - December 31, 2010	\$ 2,161,655			
Adjustment to capital assets	4,466			
Net Assets - January 1, 2011 (Restated)	<u>\$ 2,166,121</u>			
	General Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Internal Service Funds
Fund Balance - December 31, 2010	\$ 88,243	\$ 275,397	\$ 127,808	\$ 92,638
Reclassifications as a result of implementing GASB Statement No. 54	15,930	37,296	(53,226)	
Transfer of:				
Unexpended bond proceeds			(2,190)	2,190
Book value of capital assets				7,437
Bonds payable				(11,855)
Fund Balance - January 1, 2011 (Restated)	<u>\$ 104,173</u>	<u>\$ 312,693</u>	<u>\$ 72,392</u>	<u>\$ 90,410</u>
	Component Units	Cultural Development Authority		
Net Assets - December 31, 2010	\$ 1,072,277	\$ 41,738		
Expense recognition correction	21	21		
Net Assets - January 1, 2011 (Restated)	<u>\$ 1,072,298</u>	<u>\$ 41,759</u>		

Governmental activities –Capital assets of \$4,466 thousand acquired in prior years were capitalized effective January 1, 2011.

Business-type Activities and Public Transportation  
– The beginning cash and cash equivalents were decreased by \$505 thousand.

Governmental funds – As a result of the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011 the Rainy Day Reserve Fund is reported as part of the General Fund and several Capital Projects Funds are now reported as Special Revenue Funds.

Internal Service Funds – The bonds payable liability of two 2010 issues, the capital assets acquired with a portion of proceeds of the bonds, and the remaining unexpended bond proceeds, are now reported in the Information & Telecommunications Services Fund.

Cultural Development Authority – The adjustment for \$21 thousand was to increase the beginning 2011 net assets as a result in the adjustment of expenses recognized in 2010.

**Component Unit – Harborview Medical Center (HMC)**

**Restricted Net Assets**

Restricted expendable net assets – The \$20.5 million consists of investments restricted either for capital use or by donor. Access to investments restricted for capital use is restricted by King County for designated capital projects. Investments restricted by donor represent assets that are restricted by creditors, grantors, or contributors external to the HMC.

Restricted nonexpendable net assets – The \$2.5 million consists of permanent endowments by donors.

**Component Unit – Cultural Development Authority of King County (CDA)**

**Restricted Net Assets**

Restricted expendable net assets – \$50.8 million is restricted by RCW 67.28.180.3 and King County ordinance for use for arts and heritage cultural program awards fund and special account according to a specified formula.

## Note 19

### Legal Matters, Contingent Liabilities, and Other Commitments

#### Pending Litigation and Other Claims

King County and its agencies are parties to routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits that could significantly impact expenditures and future budgets. The County's threshold for disclosure of loss contingencies is \$500 thousand.

- King County is the defendant in a lawsuit by public defenders claiming that they should have been enrolled in the State retirement system. While the Supreme Court has affirmed that claim, the case has been remanded to superior court for further proceedings. It is probable that the likelihood of an unfavorable outcome with material damages against the County will occur, however, no reasonable estimate of damage is currently available.

King County is contesting or negotiating the following claims and lawsuits for material damages against King County and the outcomes are uncertain at this time:

- An administrative order from the Environmental Protection Agency (EPA) that requires the County, the City of Seattle, the Boeing Company, and the Port of Seattle to conduct a feasibility study to determine the nature and extent of the contamination in the Lower Duwamish Waterway. Final draft of report and public comments are being reviewed by the EPA. Due to the high level of regulatory review, the County is unable to determine the particular remediation alternative that may be required, the schedule and cost of any required remediation, or the extent of County responsibility.
- A potential requirement for more cleanup in the area contaminated when the Denny Way combined sewer

outflow was replaced in 2005. The King County Wastewater Treatment Division (WTD) has already performed interim cleanup costing \$3.6 million to comply with an agreed order issued by the Washington State Department of Ecology, which reserves its right to require additional remediation.

- Potential claims for past and future cleanup costs at the Harbor Island Superfund Site. Certain removal costs already incurred by the Port of Seattle are expected to be defrayed by the County and the City of Seattle. The parties have also agreed to share the cost of a supplemental investigation and feasibility study required by the EPA. The agreement states that the WTD has only a one-third pro rata share of the study costs although that portion may still be reallocated among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the study is completed.
- In the lawsuit filed by two sewer districts who allege that certain expenditures of the WTD constitute a breach of contract and a violation of local statutes, all issues, except one, were summarily dismissed by the court. In accordance with the ruling on the lone remaining issue, King County transferred \$2.9 million from its general fund to the water quality fund. Subsequently, both parties have initiated appeals to the higher courts contesting the respective portions of the ruling that they lost on.
- A contractor's claim against the County in the amount of \$2.4 million related to the Juanita Bay Pump Station Replacement project, alleging extra work and delay costs. The County has issued counterclaims in the amount of \$9.0 million. If the contractor's claims go to trial, the County's loss could range from \$0 to less than \$2 million before any potential gains from its counterclaims.
- A series of requests for change orders and claims for alleged damages from the prime contractor for the Brightwater Treatment Plant central conveyance system alleging differing

site conditions and defective specifications. The County is vigorously defending against the claims and has filed suit alleging contract default by the contractor for failure to complete the contract work within time limits. Contractor is asserting damages of approximately \$75 million. The County has updated its estimated damages amount to \$158 million.

- King County is a defendant in a citizen suit alleging that King County International Airport violated certain aspects of its industrial stormwater discharge permit. Penalties for permit violations range up to \$37,500 per violation, per day. The County has denied any liability; discovery is ongoing and a trial is set for May 2013.
- The Wastewater Treatment Division is in negotiations with the EPA for its Combined Sewer Overflow consent decree. The EPA expects to include a penalty in the negotiated decree, but it has not indicated the amount of the penalty it may seek.
- King County is in negotiations with the Washington State Department of Ecology regarding a potential Agreed Order under the Model Toxics Control Act regarding the Maury Island Gravel Mine Site. Due to the high level of regulatory review, approval requirements, and environmental permitting associated with any remediation project, the cost of any such remediation is not determinable.

### **Contingent Liability**

King County has entered into several contingent loan agreements with the King County Housing Authority (KCHA) and other owners/developers of affordable housing; these agreements total \$153.1 million at the end of 2011. The County has provided credit support for certain bonds issued by the KCHA. All projects are currently self-supporting and the County has not made any loans pursuant to these agreements.

### **Other Commitments**

The Solid Waste Enterprise paid the County General Fund \$8.6 million for rent on the Cedar Hills landfill site in 2011. The Enterprise is committed to paying rent to the General Fund as long as the Cedar Hills site continues to accept waste.

### **Component Unit – Harborview Medical Center**

Harborview Medical Center (HMC) is involved in litigation arising in the course of business. It is HMC management's opinion that these matters will be resolved without material adverse effect to HMC's future financial position or results of operations.

The current regulatory environment in the healthcare industry is one of increasing governmental activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers that could result in the imposition of significant fines and penalties, including significant repayments of patient services previously billed. HMC believes that it complies with the fraud and abuse regulations, as well as other laws and regulations. Compliance with such laws and regulations can be subject to future governmental review and interpretation and regulatory actions unknown or unasserted at this time.

HMC is operated by the University of Washington under a management and operations contract with King County. In this contract, the University of Washington agrees to defend, indemnify, and save harmless King County's elected and appointed officials, employees, and agents, from and against any damage, cost, claim, or liability arising out of the negligent acts or omissions of the University, its employees or agents, or arising out of the activities or operations of the medical center.

## Note 20

### Subsequent Events

#### **Debt Issuances in 2012**

In February 2012, the County issued \$73.4 million of Limited Tax General Obligation Bond Anticipation Notes to pay off the 2011A Bond Anticipation Notes and to provide interim financing for the County's Solid Waste capital improvement program and the Solid Waste Transfer and Waste Management Plan.

In March 2012, the County issued \$65.9 million of Limited Tax General Obligation Bonds to pay off the 2011B Bond Anticipation Notes and to provide financing for the County's financial systems upgrade.

In April 2012, the County issued \$104.5 million of Sewer Revenue and Refunding Bonds and \$68.4 million of Limited Tax General Obligation Refunding Bonds (payable from Sewer Revenues). The proceeds from these bonds will be used to finance sewer system construction and improvements and to refund certain outstanding bonds of the Water Quality Enterprise.

Also in April 2012, the County issued \$28.1 million of Limited Tax General Obligation Bonds, (Federally tax-exempt) to provide long-term financing of the County's share of the construction costs of the South Park Bridge.

In June 2012, the County issued another \$64.3 million of Sewer Revenue and Refunding Bonds and \$41.7 million of Limited Tax General Obligation Refunding Bonds (payable from sewer revenues). The proceeds from these bonds will be used to refund certain outstanding bonds of the Water Quality Enterprise.

In July 2012, the County issued \$100.9 million of Unlimited Tax General Obligation Refunding Bonds to refund certain outstanding unlimited tax general obligation bonds.

## Required Supplementary Information

### Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

#### Roads

The County performs condition assessments on its network of roads through the King County Pavement Management System. This system generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index from zero to one hundred (0–100) that represents the pave-

ment's functional condition based on the quantity, severity, and type of visual distress, such as pavement cracking. Based on the PCI score, condition ratings are assigned as follows: a PCI of less than 30 is defined as "poor to substandard" (heavy pavement cracking and potholes); a PCI of 30 or more but less than 50 is defined to be in "fair" condition (noticeable cracks and/or utility cuts); and a PCI of between 50 and higher is defined to be in "excellent to good" condition (relatively smooth roadway). Condition assessments are undertaken every three years.

The most recent condition assessments of the County's roads are shown below.

Condition ratings	2010-2008		2007-2005		2004-2002	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	348.2	71.8	485.4	89.6	442.9	81.7
Fair	20.3	4.2	14.5	2.7	61.1	11.3
Poor to substandard	116.7	24.0	41.6	7.7	38.0	7.0
Total	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>	<u>542.0</u>	<u>100.0</u>
Local access roads						
Excellent to good	867.0	75.6	1,094.5	83.4	1,075.4	81.6
Fair	74.2	6.5	127.3	9.7	139.0	10.6
Poor to substandard	205.8	17.9	91.2	6.9	102.9	7.8
Total	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>	<u>1,317.3</u>	<u>100.0</u>

The following table (derived from the table of condition ratings) shows the number and percentage of miles of roads that meet the 40 PCI level.

PCI score interval	2010-2008		2007-2005		2004-2002	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	360.0	74.2	493.4	91.1	475.6	87.7
PCI 0 - 39	125.3	25.8	48.1	8.9	66.4	12.3
Total	<u>485.3</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>	<u>542.0</u>	<u>100.0</u>
Local access roads						
PCI 40 - 100	900.0	78.5	1,170.3	89.1	1,165.6	88.5
PCI 0 - 39	247.0	21.5	142.7	10.9	151.7	11.5
Total	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>	<u>1,317.3</u>	<u>100.0</u>



It is the policy of the King County Road Services Division to maintain at least 80 percent of the road system at a PCI of 40 or better. The 2010 Condition Assessment indicates the arterial and local access road networks have fallen below the 80/40 threshold for Modified Approach. The accelerated condition deterioration observed between the 2009 and 2010 reports are primarily the result of weather and system age. The extreme ranges of weather experienced between 2007 and 2011 have resulted in a higher than normal amount of asphalt cracking caused by the freezing and thawing of a rain-saturated road base. Many of the arterial roadways are beyond their cost-effective life cycles, resulting in roadway deterioration earlier than what was estimated or budgeted.

The County Road Division's current budget conditions do not allow for additional funds to increase the number of miles overlaid, thereby

increasing PCI scores. Bringing road system scores into compliance with GASB Modified Method Roads will reduce the number of Hot Mix Asphalt (HMA) miles resurfaced and increase the number of miles resurfaced with Bituminous Surface Treatment (Chip Seal) at a lower unit cost and reduced life cycle. Roads will also investigate a short section paving program that will only resurface road segments with PCI less than 40. While this methodology is not cost effective, it will most immediately correct the PCI deficiencies.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network at or above the minimum acceptable condition level from 2007 to 2011. The budgeted amount is equivalent to the anticipated amount needed to maintain roads up to the required condition level (in thousands).

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Budgeted	\$62,947	\$78,844	\$64,615	\$69,349
Expended	52,080	52,701	58,488	57,371

Underspending of budgeted amounts usually results when roads are removed from the project list because of conflicts with anticipated utility work; lowering of priority due to cost efficiency considerations, such as when only a few roads are to be resurfaced in remote locations; and weather-related work reduction or stoppages.

### Bridges

King County currently maintains 181 bridges. Physical inspections to determine the condition of bridges and the degree of wear and deterioration are carried out at least every two years. Inspections reveal deficiencies in bridges such as steel corrosion, damaged guardrails, rotted timbers, deteriorated bridge decks, bank erosion, and cracked concrete. These are documented in an inspection report along with recommended repairs. Four pedestrian bridges are included in the list of bridges being maintained by the County. These are also subject to condition assessments, but are subject to different standards than the more heavily used vehicular bridges.

Each year the County undergoes a bridge prioritization process to determine potential

candidates for replacement or rehabilitation. A weighted 10-point priority scale (sufficiency rating, seismic rating, geometrics, hydraulics, load limits, traffic safety, serviceability, importance, useful life, and structural concern) ranks the bridges in order; the results are considered in the planning and programming of major bridge studies and construction projects in the Roads Capital Improvement Program.

A key element in the priority score is the sufficiency rating, the measure considered by state and federal governments as the basis for establishing eligibility and priority for bridge replacement or rehabilitation funding. The sufficiency rating is a numerical rating of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The formula used to calculate the sufficiency rating for a particular bridge is dictated by the Federal Highway Administration. The sufficiency rating may vary from 100 (a bridge in new condition) to 0 (a bridge incapable of carrying traffic). A sufficiency rating of 50 or over indicates a bridge with a good deal of service life remaining. A bridge that scores between 0 and 49 could be considered for replacement or rehabilitation funding, though typically

only bridges that score less than 30 are selected for funding.

The three most recent bridge sufficiency ratings:

<b>Bridge Sufficiency Rating</b>	<b>Number of Bridges</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
0 - 20	5	6	8
21 - 30	1	1	2
31 - 49	13	13	12
50 - 100	158	160	160
Totals	177	180	182

It is the policy of the King County Road Services Division to maintain bridges in such a manner that no more than 12 will have a sufficiency rating of 20 or less. A rating of 20 or less is usually indicative of

a bridge with a structural deficiency. The most common remedy is full replacement or rehabilitation of the bridge.

Amounts budgeted and spent to maintain and preserve bridges (in thousands):

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Budgeted	\$10,635	\$19,866	\$13,465	\$18,855
Expended	5,499	9,760	10,625	11,761

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level. Backlogs in maintenance work orders greatly affect the trend in maintenance costs. Factors

contributing to these backlogs include increased bridge traffic, higher weight loads, labor shortages, stringent environmental restrictions, and an aging inventory.

### **Postemployment Health Care Plan**

#### **Schedule of Funding Progress for the Plan** (in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)
2009	12/31/2009	\$ -	\$ 149,390	\$ 149,390	0.0%	\$ 947,530	15.8%
2010	12/31/2009	\$ -	\$ 149,390	\$ 149,390	0.0%	\$ 969,082	15.4%
2011	12/31/2011	\$ -	\$ 178,502	\$ 178,502	0.0%	\$ 956,750	18.7%



**CAFR**

**Governmental  
Funds**

## **NONMAJOR GOVERNMENTAL FUNDS**

The County's nonmajor governmental funds fall into three categories: Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt or capital projects. The County has 52 nonmajor Special Revenue funds that are combined into eleven rollup funds for financial reporting purposes:

*Justice and Safety Fund* – Revenues are derived principally from levies and excise taxes dedicated to ensuring fair and accessible justice systems, and decreasing damage or harm in the event of a regional crisis.

*Health Fund* – Revenues are derived principally from Federal grants and local taxes dedicated to supporting the King County Mental Health Regional Support Network to ensure that effective health and human services are available to people in need.

*Human Potential Fund* – Revenues are derived principally from taxes dedicated to increasing the number of healthy years that residents live, protecting the health of communities, and supporting the optimal growth and development of children and youth.

*Economic Growth Fund* – Revenues are derived principally from Federal grants and local taxes dedicated to shaping a built environment that allows our communities to flourish.

*Built Environment Fund* – Revenues are derived principally from taxes dedicated to promote responsible and sustainable development that fosters environmental quality, economic vitality, and social benefit.

*Environmental Sustainability Fund* – Revenues are derived principally from Federal grants and local taxes dedicated to protecting and restoring water quality; biodiversity; preserving open space and ecosystems; and improving flood water conveyance, capacity, and public drainage systems.

*Service Excellence Fund* – Revenues are derived principally from customer fees dedicated to improving customer satisfaction with King County,

and improving the effectiveness and accessibility of the County Records and Treasury services.

*Financial Stewardship Fund* – Revenues are derived principally from taxes apportioned for the long-term sustainability of County services.

*Public Engagement Fund* – Revenues are derived principally from donations dedicated to funding programs that provide the public with choices about which services King County delivers within existing resources and for which services they would like to provide additional funding.

*Flood Control Zone District* – Revenues are derived from taxes levied for a special taxing district to acquire at-risk floodplain properties and to support improved flood prediction capacity.

*King County Ferry District* – Revenues are derived from taxes levied for a special taxing district to expand transportation options for County residents through passenger-only ferry services.

Debt Service Funds – Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on the County's general obligation bonds and special assessment debt for certain Districts. The County has five nonmajor Debt Service Funds:

*Limited General Obligation Bond Redemption Fund* – Accounts for the accumulation of resources for, and the payment of, those bonds which have been issued without a vote of the people.

*Road Improvement Districts Special Assessment Debt Redemption Fund* – Accounts for special assessment collections and debt service payments for Road Improvement District debt for which the government is liable in the event of default by the property owners subject to the assessment.

*Road Improvement Guaranty Fund* – Accounts for County Road Improvement Districts' special assessment bonds.

*Stadium General Obligation Bond Redemption Fund* – Accounts for the payment of bonds issued for Kingdome construction.

*Unlimited General Obligation Bond Redemption Fund* – Accounts for the payment of bonds which have been issued with a 3/5-approval vote of the people,

with the exception of those issued for Kingdome construction.

Capital Projects Funds – Capital Projects funds account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition, construction, maintenance, and improvement of capital assets. The County has 13 nonmajor Capital Projects funds that are combined into four rollup funds for financial reporting purposes, as follows:

*Economic Growth and Built Environment Fund* – Primarily accounts for the acquisition and construction of infrastructure designed to meet transportation needs throughout the County, to shape a built environment that allows communities to flourish, and to preserve the unique character of our rural communities.

*Environmental Sustainability Fund* – Primarily accounts for the acquisition and construction of land and infrastructure designed to protect and restore water quality, biodiversity, open space, and ecosystems.

*Service Excellence Fund* – Accounts for the acquisition and construction of infrastructure designed to improve the effectiveness and efficiency of County programs, services, and systems.

*Financial Stewardship Fund* – Accounts for the acquisition, construction, and remodeling of County facilities designed to provide for the long-term delivery of County services in a fiscally sustainable manner.

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2011**  
(IN THOUSANDS)

	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 355,568	\$ 60,320	\$ 120,652	\$ 536,540
Taxes receivable – delinquent	7,725	1,485	257	9,467
Accounts receivable, net	25,964	-	138	26,102
Other receivables, net	473	-	-	473
Due from other funds	13,963	3,171	7,378	24,512
Due from other governments, net	38,514	3,106	14,299	55,919
Prepayments	8,638	-	-	8,638
Advances to other funds	367	-	-	367
<b>TOTAL ASSETS</b>	<b>\$ 451,212</b>	<b>\$ 68,082</b>	<b>\$ 142,724</b>	<b>\$ 662,018</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 25,434	\$ -	\$ 6,758	\$ 32,192
Due to other funds	24,943	322	6,113	31,378
Interfund short-term loans payable	10,977	-	2,707	13,684
Due to other governments	7,298	-	24	7,322
Due to component unit	1,357	-	-	1,357
Interest payable	-	1,563	287	1,850
Wages payable	6,969	-	353	7,322
Taxes payable	28	-	18	46
Bonds payable	-	3,420	-	3,420
Deferred revenues	31,813	1,485	4,107	37,405
Notes and contracts payable	-	-	16,547	16,547
Custodial accounts	5,429	-	-	5,429
Advances from other funds	667	-	-	667
<b>Total Liabilities</b>	<b>114,915</b>	<b>6,790</b>	<b>36,914</b>	<b>158,619</b>
Fund Balances				
Nonspendable	11,258	-	-	11,258
Restricted	315,366	22,665	73,408	411,439
Committed	3,344	38,627	35,256	77,227
Assigned	13,935	-	-	13,935
Unassigned	(7,606)	-	(2,854)	(10,460)
<b>Total fund balances</b>	<b>336,297</b>	<b>61,292</b>	<b>105,810</b>	<b>503,399</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 451,212</b>	<b>\$ 68,082</b>	<b>\$ 142,724</b>	<b>\$ 662,018</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b>REVENUES</b>				
Taxes	\$ 336,072	\$ 91,964	\$ 16,785	\$ 444,821
Licenses and permits	9,069	-	-	9,069
Intergovernmental revenues	288,496	6,995	39,405	334,896
Charges for services	107,950	1,102	1,323	110,375
Fines and forfeits	466	-	-	466
Interest earnings	2,430	425	850	3,705
Miscellaneous revenues	34,835	187	2,489	37,511
<b>TOTAL REVENUES</b>	<b>779,318</b>	<b>100,673</b>	<b>60,852</b>	<b>940,843</b>
<b>EXPENDITURES</b>				
Current				
General government	39,864	-	21,245	61,109
Law, safety and justice	106,985	-	-	106,985
Physical environment	90,412	-	11,052	101,464
Transportation	95,854	-	18,174	114,028
Economic environment	111,265	-	-	111,265
Mental and physical health	250,716	-	-	250,716
Culture and recreation	46,212	-	7,048	53,260
Debt service				
Redemption of long-term debt	-	50,772	-	50,772
Interest and other debt service costs	366	29,730	571	30,667
Refunding bond issuance costs	-	234	-	234
Payment to escrow agent	-	41,722	-	41,722
Capital outlay				
Capital projects	5,581	-	92,942	98,523
Capitalized expenditures	11,091	-	11,822	22,913
<b>TOTAL EXPENDITURES</b>	<b>758,346</b>	<b>122,458</b>	<b>162,854</b>	<b>1,043,658</b>
Excess (deficiency) of revenues over (under) expenditures	20,972	(21,785)	(102,002)	(102,815)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	45,365	16,459	69,717	131,541
Transfers out	(68,681)	(184)	(27,255)	(96,120)
General government debt issued	24,710	-	84,375	109,085
Premium on bonds sold	740	2,776	2,277	5,793
Refunding bonds issued	-	25,700	-	25,700
Sale of capital assets	498	30	6,306	6,834
Payment to refunded bond escrow agent	-	(28,242)	-	(28,242)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,632</b>	<b>16,539</b>	<b>135,420</b>	<b>154,591</b>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	23,604	(5,246)	33,418	51,776
Fund balances - January 1, 2011 (Restated)	312,693	66,538	72,392	451,623
Fund balances - December 31, 2011	<u>\$ 336,297</u>	<u>\$ 61,292</u>	<u>\$ 105,810</u>	<u>\$ 503,399</u>





**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2011**  
(IN THOUSANDS)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HEALTH</u>	<u>HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 355,568	\$ 72,298	\$ 34,798	\$ 91,349	\$ 12,490
Taxes receivable - delinquent	7,725	2,060	74	538	973
Abatements receivable	514	-	-	-	-
Estimated uncollectible abatements receivable	(126)	-	-	-	-
Accounts receivable	31,112	3,951	101	16	14,733
Estimated uncollectible accounts receivable	(5,148)	-	-	-	-
Assessments receivable	85	-	-	-	18
Due from other funds	13,963	465	880	2,627	1,115
Due from other governments	38,514	32	1,261	23,387	2,393
Prepayments	8,638	-	-	-	-
Advances to other funds	367	-	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 451,212</u></u>	<u><u>\$ 78,806</u></u>	<u><u>\$ 37,114</u></u>	<u><u>\$ 117,917</u></u>	<u><u>\$ 31,722</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 25,127	\$ 1,912	\$ 8,947	\$ 10,507	\$ 1,583
Retainage payable	307	-	-	4	-
Due to other funds	24,943	712	714	7,352	1,787
Due to other governments	7,298	481	356	6,461	-
Interfund loans payable	10,977	-	-	1,799	-
Due to component unit	1,357	-	-	-	-
Wages payable	6,969	891	282	1,132	757
Taxes payable	28	-	-	-	5
Deferred revenues	31,813	2,061	74	1,060	17,237
Custodial accounts	5,429	-	-	8	4
Advances from other funds	667	-	-	300	367
<b>Total liabilities</b>	<u>114,915</u>	<u>6,057</u>	<u>10,373</u>	<u>28,623</u>	<u>21,740</u>
<b>Fund balances</b>					
Nonspendable	11,258	-	-	2,620	-
Restricted	315,366	71,025	26,741	84,559	7,357
Committed	3,344	-	-	-	2,617
Assigned	13,935	1,724	-	2,115	8
Unassigned	(7,606)	-	-	-	-
<b>Total fund balances</b>	<u>336,297</u>	<u>72,749</u>	<u>26,741</u>	<u>89,294</u>	<u>9,982</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 451,212</u></u>	<u><u>\$ 78,806</u></u>	<u><u>\$ 37,114</u></u>	<u><u>\$ 117,917</u></u>	<u><u>\$ 31,722</u></u>

King County, Washington

BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP	PUBLIC ENGAGEMENT	FLOOD CONTROL ZONE DISTRICT	KING COUNTY FERRY DISTRICT
\$ 14,843	\$ 18,195	\$ 2,201	\$ 35,275	\$ 431	\$ 50,960	\$ 22,728
3,068	2	-	-	-	922	88
514	-	-	-	-	-	-
-	-	-	-	-	-	-
(126)	-	-	-	-	-	-
9,075	3,179	-	57	-	-	-
-	-	-	-	-	-	-
(5,141)	(6)	-	(1)	-	-	-
-	67	-	-	-	-	-
2,278	6,098	-	221	167	11	101
4,768	6,144	-	-	157	-	372
5,021	-	-	3,617	-	-	-
-	-	-	-	-	-	367
<u>\$ 34,300</u>	<u>\$ 33,679</u>	<u>\$ 2,201</u>	<u>\$ 39,169</u>	<u>\$ 755</u>	<u>\$ 51,893</u>	<u>\$ 23,656</u>
\$ 1,027	\$ 727	\$ -	\$ 318	\$ 106	\$ -	\$ -
240	28	-	35	-	-	-
4,762	7,073	202	258	171	1,912	-
-	-	-	-	-	-	-
6,999	2,179	-	-	-	-	-
1,357	-	-	-	-	-	-
2,298	1,449	25	-	135	-	-
24	-	-	(1)	-	-	-
6,913	3,458	-	-	-	922	88
5,469	-	-	(52)	-	-	-
-	-	-	-	-	-	-
<u>29,089</u>	<u>14,914</u>	<u>227</u>	<u>558</u>	<u>412</u>	<u>2,834</u>	<u>88</u>
5,021	-	-	3,617	-	-	-
6,172	11,475	1,914	33,238	258	49,059	23,568
727	-	-	-	-	-	-
897	7,290	60	1,756	85	-	-
(7,606)	-	-	-	-	-	-
<u>5,211</u>	<u>18,765</u>	<u>1,974</u>	<u>38,611</u>	<u>343</u>	<u>49,059</u>	<u>23,568</u>
<u>\$ 34,300</u>	<u>\$ 33,679</u>	<u>\$ 2,201</u>	<u>\$ 39,169</u>	<u>\$ 755</u>	<u>\$ 51,893</u>	<u>\$ 23,656</u>

**NONMAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011  
(IN THOUSANDS)**

	<u>TOTAL</u>	<u>LIMITED GO BOND REDEMPTION</u>	<u>ROAD IMPROVEMENT DISTRICTS SA DEBT REDEMPTION</u>	<u>ROAD IMPROVEMENT GUARANTY</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 60,320	\$ 50,364	\$ 24	\$ 10
Taxes receivable - delinquent	1,485	802	-	-
Due from other funds	3,171	3,145	-	26
Due from other governments	3,106	2,141	-	-
<b>TOTAL ASSETS</b>	<u>\$ 68,082</u>	<u>\$ 56,452</u>	<u>\$ 24</u>	<u>\$ 36</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Due to other funds	\$ 322	\$ 276	\$ 20	\$ 26
Deferred revenues	1,485	802	-	-
Bonds payable - current	3,420	3,420	-	-
Interest payable - current	1,563	1,563	-	-
Total liabilities	<u>6,790</u>	<u>6,061</u>	<u>20</u>	<u>26</u>
Fund balances				
Restricted	22,665	11,778	-	-
Committed	38,627	38,613	4	10
Total fund balances	<u>61,292</u>	<u>50,391</u>	<u>4</u>	<u>10</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 68,082</u>	<u>\$ 56,452</u>	<u>\$ 24</u>	<u>\$ 36</u>

<u>STADIUM GO BOND REDEMPTION</u>	<u>UNLIMITED GO BOND REDEMPTION</u>
\$ 3,971	\$ 5,951
-	683
-	-
965	-
<u>\$ 4,936</u>	<u>\$ 6,634</u>
\$ -	\$ -
-	683
-	-
-	-
<u>-</u>	<u>683</u>
4,936	5,951
-	-
<u>4,936</u>	<u>5,951</u>
<u>\$ 4,936</u>	<u>\$ 6,634</u>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2011**  
 (IN THOUSANDS)

	<b>TOTAL</b>	<b>ECONOMIC GROWTH AND BUILT ENVIRONMENT</b>	<b>ENVIRONMENTAL SUSTAINABILITY</b>	<b>SERVICE EXCELLENCE</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 120,652	\$ 26,551	\$ 41,357	\$ 43,489
Taxes receivable - delinquent	257	-	257	-
Accounts receivable	148	146	-	-
Estimated uncollectible accounts receivable	(10)	(10)	-	-
Due from other funds	7,378	993	1,570	3,534
Due from other governments	14,299	13,952	276	-
<b>TOTAL ASSETS</b>	<b>\$ 142,724</b>	<b>\$ 41,632</b>	<b>\$ 43,460</b>	<b>\$ 47,023</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 6,059	\$ 5,238	\$ 294	\$ 403
Retainage payable	699	512	171	-
Due to other funds	6,113	3,354	730	1,403
Interfund short-term loans payable	2,707	2,707	-	-
Due to other governments	24	24	-	-
Wages payable	353	-	-	353
Taxes payable	18	18	-	-
Interest payable	287	-	-	287
Deferred revenues	4,107	3,850	257	-
Notes and contracts payable	16,547	-	-	16,547
<b>Total liabilities</b>	<b>36,914</b>	<b>15,703</b>	<b>1,452</b>	<b>18,993</b>
Fund balances				
Restricted	73,408	28,665	20,818	21,202
Committed	35,256	-	21,308	6,828
Unassigned	(2,854)	(2,736)	(118)	-
<b>Total fund balances</b>	<b>105,810</b>	<b>25,929</b>	<b>42,008</b>	<b>28,030</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 142,724</b>	<b>\$ 41,632</b>	<b>\$ 43,460</b>	<b>\$ 47,023</b>

**FINANCIAL  
STEWARDSHIP**

\$	9,255
	-
	2
	-
	1,281
	71
<u>\$</u>	<u>10,609</u>

\$	124
	16
	626
	-
	-
	-
	-
	-
	-
	-
<u></u>	<u>766</u>

	2,723
	7,120
	-
<u></u>	<u>9,843</u>

<u>\$</u>	<u>10,609</u>
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**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HEALTH</u>	<u>HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH</u>
<b>REVENUES</b>					
Taxes	\$ 336,072	\$ 97,132	\$ 2,869	\$ 67,629	\$ 38,242
Licenses and Permits	9,069	-	-	-	135
Intergovernmental revenues	288,496	62	143,972	42,311	32,741
Charges for services	107,950	728	2,111	39,575	4,668
Fines and forfeits	466	-	-	-	17
Interest earnings	2,430	501	275	526	79
Rent income and reimbursement	27,424	-	-	1,234	1,472
Miscellaneous revenues	7,411	97	539	1,832	776
<b>TOTAL REVENUES</b>	<b>779,318</b>	<b>98,520</b>	<b>149,766</b>	<b>153,107</b>	<b>78,130</b>
<b>EXPENDITURES</b>					
Current					
General government services	39,864	-	-	5,041	-
Law, safety and justice	106,985	97,383	-	9,493	-
Physical environment	90,412	-	-	-	-
Transportation	95,854	-	-	-	6,484
Economic environment	111,265	-	-	68,175	26,160
Mental and physical health	250,716	-	152,936	84,768	-
Culture and recreation	46,212	-	-	605	34,504
<b>Total current</b>	<b>741,308</b>	<b>97,383</b>	<b>152,936</b>	<b>168,082</b>	<b>67,148</b>
Debt service					
Interest and other debt service costs	366	-	-	-	-
<b>Total debt service</b>	<b>366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital outlay					
Capitalized projects	5,581	-	-	-	-
Capitalized expenditures	11,091	951	-	119	528
<b>Total capital outlay</b>	<b>16,672</b>	<b>951</b>	<b>-</b>	<b>119</b>	<b>528</b>
<b>TOTAL EXPENDITURES</b>	<b>758,346</b>	<b>98,334</b>	<b>152,936</b>	<b>168,201</b>	<b>67,676</b>
Excess (deficiency) of revenues over (under) expenditures	20,972	186	(3,170)	(15,094)	10,454
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	45,365	-	-	16,395	916
Transfers out	(68,681)	(929)	(4)	(9,272)	(12,637)
General government debit issued	24,710	-	-	-	-
Premium on bonds sold	740	-	-	-	-
Sale of capital assets	498	58	2	11	21
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,632</b>	<b>(871)</b>	<b>(2)</b>	<b>7,133</b>	<b>(11,700)</b>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	23,604	(685)	(3,172)	(7,961)	(1,246)
Fund balances (deficit) - January 1, 2011 Restate	312,693	73,434	29,913	97,255	11,228
Fund balances - December 31, 2011	\$ 336,297	\$ 72,749	\$ 26,741	\$ 89,294	\$ 9,982

King County, Washington

BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP	PUBLIC ENGAGEMENT	FLOOD CONTROL ZONE DISTRICT	KING COUNTY FERRY DISTRICT
\$ 91,322	\$ 1,558	\$ -	\$ -	\$ -	\$ 36,069	\$ 1,251
6,257	-	-	-	2,677	-	-
27,486	39,130	509	-	1,038	22	1,225
14,458	43,723	1,305	48	241	-	1,093
405	(1)	-	-	45	-	-
267	152	21	210	2	253	144
-	-	-	24,718	-	-	-
264	356	1	2,918	169	-	459
<u>140,459</u>	<u>84,918</u>	<u>1,836</u>	<u>27,894</u>	<u>4,172</u>	<u>36,344</u>	<u>4,172</u>
(18)	262	1,503	31,998	1,078	-	-
4	105	-	-	-	-	-
(790)	63,893	-	-	5,031	22,278	-
82,235	(5)	-	-	-	-	7,140
16,930	-	-	-	-	-	-
-	13,012	-	-	-	-	-
11,103	-	-	-	-	-	-
<u>109,464</u>	<u>77,267</u>	<u>1,503</u>	<u>31,998</u>	<u>6,109</u>	<u>22,278</u>	<u>7,140</u>
65	252	-	49	-	-	-
<u>65</u>	<u>252</u>	<u>-</u>	<u>49</u>	<u>-</u>	<u>-</u>	<u>-</u>
68	58	-	1,117	-	4,338	-
737	8,742	14	-	-	-	-
<u>805</u>	<u>8,800</u>	<u>14</u>	<u>1,117</u>	<u>-</u>	<u>4,338</u>	<u>-</u>
<u>110,334</u>	<u>86,319</u>	<u>1,517</u>	<u>33,164</u>	<u>6,109</u>	<u>26,616</u>	<u>7,140</u>
<u>30,125</u>	<u>(1,401)</u>	<u>319</u>	<u>(5,270)</u>	<u>(1,937)</u>	<u>9,728</u>	<u>(2,968)</u>
3,376	15,391	-	7,144	2,143	-	-
(27,232)	(16,024)	(1,628)	(861)	(94)	-	-
-	21,255	-	3,455	-	-	-
-	545	-	195	-	-	-
395	4	-	-	7	-	-
<u>(23,461)</u>	<u>21,172</u>	<u>(1,628)</u>	<u>9,933</u>	<u>2,056</u>	<u>-</u>	<u>-</u>
6,664	19,771	(1,309)	4,663	119	9,728	(2,968)
<u>(1,453)</u>	<u>(1,006)</u>	<u>3,283</u>	<u>33,948</u>	<u>224</u>	<u>39,331</u>	<u>26,536</u>
<u>\$ 5,211</u>	<u>\$ 18,765</u>	<u>\$ 1,974</u>	<u>\$ 38,611</u>	<u>\$ 343</u>	<u>\$ 49,059</u>	<u>\$ 23,568</u>



**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

			ROAD IMPROVEMENT DISTRICTS SA DEBT REDEMPTION	ROAD IMPROVEMENT GUARANTY
	TOTAL	LIMITED GO BOND REDEMPTION		
<b>REVENUES</b>				
Taxes	\$ 91,964	\$ 66,397	\$ -	\$ -
Intergovernmental revenues	6,995	6,992	-	-
Charges for services	1,102	1,102	-	-
Interest earnings	425	388	4	3
Miscellaneous revenues	187	137	24	-
<b>TOTAL REVENUES</b>	<u>100,673</u>	<u>75,016</u>	<u>28</u>	<u>3</u>
<b>EXPENDITURES</b>				
Debt service				
Redemption of long-term debt	50,772	35,007	-	-
Interest and other debt service costs	29,730	21,025	-	-
Refunding bond issuance costs	234	234	-	-
Payment to escrow agent	41,722	41,722	-	-
<b>TOTAL EXPENDITURES</b>	<u>122,458</u>	<u>97,988</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,785)</u>	<u>(22,972)</u>	<u>28</u>	<u>3</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	16,459	16,425	-	34
Transfers out	(184)	(121)	(27)	(36)
Premium on bonds sold	2,776	2,776	-	-
Refunding bonds issued	25,700	25,700	-	-
Sale of capital assets	30	17	-	-
Payment to refunded bond escrow agent	(28,242)	(28,242)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>16,539</u>	<u>16,555</u>	<u>(27)</u>	<u>(2)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(5,246)</u>	<u>(6,417)</u>	<u>1</u>	<u>1</u>
Fund balances - January 1, 2011	<u>66,538</u>	<u>56,808</u>	<u>3</u>	<u>9</u>
Fund balances - December 31, 2011	<u>\$ 61,292</u>	<u>\$ 50,391</u>	<u>\$ 4</u>	<u>\$ 10</u>

<b>STADIUM GO BOND REDEMPTION</b>	<b>UNLIMITED GO BOND REDEMPTION</b>
\$ 2,099	\$ 23,468
-	3
-	-
30	-
-	26
<u>2,129</u>	<u>23,497</u>
1,645	14,120
172	8,533
-	-
-	-
<u>1,817</u>	<u>22,653</u>
<u>312</u>	<u>844</u>
-	-
-	-
-	-
-	-
-	13
-	-
<u>-</u>	<u>13</u>
312	857
<u>4,624</u>	<u>5,094</u>
<u>\$ 4,936</u>	<u>\$ 5,951</u>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

	<u>TOTAL</u>	<u>ECONOMIC GROWTH AND BUILT ENVIRONMENT</u>	<u>ENVIRONMENTAL SUSTAINABILITY</u>
<b>REVENUES</b>			
Taxes	\$ 16,785	\$ 6,783	\$ 10,002
Intergovernmental revenues	39,405	37,374	715
Charges for services	1,323	958	-
Interest earnings	850	224	185
Miscellaneous revenues			
Rent and maintenance reimbursement	34	14	20
Grant from private source	612	-	612
Other miscellaneous revenues	1,843	828	99
<b>TOTAL REVENUES</b>	<u>60,852</u>	<u>46,181</u>	<u>11,633</u>
<b>EXPENDITURES</b>			
Current			
General government services	21,245	-	-
Physical environment	11,052	9	11,043
Transportation	18,174	18,174	-
Culture and recreation	7,048	-	7,048
<b>Total current</b>	<u>57,519</u>	<u>18,183</u>	<u>18,091</u>
Debt service			
Interest and other debt service costs	571	27	262
<b>Total debt service</b>	<u>571</u>	<u>27</u>	<u>262</u>
Capital outlay			
Capital projects	92,942	53,546	11,030
Capitalized expenditures	11,822	273	10,295
<b>Total capital outlay</b>	<u>104,764</u>	<u>53,819</u>	<u>21,325</u>
<b>TOTAL EXPENDITURES</b>	<u>162,854</u>	<u>72,029</u>	<u>39,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(102,002)</u>	<u>(25,848)</u>	<u>(28,045)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	69,717	25,860	18,890
Transfers out	(27,255)	(18,690)	(948)
General government debt issued	84,375	-	18,440
Premium on bonds sold	2,277	-	482
Sale of capital assets	6,306	680	22
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>135,420</u>	<u>7,850</u>	<u>36,886</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	33,418	(17,998)	8,841
Fund balances (deficit) - January 1, 2011 (RESTATED)	<u>72,392</u>	<u>43,927</u>	<u>33,167</u>
Fund balances - December 31, 2011	<u>\$ 105,810</u>	<u>\$ 25,929</u>	<u>\$ 42,008</u>

<u>SERVICE EXCELLENCE</u>	<u>FINANCIAL STEWARDSHIP</u>
\$ -	\$ -
-	1,316
365	-
376	65
-	-
-	-
1	915
<u>742</u>	<u>2,296</u>
9,386	11,859
-	-
-	-
-	-
<u>9,386</u>	<u>11,859</u>
271	11
<u>271</u>	<u>11</u>
27,596	770
1,222	32
<u>28,818</u>	<u>802</u>
<u>38,475</u>	<u>12,672</u>
<u>(37,733)</u>	<u>(10,376)</u>
11,725	13,242
(779)	(6,838)
65,935	-
1,795	-
-	5,604
<u>78,676</u>	<u>12,008</u>
40,943	1,632
(12,913)	8,211
<u>\$ 28,030</u>	<u>\$ 9,843</u>

**GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) & ENCUMBRANCES BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 1 OF 3 - CONTINUED)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
<b>MAJOR FUNDS</b>			
General Fund			
County Council	\$ 2,396	\$ (130)	\$ 2,266
Council Administration	11,294	469	11,763
Hearing Examiner	559	-	559
County Auditor	1,733	36	1,769
Ombudsman/Tax Advisor	1,223	16	1,239
King County Civic Television	564	8	572
Board of Appeals	675	7	682
Office of Law Enforcement Oversight	361	-	361
Districting Committee	280	-	280
Office of Economic and Financial Analysis	346	-	346
County Executive	327	-	327
Office of the Executive	3,839	4	3,843
Office of Performance, Strategy and Budget	6,546	189	6,735
Finance	2,831	(341)	2,490
Office of Labor Relations	2,078	62	2,140
Sheriff	138,863	960	139,823
Drug Enforcement Forfeits	1,092	129	1,221
Office of Emergency Management	1,358	24	1,382
Executive Services Administration	3,250	125	3,375
Human Resources Management	5,285	(175)	5,110
Cable Communications	382	(3)	379
Real Estate Services	3,672	(70)	3,602
Records and Licensing Services	7,617	(171)	7,446
Elections	17,799	(174)	17,625
Prosecuting Attorney	56,439	(948)	55,491
Prosecuting Attorney - Antiprofitteering	120	-	120
Superior Court	44,053	(270)	43,783
District Courts	28,077	37	28,114
Judicial Administration	19,592	(440)	19,152
State Auditor	807	-	807
Boundary Review Board	337	(5)	332
Federal Lobbying	433	(1)	432
Special Programs			
Memberships and Dues	161	449	610
Executive Contingency	100	-	100
Internal Support	8,424	5,089	13,513
Assessments	21,243	(44)	21,199
Fund Transfers			
Human Services GF Transfers	626	514	1,140
General Government GF Transfers	3,073	414	3,487
Public Health GF Transfers	24,465	42	24,507
Physical Environment GF Transfers	2,456	315	2,771
CIP GF Transfers	9,008	23,061	32,069
Jail Health Services	24,786	(369)	24,417
Adult and Juvenile Detention	126,871	(769)	126,102
Office of the Public Defender	38,039	495	38,534
Inmate Welfare - Adult	1,140	1	1,141
Inmate Welfare - Juvenile	5	-	5
Total of General Fund	624,625	28,536	653,161

Note: The Schedule of Annual Budgets and Expenditures (Budgetary Basis) and Encumbrances by Appropriation Unit is presented in order to disclose budgeted and actual expenditure comparisons classified the same as, and at the same level of detail as, the legally adopted budget.

King County, Washington

VARIANCE	ACTUAL		
	TOTAL	2011 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 60	\$ 2,206	\$ -	\$ 2,206
1,447	10,316	171	10,145
142	417	-	417
83	1,686	226	1,460
186	1,053	8	1,045
13	559	30	529
94	588	-	588
163	198	25	173
165	115	-	115
31	315	-	315
44	283	-	283
99	3,744	55	3,689
454	6,281	184	6,097
-	2,490	-	2,490
111	2,029	-	2,029
2,769	137,054	510	136,544
71	1,150	-	1,150
70	1,312	-	1,312
97	3,278	-	3,278
353	4,757	-	4,757
86	293	66	227
28	3,574	7	3,567
427	7,019	176	6,843
2,535	15,090	190	14,900
312	55,179	-	55,179
95	25	-	25
832	42,951	-	42,951
972	27,142	103	27,039
521	18,631	409	18,222
-	807	-	807
36	296	-	296
106	326	120	206
8	602	-	602
100	-	-	-
1,578	11,935	-	11,935
908	20,291	49	20,242
-	1,140	-	1,140
-	3,487	-	3,487
-	24,507	-	24,507
-	2,771	-	2,771
7,628	24,441	-	24,441
840	23,577	-	23,577
536	125,566	82	125,484
530	38,004	-	38,004
282	859	43	816
-	5	-	5
24,812	628,349	2,454	625,895

**GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 2 OF 3 - CONTINUED)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
Public Health			
Public Health	\$ 208,545	\$ 71	\$ 208,616
Medical Examiner	4,692	(88)	4,604
Total Public Health	213,237	(17)	213,220
Total for Major Funds	837,862	28,519	866,381
<b>NONMAJOR FUNDS</b>			
Special Revenue Funds			
<b>JUSTICE AND SAFETY</b>			
Automated Fingerprint Identification System	15,950	154,908	170,858
Emergency Medical Services	68,803	126	68,929
Enhanced 911 Emergency Telephone System	23,767	5,787	29,554
TOTAL JUSTICE AND SAFETY	108,520	160,821	269,341
<b>HEALTH</b>			
Mental Health	174,418	(93)	174,325
<b>HUMAN POTENTIAL</b>			
Alcoholism and Substance Abuse	30,732	(12)	30,720
Children and Family Services - DCHS	1,443	50	1,493
Children and Family Services - Operating	5,413	1,171	6,584
Community and Human Services Administration	6,461	(92)	6,369
Developmental Disabilities Division	28,380	(42)	28,338
Judicial Administration MIDD	1,466	(21)	1,445
Prosecuting Attorney MIDD	1,150	(22)	1,128
Superior Court MIDD	1,299	(27)	1,272
Sheriff MIDD	164	(2)	162
Office of Public Defender MIDD	1,797	-	1,797
District Court MIDD	965	(18)	947
Adult and Juvenile Detention MIDD	406	-	406
Jail Health Services MIDD	3,250	(51)	3,199
Mental Health and Substance Abuse MIDD	4,979	15	4,994
Mental Illness and Drug Dependency	40,810	33	40,843
Human Services Levy	10,709	1,538	12,247
Veterans and Family Levy	12,181	1,679	13,860
Veterans' Relief	2,767	(18)	2,749
Youth Sports Facilities Grant	825	377	1,202
Youth Employment Programs	10,361	(68)	10,293
TOTAL HUMAN POTENTIAL	165,558	4,490	170,048
<b>ECONOMIC GROWTH</b>			
Parks and Recreation	29,185	(112)	29,073
Expansion Levy	19,194	96	19,290
TOTAL ECONOMIC GROWTH	48,379	(16)	48,363

King County, Washington

VARIANCE	ACTUAL		
	TOTAL	2011 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 19,297	\$ 189,319	\$ 53	\$ 189,266
85	4,519	-	4,519
19,382	193,838	53	193,785
44,194	822,187	2,507	819,680
154,795	16,063	986	15,077
9,963	58,966	-	58,966
3,464	26,090	1,427	24,663
168,222	101,119	2,413	98,706
21,385	152,940	-	152,940
11,596	19,124	364	18,760
-	1,493	-	1,493
38	6,546	688	5,858
1,252	5,117	-	5,117
2,508	25,830	8	25,822
6	1,439	59	1,380
20	1,108	-	1,108
7	1,265	-	1,265
51	111	-	111
60	1,737	-	1,737
32	915	-	915
104	302	-	302
76	3,123	-	3,123
500	4,494	-	4,494
11,346	29,497	348	29,149
(140)	12,387	576	11,811
2,605	11,255	42	11,213
434	2,315	2	2,313
597	605	-	605
339	9,954	418	9,536
31,431	138,617	2,505	136,112
1,521	27,552	532	27,020
99	19,191	-	19,191
1,620	46,743	532	46,211



**GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 3 OF 3 - CONCLUDED)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
Special Revenue Funds-continued			
BUILT ENVIRONMENT			
Arts and Cultural Development	\$ 9,997	\$ 2,794	\$ 12,791
Development and Environmental Services	19,250	(419)	18,831
DDES Abatement	-	94	94
Historical Preservation Programs	456	-	456
TOTAL BUILT ENVIRONMENT	29,703	2,469	32,172
ENVIRONMENTAL SUSTAINABILITY			
Intercounty River Improvement	50	-	50
King County Flood Control Operating Contract	34,602	40,176	74,778
Local Hazardous Waste	14,908	-	14,908
Noxious Weed Control	1,930	(8)	1,922
River Improvement	64	-	64
Water and Land Resources Shared Services	28,435	265	28,700
Surface Water Management			
Local Drainage Services	25,643	(2,158)	23,485
TOTAL ENVIRONMENTAL SUSTAINABILITY	105,632	38,275	143,907
SERVICE EXCELLENCE			
Recorder's Operation and Maintenance	2,089	80	2,169
FINANCIAL STEWARDSHIP			
OMB/Duncan Robert Lawsuit Administration	50	-	50
OMB/2006 Fund	50	-	50
TOTAL FINANCIAL STEWARDSHIP	100	-	100
PUBLIC ENGAGEMENT			
Animal Bequest	200	-	200
Regional Animal Services	6,983	18	7,001
Citizen Counselor Network	141	-	141
TOTAL PUBLIC ENGAGEMENT	7,324	18	7,342
Total Nonmajor Special Revenue Funds with annual budgets	641,723	206,044	847,767
Debt Service Funds			
Limited GO Bond Redemption	170,554	85,730	256,284
Stadium GO Bond Redemption	1,909	-	1,909
Unlimited GO Bond Redemption	22,656	-	22,656
Total of Debt Service Funds with annual budgets	195,119	85,730	280,849
Total of Governmental Funds with annual budgets	\$ 1,674,704	\$ 320,293	\$ 1,994,997

VARIANCE	ACTUAL		
	TOTAL	2011 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 1,425	\$ 11,366	\$ -	\$ 11,366
1,354	17,477	-	17,477
(484)	578	228	350
56	400	-	400
2,351	29,821	228	29,593
2	48	-	48
48,569	26,209	659	25,550
2,356	12,552	-	12,552
301	1,621	15	1,606
10	54	-	54
15,298	13,402	136	13,266
555	22,930	116	22,814
67,091	76,816	926	75,890
918	1,251	126	1,125
47	3	-	3
37	13	-	13
84	16	-	16
106	94	-	94
973	6,028	-	6,028
101	40	-	40
1,180	6,162	-	6,162
294,282	553,485	6,730	546,755
160,657	95,627	-	95,627
92	1,817	-	1,817
3	22,653	-	22,653
160,752	120,097	-	120,097
\$ 499,228	\$ 1,495,769	\$ 9,237	\$ 1,486,532

**GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
 (IN THOUSANDS)

APPROPRIATION UNIT	BUDGET – 2010-11 BIENNIUM		
	ORIGINAL	ADJUSTMENTS	FINAL
<b>NONMAJOR FUNDS</b>			
Special Revenue Funds			
BUILT ENVIRONMENT			
Stormwater Decant Program	\$ 1,237	\$ -	\$ 1,237
Roads	179,386	(8,940)	170,446
Roads Construction Transfer	72,398	(4,862)	67,536
ECONOMIC GROWTH			
Marine Division	18,427	14,657	33,084
Debt Service Funds			
Road Improvement Guaranty	-	78	78
Total of Governmental Funds with biennial budgets	\$ 271,448	\$ 933	\$ 272,381

<u>VARIANCE</u>	<u>ACTUAL – 2010-11 BIENNIUM</u>		
	<u>TOTAL</u>	<u>2011 YEAR-END ENCUMBRANCES</u>	<u>EXPENDITURES</u>
\$ 279	\$ 958	\$ -	\$ 958
6,661	163,785	1,434	162,351
6,524	61,012	-	61,012
19,572	13,512	-	13,512
-	78	-	78
<u>\$ 33,036</u>	<u>\$ 239,345</u>	<u>\$ 1,434</u>	<u>\$ 237,911</u>

**GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2011 AND 2010  
(IN THOUSANDS)**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 90,164	\$ 55,685
Taxes receivable - delinquent	7,192	7,533
Accounts receivable	83,690	82,582
Estimated uncollectible accounts receivable	(71,924)	(73,095)
Interest receivable	9,885	6,829
Due from other funds	6,835	5,057
Interfund short-term loans receivable	3,978	4,731
Due from other governments	43,198	41,898
Estimated uncollectible due from other governments	(320)	(79)
Advances to other funds	<u>3,800</u>	<u>3,800</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 176,498</u></u>	<u><u>\$ 134,941</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 2,810	\$ 8,426
Due to other funds	5,097	5,048
Due to other governments	936	898
Wages payable	14,915	15,928
Taxes payable	19	95
Deferred revenues	15,535	14,566
Custodial accounts	<u>2,418</u>	<u>1,737</u>
Total liabilities	<u>41,730</u>	<u>46,698</u>
Fund balance		
Reserved		16,632
Unreserved		
Designated		4,001
Undesignated		67,610
Nonspendable	3,800	
Restricted	3,309	
Committed	23,694	
Assigned	7,420	
Unassigned	<u>96,545</u>	
Total fund balance	<u>134,768</u>	<u>88,243</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 176,498</u></u>	<u><u>\$ 134,941</u></u>



**CAFR**

**Proprietary  
Funds**

## **NONMAJOR ENTERPRISE FUNDS**

King County has established Enterprise Funds to account for organizations intended to be self-supporting through fees charged for services provided to the public. The County has four nonmajor enterprises that use the accrual basis of accounting. A typical enterprise consists of an operating fund and construction subfund and may also include debt service or other reserve subfunds.

Institutional Network (I-Net) Enterprise Fund – Accounts for the development and operation of a fiber optic network connecting approximately 300 public facilities across King County. I-Net provides broadband internet connectivity, including data, voice and video communications to schools in unincorporated King County, public safety agencies, courts, public health facilities, and other public service agencies.

King County International Airport (KCIA) Enterprise Fund – Accounts for the operations, maintenance, capital improvements, and expansion of the King County International Airport/Boeing Field. With its two runways (3,710 feet and 10,000 feet in length) and four fixed-base operators, KCIA provides all the facilities and services necessary to support jet and propeller-driven aircraft and helicopters. KCIA is an FAA-designated General

Aviation Reliever for Sea-Tac Airport and averages over 375,000 general aviation operations per year.

Radio Communications Services Enterprise Fund – Accounts for the operation, maintenance, capital improvements, and expansion of the 800 MHz trunked radio system that provides communications for the public safety agencies of the County, as well as many other local government agencies. Costs are recovered primarily through user fees, including charges for maintenance and future equipment replacement.

Solid Waste Enterprise Fund – Accounts for the operation, maintenance, capital improvements, and expansion of the County's solid waste disposal facilities under the Solid Waste Division of the Department of Natural Resources and Parks. The County operates eight solid waste transfer stations, two drop box stations, two household hazardous waste facilities, one regional landfill, and recycling services for residential customers. Operating revenues result primarily from tipping fees at the active solid waste disposal sites, while bond proceeds fund most new construction. Significant reserves are set aside to replace landfills, to provide for post-closure care and remediation costs, and to replace capital equipment.

King County, Washington

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2011  
(IN THOUSANDS)

	TOTAL	I-NET	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 75,508	\$ 1,225	\$ 29,820	\$ 10,840	\$ 33,623
Restricted cash and cash equivalents	360	-	173	-	187
Accounts receivable	6,453	376	701	482	4,894
Estimated uncollectible accounts receivable	(96)	-	(7)	-	(89)
Due from other funds	3,500	5	97	49	3,349
Due from other governments	3,582	163	3,185	-	234
Inventory of supplies	1,524	-	380	113	1,031
Total current assets	90,831	1,769	34,349	11,484	43,229
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	46,587	-	428	-	46,159
Total restricted assets	46,587	-	428	-	46,159
Capital assets					
Capital assets not being depreciated	117,226	-	28,732	-	88,494
Capital assets, net of accumulated depreciation	159,835	2,927	59,914	6,592	90,402
Total capital assets	277,061	2,927	88,646	6,592	178,896
Other noncurrent					
Deferred charges	60	-	32	-	28
Total noncurrent assets	323,708	2,927	89,106	6,592	225,083
TOTAL ASSETS	414,539	4,696	123,455	18,076	268,312
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	6,964	1	2,879	236	3,848
Retainage payable	492	-	151	-	341
Due to other funds	4,728	19	2,994	11	1,704
Notes and contracts payable	40,795	-	-	-	40,795
Interest payable	1,135	57	16	-	1,062
Wages payable	1,777	54	159	96	1,468
Compensated absences payable	153	4	16	4	129
Taxes payable	181	1	165	12	3
Unearned revenue	3,510	102	3,407	-	1
Customer deposits	104	-	22	82	-
General obligation bonds payable	3,597	590	425	-	2,582
Landfill closure and post-closure care	2,735	-	-	-	2,735
Total current liabilities	66,171	828	10,234	441	54,668
Noncurrent liabilities					
Customer deposits	428	-	428	-	-
Compensated absences payable	5,927	165	606	169	4,987
Other postemployment benefits	718	12	65	20	621
General obligation bonds payable (net of unamortized premiums and deferred amount on refunding)	41,843	1,940	4,755	-	35,148
Environmental remediation	61	-	61	-	-
Landfill closure and post-closure care	79,576	-	-	-	79,576
Total noncurrent liabilities	128,553	2,117	5,915	189	120,332
TOTAL LIABILITIES	194,724	2,945	16,149	630	175,000
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	192,224	397	83,466	6,592	101,769
Unrestricted	27,591	1,354	23,840	10,854	(8,457)
TOTAL NET ASSETS	\$ 219,815	\$ 1,751	\$ 107,306	\$ 17,446	\$ 93,312



**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

	<b>TOTAL</b>	<b>I-NET</b>	<b>KING COUNTY INTER- NATIONAL AIRPORT</b>	<b>RADIO COMMUNI- CATIONS SERVICES</b>	<b>SOLID WASTE</b>
<b>OPERATING REVENUES</b>					
I-Net fees	\$ 2,841	\$ 2,841	\$ -	\$ -	\$ -
Radio services	3,688	-	-	3,688	-
Solid waste disposal charges	83,057	-	-	-	83,057
Airfield fees	3,881	-	3,881	-	-
Hangar, building, and site rentals and leases	13,971	-	13,971	-	-
Reimbursement for services to tenants	956	-	956	-	-
Miscellaneous	185	23	150	12	-
Total operating revenues	<u>108,579</u>	<u>2,864</u>	<u>18,958</u>	<u>3,700</u>	<u>83,057</u>
<b>OPERATING EXPENSES</b>					
Personal services	47,171	831	4,817	2,090	39,433
Materials and supplies	7,332	73	565	269	6,425
Contract services and other charges	25,712	242	8,596	573	16,301
Utilities	4,119	1	1,707	118	2,293
Internal services	14,138	395	5,150	752	7,841
Depreciation and amortization	17,376	1,407	4,147	348	11,474
Total operating expenses	<u>115,848</u>	<u>2,949</u>	<u>24,982</u>	<u>4,150</u>	<u>83,767</u>
OPERATING INCOME (LOSS)	<u>(7,269)</u>	<u>(85)</u>	<u>(6,024)</u>	<u>(450)</u>	<u>(710)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest earnings	1,033	9	189	72	763
Interest expense	(2,970)	(114)	(190)	-	(2,666)
Rental income	1,392	-	-	-	1,392
DNR administration revenue	3,529	-	-	-	3,529
DNR administration expense	(5,496)	-	-	-	(5,496)
Loss on disposal of capital assets	(3,369)	-	(2,915)	-	(454)
Landfill closure and post-closure care	(3,478)	-	-	-	(3,478)
Miscellaneous revenue	1,229	-	246	-	983
Miscellaneous expense	(1,444)	(2)	-	-	(1,442)
Total nonoperating revenues (expenses)	<u>(9,574)</u>	<u>(107)</u>	<u>(2,670)</u>	<u>72</u>	<u>(6,869)</u>
Income (loss) before contributions and transfers	<u>(16,843)</u>	<u>(192)</u>	<u>(8,694)</u>	<u>(378)</u>	<u>(7,579)</u>
Capital grants and contributions	16,565	-	15,558	474	533
Transfers in	420	-	-	-	420
Transfers out	<u>(607)</u>	<u>(379)</u>	<u>(5)</u>	<u>(1)</u>	<u>(222)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(465)</u>	<u>(571)</u>	<u>6,859</u>	<u>95</u>	<u>(6,848)</u>
NET ASSETS - JANUARY 1, 2011	<u>220,280</u>	<u>2,322</u>	<u>100,447</u>	<u>17,351</u>	<u>100,160</u>
NET ASSETS - DECEMBER 31, 2011	<u>\$ 219,815</u>	<u>\$ 1,751</u>	<u>\$ 107,306</u>	<u>\$ 17,446</u>	<u>\$ 93,312</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 1 OF 2)

	<b>TOTAL</b>	<b>I-NET</b>	<b>KING COUNTY INTER- NATIONAL AIRPORT</b>	<b>RADIO COMMUNI- CATIONS SERVICES</b>	<b>SOLID WASTE</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 111,381	\$ 2,650	\$ 19,898	\$ 3,032	\$ 85,801
Cash payments to suppliers for goods and services	(55,989)	(1,590)	(14,789)	(2,076)	(37,534)
Cash payments for employee services	(46,856)	(805)	(4,737)	(2,074)	(39,240)
Other receipts	5,904	-	-	-	5,904
Other payments	(6,975)	-	-	-	(6,975)
Net cash provided (used) by operating activities	<u>7,465</u>	<u>255</u>	<u>372</u>	<u>(1,118)</u>	<u>7,956</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	420	-	-	-	420
Transfers out	(607)	(379)	(5)	(1)	(222)
Net cash provided (used) by noncapital financing activities	<u>(187)</u>	<u>(379)</u>	<u>(5)</u>	<u>(1)</u>	<u>198</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(42,984)	(2)	(9,861)	(149)	(32,972)
Principal paid on capital debt	(6,031)	(570)	(415)	-	(5,046)
Interest paid on capital debt	(1,609)	(125)	(221)	-	(1,263)
Proceeds from short-term note	40,159	-	-	-	40,159
Capital grants received	14,786	-	13,659	517	610
Proceeds from disposal of capital assets	104	-	19	-	85
Landfill closure and post-closure care	(4,081)	-	-	-	(4,081)
Net cash provided (used) by capital and related financing activities	<u>344</u>	<u>(697)</u>	<u>3,181</u>	<u>368</u>	<u>(2,508)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments (including unrealized gains and losses reported as cash and cash equivalents)	<u>1,033</u>	<u>9</u>	<u>189</u>	<u>72</u>	<u>763</u>
Net cash provided by investing activities	<u>1,033</u>	<u>9</u>	<u>189</u>	<u>72</u>	<u>763</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	8,655	(812)	3,737	(679)	6,409
<b>CASH AND CASH EQUIVALENTS - JANUARY 1, 2011</b>	<u>113,800</u>	<u>2,037</u>	<u>26,684</u>	<u>11,519</u>	<u>73,560</u>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31, 2011</b>	<u>\$ 122,455</u>	<u>\$ 1,225</u>	<u>\$ 30,421</u>	<u>\$ 10,840</u>	<u>\$ 79,969</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 2 OF 2)

	<b>TOTAL</b>	<b>I-NET</b>	<b>KING COUNTY INTER- NATIONAL AIRPORT</b>	<b>RADIO COMMUNI- CATIONS SERVICES</b>	<b>SOLID WASTE</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (7,269)	\$ (85)	\$ (6,024)	\$ (450)	\$ (710)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Depreciation and amortization	17,376	1,407	4,147	348	11,474
Other nonoperating revenue/expense	(789)	-	246	-	(1,035)
Changes in assets - (increase) decrease					
Accounts receivable, net	2,832	(273)	691	(330)	2,744
Due from other funds	(1,143)	27	(13)	(49)	(1,108)
Due from other governments	135	135	-	-	-
Inventory of supplies	18	-	(131)	(9)	158
Changes in liabilities - increase (decrease)					
Accounts payable	(3,769)	(295)	1,309	(356)	(4,427)
Retainage payable	272	-	(69)	-	341
Due to other funds	3	(585)	223	2	363
Wages payable	(78)	3	1	(3)	(79)
Taxes payable	(13)	1	24	(1)	(37)
Unearned revenues	(90)	(103)	13	-	-
Compensated absences	242	21	65	15	141
Other postemployment benefits	151	2	14	4	131
Customer deposits and other liabilities	(413)	-	(124)	(289)	-
Total Adjustments	14,734	340	6,396	(668)	8,666
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 7,465</b>	<b>\$ 255</b>	<b>\$ 372</b>	<b>\$ (1,118)</b>	<b>\$ 7,956</b>



## INTERNAL SERVICE FUNDS

Building Development and Management Corporations Fund – An administrative fund created to report the net assets and activities of four nonprofit corporations created to develop, construct, manage and finance office buildings for County use.

Business Resource Center Fund – Accounts for the support and maintenance of the County's new financial, human resource, and budgetary business applications to be implemented in 2012.

Construction and Facilities Management Fund – Accounts for custodial services, building maintenance, and CIP project management. The fund also provides printing, copying, and bindery services.

DES Equipment Replacement Fund – Accounts for the purchase and replacement of personal computers for the agencies in King County Department of Executive Services.

Employee Benefits Program Fund – Accounts for the activities of employee medical, dental, vision, life, accidental death and dismemberment, and long-term disability benefit programs and will account for future modifications to existing benefits or additions of new employee benefits.

Financial Management Services Fund – Accounts for financial services, including accounting, payroll and benefits, treasury, contracts, and procurement services provided to King County and other contracting agencies.

Office of Information Resource Management Operating Fund – Accounts for countywide information technology, strategic planning and project management oversight.

Information and Telecommunications Services Fund – Consists of two subfunds that account for data processing and telecommunications services provided to King County and other contracting agencies. The Data Processing Services subfund is responsible for the wide area data network, applications development and support, data center operations, database and server maintenance, server hosting, internet access, web infrastructure,

help desk operations, and equipment replacement services. The Telecommunications Services subfund is responsible for managing desktop and wireless telephony services. This includes billing, inventory, maintenance and replacement of telephone systems, managing calling card and long distance services, and providing consulting services on a time-available basis to County telephone users.

Insurance Fund – Accounts for the activities of the Office of Risk Management, which include performing risk analysis, evaluating alternatives and purchasing insurance, adjusting claims, and recommending policies and practices to reduce potential liabilities and ensure the adequacy of insurance coverage for King County departments.

King County Geographic Information Systems Fund – Accounts for the activities required to operate, maintain, and enhance the automated geographic information systems that serve both King County agencies and external customers.

Motor Pool Equipment Rental Fund – Accounts for the purchase and maintenance of a fleet of vehicles for use by County agencies.

Printing/Graphic Arts Services Fund – The fund is closed in 2011 and the residual fund balance is transferred to Construction and Facilities Management Fund.

Public Works Equipment Rental Fund – Accounts for the purchase and maintenance of equipment and materials primarily used by the Road Services Division for maintenance and repair.

Safety and Workers' Compensation Fund – Accounts for the administration of an employee safety and training program designed to provide a safe and healthy workplace, as required by the Washington Industrial Safety and Health Act of 1973, and accounts for King County's self-insured worker's compensation system as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act.

Wastewater Equipment Rental Fund – Accounts for the purchase and maintenance of equipment and vehicles used by the Wastewater Treatment Division and Water and Land Resources.

King County, Washington

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2011  
(IN THOUSANDS)  
(PAGE 1 OF 3 - CONTINUED)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 263,283	\$ 4,801	\$ 1,367	\$ 4,253
Restricted cash and cash equivalents	2,198	2,198	-	-
Interest receivable	1	1	-	-
Accounts receivable	605	217	-	-
Estimated uncollectible accounts receivable	(1)	-	-	-
Due from other funds	4,062	-	2	839
Due from other governments, net	946	-	-	38
Inventory of supplies	1,511	-	-	275
Prepayments	5,366	66	-	-
Total current assets	277,971	7,283	1,369	5,405
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	10,194	10,194	-	-
Accounts receivable	122	122	-	-
Total restricted assets	10,316	10,316	-	-
Capital assets				
Capital assets not being depreciated	20,396	20,396	-	-
Capital assets, net of accumulated depreciation	372,894	330,313	-	824
Total capital assets	393,290	350,709	-	824
Deferred charges	3,905	3,905	-	-
Total noncurrent assets	407,511	364,930	-	824
TOTAL ASSETS	685,482	372,213	1,369	6,229
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	6,113	978	-	336
Retainage payable	125	-	-	125
Estimated claim settlements	95,811	-	-	-
Due to other funds	3,067	-	435	576
Interest payable	1,646	1,579	-	23
Wages payable	3,886	-	151	1,008
Compensated absences payable	661	-	28	183
Taxes payable	4	-	-	-
Unearned revenues	3,213	2,486	-	-
General obligation bonds payable	1,145	-	-	-
Revenue bonds payable	10,965	10,965	-	-
Custodial accounts	1,995	-	-	11
Total current liabilities	128,631	16,008	614	2,262
Long-term liabilities				
Compensated absences payable	11,932	-	501	3,308
Other postemployment benefits	1,256	-	6	489
General obligation bonds payable	9,590	-	-	-
Revenue bonds payable	374,560	374,560	-	-
Estimated claim settlements	68,308	-	-	-
Total long-term liabilities	465,646	374,560	507	3,797
TOTAL LIABILITIES	594,277	390,568	1,121	6,059
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,596	(30,911)	-	824
Restricted for:				
Capital projects	300	300	-	-
Debt Service	9,727	9,727	-	-
Unrestricted	78,582	2,529	248	(654)
TOTAL NET ASSETS	\$ 91,205	\$ (18,355)	\$ 248	\$ 170

King County, Washington

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2011  
(IN THOUSANDS)  
(PAGE 2 OF 3 - CONTINUED)

DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INFORMATION & TELECOM- MUNICATIONS SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS
\$ 1,058	\$ 49,096	\$ 5,376	\$ 1,594	\$ 6,423	\$ 81,923	\$ 1,235
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	321	-	-	65	-	2
-	-	-	-	(1)	-	-
146	56	427	570	1,139	20	108
-	244	607	-	14	-	-
-	-	-	-	-	-	-
-	-	-	-	2,298	2,999	-
1,204	49,717	6,410	2,164	9,938	84,942	1,345
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,074	269	9	7,773	-	109
-	2,074	269	9	7,773	-	109
-	-	-	-	-	-	-
-	2,074	269	9	7,773	-	109
1,204	51,791	6,679	2,173	17,711	84,942	1,454
-	-	-	-	-	-	-
-	1,923	304	254	540	-	-
-	-	-	-	-	-	-
-	19,525	-	-	-	59,768	-
-	9	710	423	267	-	-
-	-	-	-	44	-	-
-	68	1,019	192	797	80	180
-	14	162	30	126	16	24
-	-	3	-	1	-	-
-	727	-	-	-	-	-
-	-	-	-	1,145	-	-
-	-	-	-	-	-	-
-	229	-	-	731	1,024	-
-	22,495	2,198	899	3,651	60,888	204
-	-	-	-	-	-	-
-	246	2,920	538	2,276	292	433
-	18	294	36	191	31	42
-	-	-	-	9,590	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	264	3,214	574	12,057	323	475
-	22,759	5,412	1,473	15,708	61,211	679
-	-	-	-	-	-	-
-	2,074	269	9	(1,301)	-	109
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,204	26,958	998	691	3,304	23,731	666
\$ 1,204	\$ 29,032	\$ 1,267	\$ 700	\$ 2,003	\$ 23,731	\$ 775

King County, Washington

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2011  
(IN THOUSANDS)  
(PAGE 3 OF 3 - CONCLUDED)

	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 7,629	\$ 4,011	\$ 89,304	\$ 5,213
Restricted cash and cash equivalents	-	-	-	-
Interest receivable	-	-	-	-
Accounts receivable	-	-	-	-
Estimated uncollectible accounts receivable	-	-	-	-
Due from other funds	306	411	35	3
Due from other governments, net	-	43	-	-
Inventory of supplies	92	1,141	-	3
Prepayments	3	-	-	-
Total current assets	8,030	5,606	89,339	5,219
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	-	-	-	-
Accounts receivable	-	-	-	-
Total restricted assets	-	-	-	-
Capital assets				
Capital assets not being depreciated	-	-	-	-
Capital assets, net of accumulated depreciation	11,659	12,742	-	7,122
Total capital assets	11,659	12,742	-	7,122
Deferred charges	-	-	-	-
Total noncurrent assets	11,659	12,742	-	7,122
TOTAL ASSETS	19,689	18,348	89,339	12,341
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	198	151	1,417	12
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	16,518	-
Due to other funds	184	146	153	164
Interest payable	-	-	-	-
Wages payable	56	185	150	-
Compensated absences payable	10	48	20	-
Taxes payable	-	-	-	-
Unearned revenues	-	-	-	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Custodial accounts	-	-	-	-
Total current liabilities	448	530	18,258	176
Long-term liabilities				
Compensated absences payable	185	872	361	-
Other postemployment benefits	28	81	40	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Estimated claim settlements	-	-	68,308	-
Total long-term liabilities	213	953	68,709	-
TOTAL LIABILITIES	661	1,483	86,967	176
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,659	12,742	-	7,122
Restricted for:				
Capital projects	-	-	-	-
Debt Service	-	-	-	-
Unrestricted	7,369	4,123	2,372	5,043
TOTAL NET ASSETS	\$ 19,028	\$ 16,865	\$ 2,372	\$ 12,165



King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(IN THOUSANDS)  
(PAGE 1 OF 3 - CONTINUED)

		BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT
	TOTAL				
<b>OPERATING REVENUES</b>					
Profit (loss) on inventory sales					
Sales of inventory	\$ 8,040	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	(7,522)	-	-	-	-
Gross profit (loss) on inventory	518	-	-	-	-
Data processing services - intracounty	22,904	-	-	-	-
Data processing services - other	302	-	-	-	-
Telecommunication services	1,098	-	-	-	-
Information resources management fees	4,554	-	-	-	-
Geographic information systems fees	4,361	-	-	-	-
Building management fees	37,549	37,549	-	-	-
Building operation and maintenance service fees	33,689	-	-	33,689	-
Architect/engineering/renovation service fees	7,992	-	-	7,992	-
Benefit program employer contributions	193,968	-	-	-	-
Benefit program employee fees	11,073	-	-	-	-
Business resources management fees	4,293	-	4,293	-	-
Financial services	26,436	-	-	-	-
Insurance services	23,769	-	-	-	-
Equipment rental fees	21,708	-	-	-	-
Fixed asset data management services	346	-	-	-	-
Garage shop services	593	-	-	-	-
Printing and duplication	1,265	-	-	1,265	-
Workers' compensation employer contributions	36,288	-	-	-	-
Miscellaneous	1,079	41	-	420	150
Total operating revenues	433,785	37,590	4,293	43,366	150
<b>OPERATING EXPENSES</b>					
Personal services	88,557	-	1,946	29,819	-
Materials and supplies	10,770	174	55	2,052	141
Contract services and other charges	268,050	7,452	321	8,772	-
Lease and maintenance of equipment	7,274	-	506	1,862	206
Internal services	22,962	-	1,226	5,094	9
Depreciation and amortization	18,132	9,767	-	210	-
Total operating expenses	415,745	17,393	4,054	47,809	356
OPERATING INCOME (LOSS)	18,040	20,197	239	(4,443)	(206)
<b>NONOPERATING REVENUES</b>					
Intergovernmental	50	-	-	-	-
Interest	2,099	249	9	48	8
Total nonoperating revenues	2,149	249	9	48	8
<b>NONOPERATING EXPENSES</b>					
Interest	19,860	19,349	-	5	-
(Gain) loss on disposal of capital assets	(858)	-	-	(1)	-
Miscellaneous	745	434	-	112	-
Total nonoperating expenses	19,747	19,783	-	116	-
Income (loss) before contributions and transfers	442	663	248	(4,511)	(198)
Capital grants and contributions	1,411	-	-	156	-
Transfers in	231	-	-	-	-
Transfers out	(1,289)	-	-	(13)	-
CHANGE IN NET ASSETS	795	663	248	(4,368)	(198)
NET ASSETS - JANUARY 1, 2011 (RESTATED)	90,410	(19,018)	-	4,538	1,402
NET ASSETS - DECEMBER 31, 2011	\$ 91,205	\$ (18,355)	\$ 248	\$ 170	\$ 1,204

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(IN THOUSANDS)  
(PAGE 2 OF 3 - CONTINUED)

	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INFORMATION & TELECOM- MUNICATIONS SERVICES	INSURANCE
<b>OPERATING REVENUES</b>					
Profit (loss) on inventory sales					
Sales of inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-	-
Gross profit (loss) on inventory	-	-	-	-	-
Data processing services - intracounty	-	-	-	22,904	-
Data processing services - other	-	-	-	302	-
Telecommunication services	-	-	-	1,098	-
Information resources management fees	-	-	4,554	-	-
Geographic information systems fees	-	-	-	-	-
Building management fees	-	-	-	-	-
Building operation and maintenance service fees	-	-	-	-	-
Architect/engineering/renovation service fees	-	-	-	-	-
Benefit program employer contributions	193,968	-	-	-	-
Benefit program employee fees	11,073	-	-	-	-
Business resources management fees	-	-	-	-	-
Financial services	-	26,436	-	-	-
Insurance services	-	-	-	-	23,769
Equipment rental fees	-	-	-	-	-
Fixed asset data management services	-	-	-	-	-
Garage shop services	-	-	-	-	-
Printing and duplication	-	-	-	-	-
Workers' compensation employer contributions	-	-	-	-	-
Miscellaneous	-	162	-	111	12
Total operating revenues	205,041	26,598	4,554	24,415	23,781
<b>OPERATING EXPENSES</b>					
Personal services	1,829	20,393	3,564	15,647	2,103
Materials and supplies	21	181	46	317	87
Contract services and other charges	202,427	1,606	265	2,437	15,379
Lease and maintenance of equipment	4	853	33	2,988	60
Internal services	387	5,304	1,746	3,517	1,767
Depreciation and amortization	346	168	1	623	1
Total operating expenses	205,014	28,505	5,655	25,529	19,397
OPERATING INCOME (LOSS)	27	(1,907)	(1,101)	(1,114)	4,384
<b>NONOPERATING REVENUES</b>					
Intergovernmental	-	-	-	-	-
Interest	405	72	17	-	586
Total nonoperating revenues	405	72	17	-	586
<b>NONOPERATING EXPENSES</b>					
Interest	-	-	-	506	-
(Gain) loss on disposal of capital assets	-	-	-	20	-
Miscellaneous	-	-	-	198	1
Total nonoperating expenses	-	-	-	724	1
Income (loss) before contributions and transfers	432	(1,835)	(1,084)	(1,838)	4,969
Capital grants and contributions	-	-	9	363	-
Transfers in	-	-	-	-	-
Transfers out	(1)	(8)	(51)	(1,077)	(1)
<b>CHANGE IN NET ASSETS</b>	431	(1,843)	(1,126)	(2,552)	4,968
NET ASSETS - JANUARY 1, 2011 (RESTATED)	28,601	3,110	1,826	4,555	18,763
NET ASSETS - DECEMBER 31, 2011	\$ 29,032	\$ 1,267	\$ 700	\$ 2,003	\$ 23,731

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(IN THOUSANDS)  
(PAGE 3 OF 3 - CONCLUDED)

KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
\$ -	\$ 2,880	\$ 5,069	\$ -	\$ 91
-	(2,855)	(4,485)	-	(182)
-	25	584	-	(91)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,361	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	10,950	8,052	-	2,706
-	-	346	-	-
-	86	507	-	-
-	-	-	-	-
-	-	-	36,288	-
-	50	83	49	1
4,361	11,111	9,572	36,337	2,616
3,482	2,007	4,464	3,062	241
107	4,280	2,868	63	378
563	119	262	28,442	5
-	300	253	163	46
322	1,052	772	1,625	141
40	3,669	2,602	1	704
4,514	11,427	11,221	33,356	1,515
(153)	(316)	(1,649)	2,981	1,101
50	-	-	-	-
-	52	37	562	54
50	52	37	562	54
-	-	-	-	-
-	(376)	(591)	-	90
-	-	-	-	-
-	(376)	(591)	-	90
(103)	112	(1,021)	3,543	1,065
-	545	313	-	25
-	231	-	-	-
(1)	(1)	(37)	(1)	(98)
(104)	887	(745)	3,542	992
879	18,141	17,610	(1,170)	11,173
\$ 775	\$ 19,028	\$ 16,865	\$ 2,372	\$ 12,165

# King County, Washington

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2011 (IN THOUSANDS) (PAGE 1 OF 3 - CONTINUED)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from users	\$ 442,712	\$ 38,942	\$ 4,291	\$ 43,103
Cash payments to suppliers for goods and services	(320,888)	(8,066)	(1,673)	(18,121)
Cash payments for employee services	(86,971)	-	(1,260)	(29,565)
Other operating revenues	1,079	41	-	420
Net cash provided (used) by operating activities	35,932	30,917	1,358	(4,163)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating grants and subsidies received	50	-	-	-
Transfers in	231	-	-	-
Transfers out	(1,289)	-	-	(13)
Net cash provided (used) by noncapital financing activities	(1,008)	-	-	(13)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(12,758)	(194)	-	(31)
Principal paid on general obligation bonds	(1,245)	-	-	(125)
Interest paid on general obligation bonds	(467)	-	-	(5)
Principal paid on revenue bonds	(10,465)	(10,465)	-	-
Interest paid on revenue bonds	(19,390)	(19,390)	-	-
Capital grants and contributions	91	-	-	-
Proceeds from capital debt	2,190	-	-	-
Proceeds from disposal of capital assets	1,191	-	-	1
Net cash provided (used) by capital and related financing activities	(40,853)	(30,049)	-	(160)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments (Including unrealized gains/losses reported as cash and cash equivalents)	2,118	267	9	49
Proceeds from sales of investments	551	-	-	-
Net cash provided by investing activities	2,669	267	9	49
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,260)	1,135	1,367	(4,287)
<b>CASH AND CASH EQUIVALENTS - JANUARY 1, 2011</b>	278,935	16,058	-	8,540
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31, 2011</b>	<u>\$ 275,675</u>	<u>\$ 17,193</u>	<u>\$ 1,367</u>	<u>\$ 4,253</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 18,040	\$ 20,197	\$ 239	\$ (4,443)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Depreciation and amortization	18,132	9,767	-	210
Change in assets - (increase) decrease				
Accounts receivable, net	1,179	333	-	-
Due from other funds	127	-	(2)	40
Due from other governments, net	(333)	-	-	106
Inventory of supplies	(114)	-	-	(33)
Prepayments	(2,757)	(10)	-	-
Change in liabilities - increase (decrease)				
Accounts payable	(1,568)	(429)	-	(320)
Retainage payable	5	-	-	5
Claims and judgments payable	(2,237)	-	-	-
Estimated claim settlements	794	-	-	-
Due to other funds	1,552	-	435	(8)
Wages payable	256	-	151	(12)
Taxes payable	(6)	-	-	(8)
Custodial accounts and other liabilities	537	-	-	34
Unearned revenues	995	1,059	-	-
Compensated absences payable	1,069	-	529	165
Other postemployment benefits	261	-	6	101
Total adjustments	17,892	10,720	1,119	280
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 35,932</u>	<u>\$ 30,917</u>	<u>\$ 1,358</u>	<u>\$ (4,163)</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Contributions of capital assets from government	\$ 8,712	\$ -	\$ -	\$ 156
Contributions of capital assets to government	311	-	-	112

# King County, Washington

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2011 (IN THOUSANDS) (PAGE 2 OF 3 - CONTINUED)

DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INFORMATION & TELECOM- MUNICATIONS SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS
\$ (14)	\$ 205,570	\$ 25,635	\$ 3,994	\$ 24,514	\$ 24,088	\$ 4,319
(361)	(201,892)	(7,524)	(1,568)	(12,303)	(25,559)	(1,068)
-	(1,804)	(20,218)	(3,515)	(15,391)	(2,140)	(3,384)
150	-	162	-	111	12	-
(225)	1,874	(1,945)	(1,089)	(3,069)	(3,599)	(133)
-	-	-	-	-	-	50
-	-	-	-	-	-	-
-	(1)	(8)	(51)	(1,077)	(1)	(1)
-	(1)	(8)	(51)	(1,077)	(1)	49
-	-	(15)	-	(351)	-	(29)
-	-	-	-	(1,120)	-	-
-	-	-	-	(462)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,190	-	-
-	-	-	-	-	-	-
-	-	(15)	-	257	-	(29)
8	405	71	16	-	587	-
-	-	-	-	-	-	-
8	405	71	16	-	587	-
(217)	2,278	(1,897)	(1,124)	(3,889)	(3,013)	(113)
1,275	46,818	7,273	2,718	10,312	84,936	1,348
\$ 1,058	\$ 49,096	\$ 5,376	\$ 1,594	\$ 6,423	\$ 81,923	\$ 1,235
\$ (206)	\$ 27	\$ (1,907)	\$ (1,101)	\$ (1,114)	\$ 4,384	\$ (153)
-	346	168	1	623	1	40
-	468	79	-	2	297	-
(14)	3	(285)	(560)	(275)	16	(41)
-	110	(595)	-	(3)	-	(1)
-	-	-	-	-	-	-
-	-	107	-	(2,298)	(553)	-
(5)	346	(268)	240	(757)	(201)	(3)
-	-	-	-	-	-	-
-	-	-	-	-	(2,237)	-
-	674	-	-	-	(5,275)	-
-	(73)	578	282	12	-	(72)
-	4	82	16	3	(8)	16
-	-	3	-	-	-	(1)
-	(88)	-	-	585	6	-
-	36	-	-	(100)	-	-
-	17	34	25	217	(36)	74
-	4	59	8	36	7	8
(19)	1,847	(38)	12	(1,955)	(7,983)	20
\$ (225)	\$ 1,874	\$ (1,945)	\$ (1,089)	\$ (3,069)	\$ (3,599)	\$ (133)
\$ -	\$ -	\$ -	\$ 9	\$ 7,800	\$ -	\$ -
-	-	-	-	198	1	-

# King County, Washington

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2011 (IN THOUSANDS) (PAGE 3 OF 3 - CONCLUDED)

	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from users	\$ 13,653	\$ 14,165	\$ 37,656	\$ 2,796
Cash payments to suppliers for goods and services	(8,614)	(8,734)	(24,720)	(685)
Cash payments for employee services	(1,996)	(4,407)	(3,050)	(241)
Other operating revenues	50	83	49	1
Net cash provided (used) by operating activities	3,093	1,107	9,935	1,871
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating grants and subsidies received	-	-	-	-
Transfers in	231	-	-	-
Transfers out	(1)	(37)	(1)	(98)
Net cash provided (used) by noncapital financing activities	230	(37)	(1)	(98)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(3,251)	(2,874)	-	(6,013)
Principal paid on general obligation bonds	-	-	-	-
Interest paid on general obligation bonds	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Interest paid on revenue bonds	-	-	-	-
Capital grants and contributions	49	28	-	14
Proceeds from capital debt	-	-	-	-
Proceeds from disposal of capital assets	449	663	-	78
Net cash provided (used) by capital and related financing activities	(2,753)	(2,183)	-	(5,921)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments (Including unrealized gains/losses reported as cash and cash equivalents)	52	38	562	54
Proceeds from sales of investments	-	-	551	-
Net cash provided by investing activities	52	38	1,113	54
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	622	(1,075)	11,047	(4,094)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2011	7,007	5,086	78,257	9,307
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2011	\$ 7,629	\$ 4,011	\$ 89,304	\$ 5,213
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (316)	\$ (1,649)	\$ 2,981	\$ 1,101
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Depreciation and amortization	3,669	2,602	1	704
Change in assets - (increase) decrease	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from other funds	(263)	141	1,368	(1)
Due from other governments, net	-	50	-	-
Inventory of supplies	-	(80)	-	(1)
Prepayments	(3)	-	-	-
Change in liabilities - increase (decrease)	-	-	-	-
Accounts payable	(26)	(131)	27	(41)
Retainage payable	-	-	-	-
Claims and judgments payable	-	-	-	-
Estimated claim settlements	-	-	5,395	-
Due to other funds	21	117	151	109
Wages payable	(1)	-	5	-
Taxes payable	-	-	-	-
Custodial accounts and other liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Compensated absences payable	6	40	(2)	-
Other postemployment benefits	6	17	9	-
Total adjustments	3,409	2,756	6,954	770
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,093	\$ 1,107	\$ 9,935	\$ 1,871
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Contributions of capital assets from government	\$ 496	\$ 240	\$ -	\$ 11
Contributions of capital assets to government	-	-	-	-



**CAFR**

**Fiduciary  
Funds**

## **INVESTMENT TRUST FUNDS**

Investment Trust Funds are used by King County to report investment activity engaged in on behalf of legally separate entities. Accounting for the three Investment Trust Funds is on the accrual basis and the measurement focus is economic resources.

External Investment Pool Trust Fund – Accounts for the investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities other than component units that participate in the County's investment pool.

External Impaired Investment Pool Trust Fund – Accounts for the investment activity conducted by King County on behalf of legally separate

entities such as special districts and public authorities other than component units that participate in the County's investment pool. Effective September 1, 2008, certain impaired investments were separated from the main pool. During 2009, the County completed the restructuring of all the impaired assets in the Impaired Investment Pool Fund.

Individual Investment Accounts Trust Fund – Accounts for investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities other than component units having investments with the County that are not in the County's investment pool.



**INVESTMENT TRUST FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**  
(IN THOUSANDS)

	<b>TOTAL</b>	<b>EXTERNAL INVESTMENT POOL</b>	<b>EXTERNAL IMPAIRED INVESTMENT POOL</b>	<b>INDIVIDUAL INVESTMENT ACCOUNTS</b>
<b>ASSETS</b>				
Investments at fair value				
Certificates of deposit	\$ 103	\$ -	\$ -	\$ 103
Commercial paper	9,486	-	9,486	-
U.S. Treasury notes	539,362	539,362	-	-
U.S. Agency notes	1,328,569	1,328,569	-	-
U.S. Agency discount notes	284,627	284,627	-	-
U.S. Agency collateralized mortgage obligations	13,682	13,682	-	-
State Treasurer's investment pool	445,617	445,617	-	-
Total investments	2,621,446	2,611,857	9,486	103
Interest receivable	1,161	1,161	-	-
<b>TOTAL ASSETS</b>	<b>2,622,607</b>	<b>2,613,018</b>	<b>9,486</b>	<b>103</b>
<b>NET ASSETS</b>				
Held in trust for pool participants	2,613,018	2,613,018	-	-
Held in trust for pool participants - impaired	9,486	-	9,486	-
Held in trust for individual investment account participants	103	-	-	103
<b>TOTAL NET ASSETS</b>	<b>\$ 2,622,607</b>	<b>\$ 2,613,018</b>	<b>\$ 9,486</b>	<b>\$ 103</b>

**INVESTMENT TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)

	<b>TOTAL</b>	<b>EXTERNAL INVESTMENT POOL</b>	<b>EXTERNAL IMPAIRED INVESTMENT POOL</b>	<b>INDIVIDUAL INVESTMENT ACCOUNTS</b>
<b>ADDITIONS</b>				
Contributions	\$ 5,732,800	\$ 5,732,697	\$ -	\$ 103
Net investment earnings (losses)				
Interest	17,182	17,150	-	32
Increase (decrease) in the fair value of investments	3,280	(640)	3,920	-
<b>TOTAL ADDITIONS</b>	<b>5,753,262</b>	<b>5,749,207</b>	<b>3,920</b>	<b>135</b>
<b>DEDUCTIONS</b>				
Distributions	5,790,509	5,785,158	4,428	923
Change in net assets	(37,247)	(35,951)	(508)	(788)
Net assets - January 1, 2011	2,659,854	2,648,969	9,994	891
Net assets - December 31, 2011	<b>\$ 2,622,607</b>	<b>\$ 2,613,018</b>	<b>\$ 9,486</b>	<b>\$ 103</b>

## AGENCY FUNDS

Agency Funds are clearing accounts employed to account for assets held by King County in its capacity as custodian or agent and are offset by equal and related liabilities. Accounting for Agency Funds is on the accrual basis. There is no measurement of operational results.

There are two major classifications of Agency Funds: (1) those that are used with the operations of King County government; and (2) those that are used to account for cash received and disbursed in King County's capacity as *ex officio* treasurer or collection agent for special districts and other governments.

### AGENCY FUNDS – COUNTY GOVERNMENT

Enhanced-911 PSAP Escrow Fund – Utilized to account for receipt of Enhanced-911 excise tax revenue and subsequent distribution to the Public Safety Answering Points (PSAP) in King County.

Judicial Administration Agency Fund – Utilized to account for money deposited with King County Superior Court pending outcome of litigation.

King County Fiscal Agent / Debt Service Funds – Funds established to account for money held by King County as fiscal agent for the payment of debt service on bonds.

Miscellaneous Agency Funds – Funds established to account for amounts associated with short-term or relatively minor custodial activities. Activities in these funds account for the receipts and disbursements associated with the Plan to Achieve Self-Sufficiency (PASS), unclaimed effects and assets of deceased individuals, employee charitable payroll deductions, and Community Development Block Grants held on the behalf of homeowners who qualify for one of several programs of housing and improvements for health, safety, and blight elimination.

Miscellaneous Property Tax Funds – Various property tax funds used to process and distribute real and personal property tax refunds authorized by the County Treasurer; to account for proceeds of foreclosure sales in excess of delinquent taxes, interest, penalties, and costs;

and to account for required prepayment of real property taxes when a property owner plats a parcel of property. These funds are also used to record property tax payments in excess of liability and to process related refunds to taxpayers; to suspend tax receipts requiring further identification or additional payment before they can be distributed; and to distribute assessment and interest payments of local improvement districts and to process assessment refunds.

Miscellaneous Tax Distribution Fund – Established for distribution of certain revenues other than property taxes, such as state private harvest timber tax, leasehold excise tax, real estate excise tax, state forest board earnings, and proceeds from sales of tax title property.

Payroll and Accounts Payable Clearing Funds – Established to centralize issuance of payroll and accounts payable warrants that are reimbursed by each benefiting fund.

School District Impact Fee Fund – Utilized to account for receipt and disbursement of fees authorized by the State of Washington Growth Management Act of 1990. In 1992, King County adopted Ordinance 10122 for the purpose of implementing the school impact fee program, allowing the County to enter into interlocal agreements with school districts.

Warrant Redemption Fund – Utilized to redeem warrants of King County and special districts and to make distribution to applicable issuing funds.

### AGENCY FUNDS – SPECIAL DISTRICTS/OTHER GOVERNMENTS

King County utilized approximately 680 active funds in 2011 to account for the resources of 154 special districts/other governments and related liabilities of King County.

The King County Executive, in compliance with the laws of the State of Washington or by contract, is the *ex officio* treasurer of King County and special districts, but not for the cities, towns, or the State of Washington. Money received from or for the special districts or other governments is deposited in King County's central bank account; disbursements for both operations and investments are made upon receipt of instructions from governing bodies or

administrators of the special districts/other governments. Revenues received for the accounts of the cities, towns, and State of Washington are remitted to their respective treasurers.

Central Puget Sound Regional Transit Authority – Sound Transit provides the region with alternatives to meet its transportation needs. Sound Transit is governed by an eighteen-member board comprised of seventeen local elected officials and the State Transportation Department Secretary.

Cities and Towns – The King County Finance and Business Operations Division utilizes a group of funds for each of the 39 municipalities to account for the collection and remittance of regular, special, and bond property tax levies to their respective treasurers.

Fire Districts – In King County, there are 30 fire protection districts. The primary purpose of these districts is to provide fire prevention and suppression services and to offer emergency medical services to protect life and property in areas outside cities and towns, except where the cities and towns have been annexed into a fire protection district. These districts are governed by elected Boards of Fire Commissioners.

Hospital Districts – King County has three public hospital districts. These municipal corporations are authorized to own and operate public hospitals and related facilities. Each district is governed by an elected five-member Hospital Commission.

King County Directors' Association (KCDA) – The KCDA is a nonprofit cooperative purchasing organization made up of 295 public school districts statewide and governed by a five-member Board of Directors elected from and by school boards throughout King County. The objectives of this association are to eliminate duplicate purchasing activities, establish product standards, and obtain the lowest possible costs through volume purchasing, centralized warehousing, and consolidated distribution.

King County Library System – This district serves the public through 47 community libraries, the Traveling Library Center, a mobile tech lab, two children's bookmobiles, and one institutional library in the King County Juvenile Detention Center. All unincorporated areas of the County

are a part of the library district as are all cities in the County except for Seattle, Renton, Enumclaw, Hunt's Point, and Yarrow Point.

Library Capital Facility Districts – This district was established for the purpose of financing the acquisition, construction, and improvement of the Issaquah and Redmond libraries.

Miscellaneous Special Districts – The following is a brief summary of the main entities:

- Puget Sound Regional Council – The regional planning and decision-making body for growth and transportation issues in the counties of King, Kitsap, Pierce, and Snohomish. Its primary goal is to plan for the growth and development of the region, including transportation planning, and to seek solutions to problems crossing political boundaries. It is governed by a general assembly and its executive board. Each member of the board is a voting member.
- Puget Sound Clean Air Agency – An air pollution control authority under the Washington Clean Air Act for the counties of King, Kitsap, Pierce, and Snohomish. The agency is governed by a nine-member board composed mainly of elected officials from the four county jurisdictions. Its major responsibility is the implementation of the Washington Clean Air Act. This responsibility has been delegated to the agency by both the State of Washington and the Federal Environmental Protection Agency.
- Drainage Districts – There are six districts in this category. They were established to ditch, dike, and provide pumping facilities for flood-prone or low-lying lands.
- Cemetery District No. 1 – Formed in 1978 to improve and maintain a public cemetery on Vashon Island that was originally established in 1888 by a private association.
- Vashon-Maury Island Park and Recreation District – Established to develop and operate park and

recreational facilities on Vashon-Maury Island.

- Law Library – A comprehensive library of approximately 90,000 law books located on the sixth floor of the King County Courthouse. Its branch at the Maleng Regional Justice Center in Kent has approximately 15,000 volumes. The library is governed by a five-member Board of Trustees and is financed by a portion of all District and Superior Court civil filing fees.

Northshore Park and Recreation Service Area – This district was established to finance the acquisition and construction of a senior center in an area overlapping portions of both King County and Snohomish County corresponding to the boundaries of the Northshore School District. The district is governed by a five-member board.

Port of Seattle – The Port of Seattle is a public enterprise governed by five commissioners elected by the citizens of King County. Its mission is to provide services and facilities to accommodate the transportation of cargo and passengers by air, water, and land. Its marine facilities include one of the largest container ports in the United States. The Port also includes Seattle-Tacoma International Airport and marinas for a commercial fishing fleet and pleasure craft. While King County is no longer the Port's treasurer, it continues to use a special district fund to account for the collection and remittance of the Port's special tax levies.

School Districts – Public education in King County from pre-kindergarten through grade 12 is provided by 19 school districts, each governed by an elected Board of Directors and administered by a superintendent. In 2011, enrollments showed approximately 264,000 students attending 485 elementary, middle, junior high, senior high, special, and alternative schools. Puget Sound Educational Service District (PSESD), whose financial reporting is included in the School District Combining Statement of

Fiduciary Assets and Liabilities, serves 35 school districts and more than 200 private schools in King and Pierce Counties plus Bainbridge Island in Kitsap County. The PSESD is governed by a nine-member Board of Directors and administered by a superintendent. The PSESD assists public and private schools in its region through program and staff development, early childhood programs, administrative and instructional support, technical assistance, business, financial and state reporting services, and direct service to children and families. A complete list of services and programs can be found online at [www.psesd.org](http://www.psesd.org).

Sewer and Water Districts – There are 14 sewer and water districts in King County. The principal purpose of these districts is to protect public health and to improve water quality by constructing, maintaining, and operating sewer systems. The districts may also provide water, storm drainage, street lighting, lake rehabilitation, and onsite systems management. Each district is governed by an elected three-member Board of Commissioners.

State of Washington – King County utilizes a group of funds to account for state-levied property tax collections, court filing fees, fines, and forfeiture payments due to violations of laws of the State of Washington and their subsequent remittance to the State Treasurer.

Washington State Public Stadium Authority – This agency was established in 1997 to oversee the construction of a new football stadium and an exhibition center. It is governed by a seven-member board appointed by the Governor.

Water Districts – In King County there are 23 water districts. The primary purpose of the districts is to provide consumers with the highest quality drinking water at the lowest possible cost. Each district is governed by a board with power to acquire, construct, maintain, and operate water supply systems.

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 1 OF 9 - CONTINUED)

	<b>TOTAL AGENCY FUNDS</b>			
	BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
<b>ASSETS</b>				
Cash and cash equivalents	\$ 106,093	\$ 24,348,213	\$ 24,325,837	\$ 128,469
Assets held in trust - external investment pool	2,648,969	2,613,018	2,648,969	2,613,018
Assets held in trust - external impaired investment pool	9,994	11,801	12,309	9,486
Investments	2,790	990,870	993,160	500
Assets held in trust - individual investment accounts	891	103	891	103
Taxes receivable - delinquent	79,086	757,164	758,701	77,549
Accounts receivable	7,463	6,716	6,598	7,581
Assessments receivable	7,086	69	984	6,171
Notes and contracts receivable	52	-	1	51
<b>TOTAL ASSETS</b>	<b>\$ 2,862,424</b>	<b>\$ 28,727,954</b>	<b>\$ 28,747,450</b>	<b>\$ 2,842,928</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 73,149	\$ 5,415,938	\$ 5,405,758	\$ 83,329
Accounts payable	445	319,848	320,293	-
Wages payable	3,903	1,121,281	1,120,251	4,933
Custodial accounts - County agencies	51,741	6,328,573	6,319,105	61,209
Due to special districts/other governments	2,733,186	29,131,675	29,171,404	2,693,457
<b>TOTAL LIABILITIES</b>	<b>\$ 2,862,424</b>	<b>\$ 42,317,315</b>	<b>\$ 42,336,811</b>	<b>\$ 2,842,928</b>

<b>ASSETS</b>
Cash and cash equivalents
Assets held in trust - external investment pool
Assets held in trust - external impaired investment pool
Investments
Assets held in trust - individual investment accounts
Taxes receivable - delinquent
Accounts receivable
Assessments receivable
Notes and contracts receivable
<b>TOTAL ASSETS</b>

<b>LIABILITIES</b>
Warrants payable
Accounts payable
Wages payable
Custodial accounts - County agencies
Due to special districts/other governments
<b>TOTAL LIABILITIES</b>

King County, Washington

AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(IN THOUSANDS)  
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ENHANCED 911 PSAP ESCROW				KING COUNTY FISCAL AGENT / DEBT SERVICE			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11	BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ 9,511	\$ 13,582	\$ 8,163	\$ 14,930	\$ -	\$ 884,315	\$ 884,315	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 9,511</u>	<u>\$ 13,582</u>	<u>\$ 8,163</u>	<u>\$ 14,930</u>	<u>\$ -</u>	<u>\$ 884,315</u>	<u>\$ 884,315</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
310	6,364	6,674	-	-	-	-	-
-	-	-	-	-	-	-	-
9,201	13,585	7,856	14,930	-	884,315	884,315	-
-	-	-	-	-	-	-	-
<u>\$ 9,511</u>	<u>\$ 19,949</u>	<u>\$ 14,530</u>	<u>\$ 14,930</u>	<u>\$ -</u>	<u>\$ 884,315</u>	<u>\$ 884,315</u>	<u>\$ -</u>
JUDICIAL ADMINISTRATION AGENCY				MISCELLANEOUS AGENCY FUNDS			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11	BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ 16,200	\$ 236,108	\$ 230,328	\$ 21,980	\$ 7,727	\$ 31,350	\$ 30,634	\$ 8,443
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,290	-	2,290	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	52	-	1	51
<u>\$ 18,490</u>	<u>\$ 236,108</u>	<u>\$ 232,618</u>	<u>\$ 21,980</u>	<u>\$ 7,779</u>	<u>\$ 31,350</u>	<u>\$ 30,635</u>	<u>\$ 8,494</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	11	2,655	2,666	-
-	-	-	-	-	-	-	-
18,490	75,855	72,365	21,980	7,768	36,043	35,317	8,494
-	-	-	-	-	-	-	-
<u>\$ 18,490</u>	<u>\$ 75,855</u>	<u>\$ 72,365</u>	<u>\$ 21,980</u>	<u>\$ 7,779</u>	<u>\$ 38,698</u>	<u>\$ 37,983</u>	<u>\$ 8,494</u>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
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<b>MISCELLANEOUS PROPERTY TAX FUNDS</b>				
	BALANCE			BALANCE
	01/01/11	INCREASES	DECREASES	12/31/11
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,867	\$ 3,785,979	\$ 3,785,495	\$ 11,351
Assets held in trust - external investment pool	-	-	-	-
Assets held in trust - external impaired investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	20	4,016	4,038	(2)
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 10,887</u>	<u>\$ 3,789,995</u>	<u>\$ 3,789,533</u>	<u>\$ 11,349</u>
<b>LIABILITIES</b>				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	108	21,717	21,825	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	10,779	3,781,931	3,781,361	11,349
Due to special districts/other governments	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 10,887</u>	<u>\$ 3,803,648</u>	<u>\$ 3,803,186</u>	<u>\$ 11,349</u>

<b>MISCELLANEOUS TAX DISTRIBUTION</b>				
	BALANCE			BALANCE
	01/01/11	INCREASES	DECREASES	12/31/11
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,232	\$ 287,091	\$ 288,079	\$ 2,244
Assets held in trust - external investment pool	-	-	-	-
Assets held in trust - external impaired investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3,232</u>	<u>\$ 287,091</u>	<u>\$ 288,079</u>	<u>\$ 2,244</u>
<b>LIABILITIES</b>				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	78	78	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	3,232	287,091	288,079	2,244
Due to special districts/other governments	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 3,232</u>	<u>\$ 287,169</u>	<u>\$ 288,157</u>	<u>\$ 2,244</u>

King County, Washington

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
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<b>PAYROLL AND ACCOUNTS PAYABLE CLEARING</b>			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ 39,141	\$ 3,525,277	\$ 3,516,951	\$ 47,467
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
571	341	-	912
-	-	-	-
-	-	-	-
<u>\$ 39,712</u>	<u>\$ 3,525,618</u>	<u>\$ 3,516,951</u>	<u>\$ 48,379</u>

\$ 35,541	\$ 3,725,591	\$ 3,717,715	\$ 43,417
14	8,457	8,471	-
3,903	1,121,281	1,120,251	4,933
254	1,248,300	1,248,525	29
-	-	-	-
<u>\$ 39,712</u>	<u>\$ 6,103,629</u>	<u>\$ 6,094,962</u>	<u>\$ 48,379</u>

<b>WARRANT REDEMPTION</b>			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ -	\$ 2,938,704	\$ 2,938,704	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 2,938,704</u>	<u>\$ 2,938,704</u>	<u>\$ -</u>

\$ -	\$ 105	\$ 105	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 105</u>	<u>\$ 105</u>	<u>\$ -</u>

<b>SCHOOL DISTRICT IMPACT FEE</b>			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ 2,017	\$ 796	\$ 630	\$ 2,183
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 2,017</u>	<u>\$ 796</u>	<u>\$ 630</u>	<u>\$ 2,183</u>

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
2,017	1,453	1,287	2,183
-	-	-	-
<u>\$ 2,017</u>	<u>\$ 1,453</u>	<u>\$ 1,287</u>	<u>\$ 2,183</u>

<b>CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY</b>			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ 1	\$ 443,665	\$ 443,666	\$ -
300,708	301,104	300,708	301,104
28	32	31	29
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 300,737</u>	<u>\$ 744,801</u>	<u>\$ 744,405</u>	<u>\$ 301,133</u>

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
300,737	595,718	595,322	301,133
<u>\$ 300,737</u>	<u>\$ 595,718</u>	<u>\$ 595,322</u>	<u>\$ 301,133</u>



**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
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	<b>CITIES AND TOWNS</b>			
	<u>BALANCE</u> <u>01/01/11</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>12/31/11</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,155	\$ 864,262	\$ 864,740	\$ 6,677
Assets held in trust - external investment pool	-	-	-	-
Assets held in trust - external impaired investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	17,485	712,291	712,718	17,058
Accounts receivable	6,872	2,359	2,560	6,671
Assessments receivable	5	66	63	8
Notes and contracts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 31,517</u>	<u>\$ 1,578,978</u>	<u>\$ 1,580,081</u>	<u>\$ 30,414</u>
<b>LIABILITIES</b>				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	31,517	817,779	818,882	30,414
<b>TOTAL LIABILITIES</b>	<u>\$ 31,517</u>	<u>\$ 817,779</u>	<u>\$ 818,882</u>	<u>\$ 30,414</u>

	<b>FIRE DISTRICTS</b>			
	<u>BALANCE</u> <u>01/01/11</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>12/31/11</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 956	\$ 416,265	\$ 417,221	\$ -
Assets held in trust - external investment pool	140,618	135,703	140,618	135,703
Assets held in trust - external impaired investment pool	378	448	470	356
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	4,833	5,261	5,345	4,749
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 146,785</u>	<u>\$ 557,677</u>	<u>\$ 563,654</u>	<u>\$ 140,808</u>
<b>LIABILITIES</b>				
Warrants payable	\$ 510	\$ 7,970	\$ 7,944	\$ 536
Accounts payable	-	76,065	76,065	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	146,275	1,209,444	1,215,447	140,272
<b>TOTAL LIABILITIES</b>	<u>\$ 146,785</u>	<u>\$ 1,293,479</u>	<u>\$ 1,299,456</u>	<u>\$ 140,808</u>

King County, Washington

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
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<b>HOSPITAL DISTRICTS</b>				<b>KING COUNTY LIBRARY SYSTEM</b>			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11	BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ -	\$ 75,809	\$ 75,809	\$ -	\$ -	\$ 208,300	\$ 208,300	\$ -
8,251	14,295	8,251	14,295	81,119	81,594	81,119	81,594
213	250	263	200	356	421	435	342
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,316	834	908	1,242	2,682	2,058	1,874	2,866
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 9,780</u>	<u>\$ 91,188</u>	<u>\$ 85,231</u>	<u>\$ 15,737</u>	<u>\$ 84,157</u>	<u>\$ 292,373</u>	<u>\$ 291,728</u>	<u>\$ 84,802</u>
\$ 2	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
9,778	619,527	613,568	15,737	84,157	712,214	711,569	84,802
<u>\$ 9,780</u>	<u>\$ 619,527</u>	<u>\$ 613,570</u>	<u>\$ 15,737</u>	<u>\$ 84,157</u>	<u>\$ 712,214</u>	<u>\$ 711,569</u>	<u>\$ 84,802</u>

<b>KING COUNTY DIRECTORS' ASSOCIATION</b>				<b>LIBRARY CAPITAL FACILITY DISTRICTS</b>			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11	BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ -	\$ 99,618	\$ 99,618	\$ -	\$ -	\$ 1,404	\$ 1,404	\$ -
7,749	356	7,749	356	84	102	84	102
16	18	21	13	2	3	3	2
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	29	21	22	28
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 7,765</u>	<u>\$ 99,992</u>	<u>\$ 107,388</u>	<u>\$ 369</u>	<u>\$ 115</u>	<u>\$ 1,530</u>	<u>\$ 1,513</u>	<u>\$ 132</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,765	185,789	193,185	369	115	12,508	12,491	132
<u>\$ 7,765</u>	<u>\$ 185,789</u>	<u>\$ 193,185</u>	<u>\$ 369</u>	<u>\$ 115</u>	<u>\$ 12,508</u>	<u>\$ 12,491</u>	<u>\$ 132</u>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 7 OF 9 - CONTINUED)

<b>MISCELLANEOUS SPECIAL DISTRICTS</b>				
	<b>BALANCE</b>			<b>BALANCE</b>
	<b>01/01/11</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>12/31/11</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 177	\$ 67,879	\$ 68,056	\$ -
Assets held in trust - external investment pool	20,863	22,575	20,863	22,575
Assets held in trust - external impaired investment pool	52	62	63	51
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	397	282	240	439
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 21,489</b>	<b>\$ 90,798</b>	<b>\$ 89,222</b>	<b>\$ 23,065</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 75	\$ 13,145	\$ 12,922	\$ 298
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	21,414	170,314	168,961	22,767
<b>TOTAL LIABILITIES</b>	<b>\$ 21,489</b>	<b>\$ 183,459</b>	<b>\$ 181,883</b>	<b>\$ 23,065</b>

<b>NORTHSHORE PARK AND RECREATION SERVICE AREA</b>				
	<b>BALANCE</b>			<b>BALANCE</b>
	<b>01/01/11</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>12/31/11</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 479	\$ 479	\$ -
Assets held in trust - external investment pool	167	173	167	173
Assets held in trust - external impaired investment pool	2	2	2	2
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	6	3	4	5
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 175</b>	<b>\$ 657</b>	<b>\$ 652</b>	<b>\$ 180</b>
<b>LIABILITIES</b>				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	175	4,158	4,153	180
<b>TOTAL LIABILITIES</b>	<b>\$ 175</b>	<b>\$ 4,158</b>	<b>\$ 4,153</b>	<b>\$ 180</b>

King County, Washington

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 8 OF 9 - CONTINUED)

PORT OF SEATTLE				SEWER AND WATER DISTRICTS			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11	BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ (35)	\$ 74,090	\$ 74,017	\$ 38	\$ -	\$ 360,801	\$ 360,801	\$ -
-	-	-	-	145,931	159,429	145,931	159,429
-	-	-	-	698	838	864	672
-	-	-	-	-	-	-	-
-	-	-	-	764	-	764	-
2,058	1,365	1,500	1,923	(2)	-	(2)	-
-	-	-	-	-	-	-	-
-	-	-	-	4,231	1	578	3,654
-	-	-	-	-	-	-	-
<u>\$ 2,023</u>	<u>\$ 75,455</u>	<u>\$ 75,517</u>	<u>\$ 1,961</u>	<u>\$ 151,622</u>	<u>\$ 521,069</u>	<u>\$ 508,936</u>	<u>\$ 163,755</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	121,007	121,007	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,023	222,616	222,678	1,961	151,622	1,308,203	1,296,070	163,755
<u>\$ 2,023</u>	<u>\$ 222,616</u>	<u>\$ 222,678</u>	<u>\$ 1,961</u>	<u>\$ 151,622</u>	<u>\$ 1,429,210</u>	<u>\$ 1,417,077</u>	<u>\$ 163,755</u>

SCHOOL DISTRICTS				STATE OF WASHINGTON			
BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11	BALANCE 01/01/11	INCREASES	DECREASES	BALANCE 12/31/11
\$ 1,227	\$ 8,685,179	\$ 8,679,165	\$ 7,241	\$ 7,917	\$ 962,518	\$ 964,520	\$ 5,915
1,755,900	1,728,639	1,755,900	1,728,639	-	-	-	-
7,497	8,845	9,238	7,104	-	-	-	-
500	990,870	990,870	500	-	-	-	-
127	103	127	103	-	-	-	-
29,358	21,105	20,838	29,625	20,924	13,944	15,254	19,614
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,794,609</u>	<u>\$ 11,434,741</u>	<u>\$ 11,456,138</u>	<u>\$ 1,773,212</u>	<u>\$ 28,841</u>	<u>\$ 976,462</u>	<u>\$ 979,774</u>	<u>\$ 25,529</u>
\$ 36,753	\$ 1,657,151	\$ 1,654,899	\$ 39,005	\$ -	\$ -	\$ -	\$ -
-	-	-	-	2	97	99	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,757,856	20,382,179	20,405,828	1,734,207	28,839	1,736,816	1,740,126	25,529
<u>\$ 1,794,609</u>	<u>\$ 22,039,330</u>	<u>\$ 22,060,727</u>	<u>\$ 1,773,212</u>	<u>\$ 28,841</u>	<u>\$ 1,736,913</u>	<u>\$ 1,740,225</u>	<u>\$ 25,529</u>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(IN THOUSANDS)  
(PAGE 9 OF 9 - CONCLUDED)

<b>WA STATE PUBLIC STADIUM AUTHORITY</b>				
	<b>BALANCE</b>			<b>BALANCE</b>
	<b>01/01/11</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>12/31/11</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 11,042	\$ 11,042	\$ -
Assets held in trust - external investment pool	7,263	6,072	7,263	6,072
Assets held in trust - external impaired investment pool	36	42	44	34
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,299</b>	<b>\$ 17,156</b>	<b>\$ 18,349</b>	<b>\$ 6,106</b>
<b>LIABILITIES</b>				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	1,046	1,046	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	7,299	28,873	30,066	6,106
<b>TOTAL LIABILITIES</b>	<b>\$ 7,299</b>	<b>\$ 29,919</b>	<b>\$ 31,112</b>	<b>\$ 6,106</b>

<b>WATER DISTRICTS</b>				
	<b>BALANCE</b>			<b>BALANCE</b>
	<b>01/01/11</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>12/31/11</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 373,700	\$ 373,700	\$ -
Assets held in trust - external investment pool	180,316	162,976	180,316	162,976
Assets held in trust - external impaired investment pool	716	840	875	681
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	2,850	2	343	2,509
Notes and contracts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 183,882</b>	<b>\$ 537,518</b>	<b>\$ 555,234</b>	<b>\$ 166,166</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 268	\$ 11,976	\$ 12,171	\$ 73
Accounts payable	-	82,362	82,362	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	183,614	1,125,537	1,143,058	166,093
<b>TOTAL LIABILITIES</b>	<b>\$ 183,882</b>	<b>\$ 1,219,875</b>	<b>\$ 1,237,591</b>	<b>\$ 166,166</b>



**CAFR**

**Statistical  
Section**

## STATISTICAL SECTION

### CONTENTS

This part of King County's comprehensive annual 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 County's overall financial health.

<b>Financial Trends</b>	178-187
Information to help the reader understand how the County's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	188-194
Information to help the reader assess the County's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	195-202
Information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	203-205
Demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	
<b>Operating Information</b>	206-208
Service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The County implemented GASB Statement 34 in 2002; schedules presenting government-wide information include data beginning in that year.

**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (IN THOUSANDS)  
 (PAGE 1 OF 2)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 55,835	\$ 53,635	\$ 79,723	\$ 85,516
Law, safety and justice	462,834	491,834	474,808	476,101
Physical environment	51,556	52,386	58,092	51,897
Transportation	63,373	64,722	71,487	90,803
Economic environment	73,334	80,360	76,519	87,420
Mental and physical health	316,631	327,212	504,252	346,672
Culture and recreation	33,734	36,432	38,888	36,902
Interest and other debt service costs	53,116	45,980	49,383	54,538
Total governmental activities expenses	<u>1,110,413</u>	<u>1,152,561</u>	<u>1,353,152</u>	<u>1,229,849</u>
Business-type activities:				
Airport	11,816	11,590	12,356	15,537
Public Transportation	449,670	463,219	508,290	529,679
Solid Waste	79,571	79,105	78,074	95,457
Water Quality	219,634	212,355	222,238	228,438
Other	5,380	6,165	6,155	5,788
Total business-type activities expenses	<u>766,071</u>	<u>772,434</u>	<u>827,113</u>	<u>874,899</u>
Total primary government expenses	<u>\$ 1,876,484</u>	<u>\$ 1,924,995</u>	<u>\$ 2,180,265</u>	<u>\$ 2,104,748</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 55,121	\$ 43,181	\$ 53,612	\$ 58,896
Law, safety and justice	98,573	95,084	108,617	106,315
Physical environment	38,456	50,836	53,744	43,231
Transportation	22,338	18,474	17,641	19,157
Economic environment	26,422	35,521	31,791	34,830
Mental and physical health	191,183	193,893	175,296	183,590
Culture and recreation	6,650	7,294	5,838	5,700
Interest and other debt service costs	3,432	3,334	4,651	4,049
Operating grants and contributions:				
General government	3,837	3,807	3,888	3,166
Law, safety and justice	28,135	26,192	25,931	34,230
Physical environment	1,988	1,564	2,560	3,016
Transportation	16,164	15,587	15,287	15,540
Economic environment	27,768	34,758	30,683	29,123
Mental and physical health	93,942	96,143	100,133	102,909
Culture and recreation	124	1,706	91	908
Interest and other debt service costs	3,977	4,127	3,760	4,407
Capital grants and contributions:				
General government	367	1,164	2,357	1,558
Physical environment	2,229	5,112	1,997	5,386
Transportation	79,820	94,254	91,813	147,870
Economic environment	-	-	-	-
Culture and recreation	679	3,151	941	1,799
Total governmental activities program revenues	<u>701,205</u>	<u>735,182</u>	<u>730,631</u>	<u>805,680</u>

Accrual-basis financial information for the County is available back to 2002 only, the year GASB Statement 34 was implemented.



King County, Washington

2006	2007	2008	2009	2010	2011
\$ 88,278	\$ 95,864	\$ 168,271	\$ 106,076	\$ 193,521	\$ 153,910
509,234	544,838	580,105	607,191	605,396	594,366
56,322	63,326	67,498	76,404	79,897	78,771
96,401	107,471	115,090	117,625	108,386	107,864
92,460	94,555	99,839	105,515	103,153	112,081
361,817	381,286	421,355	458,184	456,678	457,507
40,974	50,100	56,285	53,313	54,071	56,917
52,361	53,299	51,455	54,010	49,979	51,670
<u>1,297,847</u>	<u>1,390,739</u>	<u>1,559,898</u>	<u>1,578,318</u>	<u>1,651,081</u>	<u>1,613,086</u>
15,392	14,620	15,842	24,725	22,296	28,101
535,471	588,234	667,651	673,436	697,611	716,949
102,127	116,252	110,348	91,347	101,210	96,871
243,496	242,808	257,249	287,792	290,873	321,057
6,687	8,025	7,540	7,153	7,625	7,236
<u>903,173</u>	<u>969,939</u>	<u>1,058,630</u>	<u>1,084,453</u>	<u>1,119,615</u>	<u>1,170,214</u>
<u>\$ 2,201,020</u>	<u>\$ 2,360,678</u>	<u>\$ 2,618,528</u>	<u>\$ 2,662,771</u>	<u>\$ 2,770,696</u>	<u>\$ 2,783,300</u>
\$ 48,625	\$ 65,440	\$ 57,139	\$ 66,962	\$ 54,187	\$ 65,478
118,722	125,103	128,424	148,236	155,182	155,857
42,517	44,564	48,286	42,878	47,598	43,607
16,725	17,003	18,716	16,125	14,631	18,123
39,424	48,586	29,148	26,955	27,836	35,276
206,589	226,341	248,617	262,928	266,270	266,583
6,538	7,264	7,710	6,688	6,799	6,487
8,339	4,864	911	881	706	1,695
3,020	4,010	5,457	6,863	4,863	3,446
27,595	33,675	32,147	32,327	30,128	24,815
2,075	2,033	4,290	4,629	3,826	8,595
16,351	18,100	17,721	23,867	18,017	19,631
23,353	21,635	22,347	29,218	29,459	39,314
106,272	95,420	101,541	104,254	106,618	105,483
343	608	133	430	195	230
4,554	4,734	4,961	5,238	5,406	5,524
5,868	1,010	284	162	112	1,464
8,014	5,406	4,125	6,091	22,006	1,210
87,979	76,403	73,749	68,870	88,710	70,392
-	-	-	461	1,626	-
-	89	101	8	76	116
<u>772,903</u>	<u>802,288</u>	<u>805,807</u>	<u>854,071</u>	<u>884,251</u>	<u>873,326</u>

**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (IN THOUSANDS)  
 (PAGE 2 OF 2)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Business-type activities:				
Charges for services:				
Airport	\$ 8,821	\$ 9,398	\$ 11,496	\$ 11,308
Public Transportation	107,621	104,348	113,335	131,321
Solid Waste	81,981	84,764	90,595	91,207
Water Quality	216,515	218,862	222,415	224,595
Other	5,544	5,158	4,607	5,913
Operating grants and contributions:				
Public Transportation	31,093	24,287	35,715	14,141
Other	197	-	-	-
Capital grants and contributions:				
Airport	1,230	469	1,305	6,352
Public Transportation	36,441	40,951	73,557	73,230
Solid Waste	500	929	537	529
Water Quality	13,915	11,438	15,942	3,264
Other	-	-	40	612
Total business-type activities program revenues	<u>503,858</u>	<u>500,604</u>	<u>569,544</u>	<u>562,472</u>
Total primary government program revenues	<u>\$ 1,205,063</u>	<u>\$ 1,235,786</u>	<u>\$ 1,300,175</u>	<u>\$ 1,368,152</u>
Net (Expenses)/Revenue				
Governmental activities	\$ (409,208)	\$ (417,379)	\$ (622,521)	\$ (424,169)
Business-type activities	<u>(262,213)</u>	<u>(271,830)</u>	<u>(257,569)</u>	<u>(312,427)</u>
Total primary government net expenses	<u>\$ (671,421)</u>	<u>\$ (689,209)</u>	<u>\$ (880,090)</u>	<u>\$ (736,596)</u>
<b>General revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Property taxes	\$ 390,706	\$ 394,903	\$ 433,593	\$ 447,041
Retail sales and use taxes	120,940	121,217	128,610	138,572
Business and other taxes	34,651	42,493	50,165	52,716
Penalties and interest - delinquent taxes	15,194	17,064	16,790	14,901
Interest earnings	30,111	20,227	18,395	28,352
Transfers	(862)	2,509	486	992
Total governmental activities	<u>590,740</u>	<u>598,413</u>	<u>648,039</u>	<u>682,574</u>
Business-type activities:				
Property taxes	-	-	-	-
Retail sales and use taxes	297,330	296,748	314,192	341,149
Interest earnings	26,278	10,875	9,737	16,397
Transfers	862	(2,509)	(486)	(992)
Total business-type activities	<u>324,470</u>	<u>305,114</u>	<u>323,443</u>	<u>356,554</u>
Total primary government	<u>\$ 915,210</u>	<u>\$ 903,527</u>	<u>\$ 971,482</u>	<u>\$ 1,039,128</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 181,532	\$ 181,034	\$ 25,518	\$ 258,405
Business-type activities	<u>62,257</u>	<u>33,284</u>	<u>65,874</u>	<u>44,127</u>
Total Primary government	<u>\$ 243,789</u>	<u>\$ 214,318</u>	<u>\$ 91,392</u>	<u>\$ 302,532</u>

King County, Washington

2006	2007	2008	2009	2010	2011
\$ 12,481	\$ 13,921	\$ 18,075	\$ 20,774	\$ 20,766	\$ 19,204
143,831	160,231	173,011	205,170	223,278	244,511
94,316	93,376	98,821	92,343	109,949	88,961
242,852	264,440	284,995	307,556	305,738	338,226
6,685	6,823	6,968	6,584	6,843	6,564
56,400	55,771	72,458	90,570	57,514	61,374
-	-	-	-	-	-
21,248	2,533	11,513	6,490	5,300	15,558
12,780	11,431	28,474	27,035	17,635	127,892
988	690	857	603	650	533
2,242	1,164	2,311	1,843	2,431	7,325
108	28	-	2,049	204	474
593,931	610,408	697,483	761,017	750,308	910,622
<u>\$ 1,366,834</u>	<u>\$ 1,412,696</u>	<u>\$ 1,503,290</u>	<u>\$ 1,615,088</u>	<u>\$ 1,634,559</u>	<u>\$ 1,783,948</u>
\$ (524,944)	\$ (588,451)	\$ (754,091)	\$ (724,247)	\$ (766,830)	\$ (739,760)
(309,242)	(359,531)	(361,147)	(323,436)	(369,307)	(259,592)
<u>\$ (834,186)</u>	<u>\$ (947,982)</u>	<u>\$ (1,115,238)</u>	<u>\$ (1,047,683)</u>	<u>\$ (1,136,137)</u>	<u>\$ (999,352)</u>
\$ 468,740	\$ 499,339	\$ 599,583	\$ 624,448	\$ 593,135	\$ 595,285
150,111	164,804	193,827	179,077	180,914	180,948
56,801	53,745	41,557	36,555	32,432	40,498
15,322	15,611	15,740	17,679	21,328	21,889
46,009	36,348	34,897	20,029	10,295	8,194
(2,531)	1,200	2,858	896	2,423	505
734,452	771,047	888,462	878,684	840,527	847,319
-	-	-	-	22,174	22,629
367,264	442,042	432,934	376,968	375,943	399,812
28,833	22,718	22,850	13,558	8,810	6,884
2,531	(1,200)	(2,858)	(896)	(2,423)	(505)
398,628	463,560	452,926	389,630	404,504	428,820
<u>\$ 1,133,080</u>	<u>\$ 1,234,607</u>	<u>\$ 1,341,388</u>	<u>\$ 1,268,314</u>	<u>\$ 1,245,031</u>	<u>\$ 1,276,139</u>
\$ 209,508	\$ 182,596	\$ 134,371	\$ 154,437	\$ 73,697	\$ 107,559
89,386	104,029	91,779	66,194	35,197	169,228
<u>\$ 298,894</u>	<u>\$ 286,625</u>	<u>\$ 226,150</u>	<u>\$ 220,631</u>	<u>\$ 108,894</u>	<u>\$ 276,787</u>

**NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 1,156,826	\$ 1,316,216	\$ 1,448,891	\$ 1,525,984	\$ 1,642,456
Restricted	297,057	263,818	261,656	289,894	338,188
Unrestricted	<u>(415,608)</u>	<u>(360,725)</u>	<u>(465,720)</u>	<u>(408,832)</u>	<u>(364,090)</u>
Total governmental activities net assets	<u>\$ 1,038,275</u>	<u>\$ 1,219,309</u>	<u>\$ 1,244,827</u>	<u>\$ 1,407,046</u>	<u>\$ 1,616,554</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 1,244,183	\$ 1,357,467	\$ 1,516,280	\$ 1,524,744	\$ 1,566,302
Restricted	407,709	360,660	283,104	311,665	329,262
Unrestricted	<u>135,491</u>	<u>102,540</u>	<u>87,157</u>	<u>94,259</u>	<u>124,490</u>
Total business-type activities net assets	<u>\$ 1,787,383</u>	<u>\$ 1,820,667</u>	<u>\$ 1,886,541</u>	<u>\$ 1,930,668</u>	<u>\$ 2,020,054</u>
Primary government					
Invested in capital assets, net of related debt	\$ 2,401,009	\$ 2,673,683	\$ 2,965,171	\$ 3,050,728	\$ 3,208,758
Restricted	704,766	624,478	544,760	601,559	667,450
Unrestricted	<u>(280,117)</u>	<u>(258,185)</u>	<u>(378,563)</u>	<u>(314,573)</u>	<u>(239,600)</u>
Total primary government net assets	<u>\$ 2,825,658</u>	<u>\$ 3,039,976</u>	<u>\$ 3,131,368</u>	<u>\$ 3,337,714</u>	<u>\$ 3,636,608</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,762,158	\$ 1,814,117	\$ 1,889,721	\$ 1,922,455	\$ 1,925,686
394,932	454,219	474,425	467,772	464,667
<u>(357,940)</u>	<u>(334,815)</u>	<u>(276,188)</u>	<u>(228,572)</u>	<u>(116,673)</u>
<u>\$ 1,799,150</u>	<u>\$ 1,933,521</u>	<u>\$ 2,087,958</u>	<u>\$ 2,161,655</u>	<u>\$ 2,273,680</u>
\$ 1,551,017	\$ 1,697,903	\$ 1,603,232	\$ 1,577,670	\$ 1,618,931
419,118	564,854	649,948	259,357	311,596
<u>153,948</u>	<u>(110,540)</u>	<u>(34,769)</u>	<u>416,581</u>	<u>492,309</u>
<u>\$ 2,124,083</u>	<u>\$ 2,152,217</u>	<u>\$ 2,218,411</u>	<u>\$ 2,253,608</u>	<u>\$ 2,422,836</u>
\$ 3,313,175	\$ 3,512,020	\$ 3,492,953	\$ 3,500,125	\$ 3,544,617
814,050	1,019,073	1,124,373	727,129	776,263
<u>(203,992)</u>	<u>(445,355)</u>	<u>(310,957)</u>	<u>188,009</u>	<u>375,636</u>
<u>\$ 3,923,233</u>	<u>\$ 4,085,738</u>	<u>\$ 4,306,369</u>	<u>\$ 4,415,263</u>	<u>\$ 4,696,516</u>

**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>General Fund</b>				
Nonspendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Reserved	\$ 9,282	\$ 8,502	\$ 7,815	\$ 18,693
Unreserved				
Designated	21,601	19,826	21,422	28,681
Undesignated	60,247	67,920	93,721	96,617
Total General Fund	<u>\$ 91,130</u>	<u>\$ 96,248</u>	<u>\$ 122,958</u>	<u>\$ 143,991</u>
<b>All Other Governmental Funds</b>				
Nonspendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Reserved	\$ 137,465	\$ 121,678	\$ 110,956	\$ 103,513
Unreserved				
Designated				
Special revenue funds	16,594	7,584	15,949	25,141
Debt service funds	246	176	-	-
Capital project funds	2,353	-	-	-
Undesignated				
Special revenue funds	60,499	70,325	73,948	58,618
Debt service funds	26,915	22,234	34,029	28,635
Capital project funds	30,988	14,205	49,758	57,069
Total all other governmental funds	<u>\$ 275,060</u>	<u>\$ 236,202</u>	<u>\$ 284,640</u>	<u>\$ 272,976</u>

Beginning in 2011 fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years. N/A indicates data not available.

In 2008, the County Council moved the rainy day fund from the general fund to a special revenue fund reducing general fund balance by approximately \$15 million. In 2011, in accordance with the recently implemented GASB 54, it is being reported as part of the general fund.

King County, Washington

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
N/A	N/A	N/A	N/A	N/A	\$ 3,800
N/A	N/A	N/A	N/A	N/A	3,309
N/A	N/A	N/A	N/A	N/A	23,694
N/A	N/A	N/A	N/A	N/A	7,420
N/A	N/A	N/A	N/A	N/A	96,545
\$ 24,219	\$ 27,346	\$ 16,064	\$ 14,915	\$ 16,632	N/A
23,230	23,319	7,396	3,207	4,001	N/A
96,315	89,983	73,765	64,304	67,610	N/A
<u>\$ 143,764</u>	<u>\$ 140,648</u>	<u>\$ 97,225</u>	<u>\$ 82,426</u>	<u>\$ 88,243</u>	<u>\$ 134,768</u>
N/A	N/A	N/A	N/A	N/A	\$ 12,333
N/A	N/A	N/A	N/A	N/A	415,758
N/A	N/A	N/A	N/A	N/A	77,227
N/A	N/A	N/A	N/A	N/A	16,105
N/A	N/A	N/A	N/A	N/A	(10,460)
\$ 108,317	\$ 101,045	\$ 93,564	\$ 120,349	\$ 94,791	N/A
26,951	37,129	43,682	42,170	71,036	N/A
-	-	-	-	-	N/A
-	-	-	-	-	N/A
67,268	84,541	154,680	213,279	191,446	N/A
30,413	27,666	32,762	36,704	42,694	N/A
43,678	80,946	94,692	26,694	77,148	N/A
<u>\$ 276,627</u>	<u>\$ 331,327</u>	<u>\$ 419,380</u>	<u>\$ 439,196</u>	<u>\$ 477,115</u>	<u>\$ 510,963</u>

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(IN THOUSANDS)

	2002	2003	2004	2005	2006
<b>Revenues</b>					
Taxes	\$ 561,039	\$ 575,590	\$ 630,440	\$ 653,194	\$ 690,873
Licenses and permits	17,322	20,900	25,920	22,477	24,654
Intergovernmental revenues	391,915	390,702	418,362	417,407	442,094
Charges for services	212,229	251,464	216,636	222,708	223,306
Fines and forfeits	8,016	8,145	7,350	6,362	8,084
Interest earnings	25,251	17,106	15,845	24,274	38,072
Miscellaneous revenues	42,963	35,011	42,289	46,189	51,081
Total revenues	<u>1,258,735</u>	<u>1,298,918</u>	<u>1,356,842</u>	<u>1,392,611</u>	<u>1,478,164</u>
<b>Expenditures</b>					
General government services	98,319	120,059	118,763	137,416	141,318
Law, safety and justice	420,352	440,151	423,737	429,541	467,053
Physical environment	51,236	50,947	55,760	51,408	56,601
Transportation	61,535	59,957	66,937	88,473	95,758
Economic environment	72,185	78,408	75,940	87,080	91,955
Mental and physical health	313,119	318,161	501,582	344,036	361,334
Culture and recreation	30,341	33,596	36,974	34,744	38,981
Debt service					
Redemption of long-term debt	57,900	65,150	65,252	78,160	80,192
Interest	52,687	47,200	51,985	55,248	53,427
Other debt service costs	9,065	6,561	15,087	557	11,623
Capital outlay	110,476	150,708	201,397	83,936	86,746
Total expenditures	<u>1,277,215</u>	<u>1,370,898</u>	<u>1,613,414</u>	<u>1,390,599</u>	<u>1,484,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,480)</u>	<u>(71,980)</u>	<u>(256,572)</u>	<u>2,012</u>	<u>(6,824)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	117,563	158,856	154,901	146,014	169,156
Transfers out	(114,884)	(154,547)	(153,989)	(144,458)	(166,282)
General government debt issued	40,282	37,838	246,435	2,134	4,716
Premium on bonds sold	-	-	17,807	2,112	1,633
Refunding bonds issued	133,510	138,124	102,315	22,510	38,330
General long-term debt - capital leases	146	48	62,805	184	-
Sale of capital assets	1,789	4,407	5,504	4,307	2,274
Payment to refunded bonds escrow agent	(132,798)	(137,377)	(107,317)	(24,360)	(39,579)
Total other financing sources (uses)	<u>45,608</u>	<u>47,349</u>	<u>328,461</u>	<u>8,443</u>	<u>10,248</u>
Net change in fund balances	<u>\$ 27,128</u>	<u>\$ (24,631)</u>	<u>\$ 71,889</u>	<u>\$ 10,455</u>	<u>\$ 3,424</u>
Debt service as a percentage of noncapital expenditures	9.48%	9.21%	8.30%	10.21%	9.56%



King County, Washington

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 733,432	\$ 849,416	\$ 855,164	\$ 827,772	\$ 838,601
30,865	23,484	24,333	24,398	26,818
453,577	493,682	544,346	560,994	572,019
243,905	231,000	242,527	229,582	244,922
9,616	9,536	10,142	9,001	8,635
29,065	27,977	15,724	7,572	6,149
57,504	56,071	55,496	60,202	58,373
<u>1,557,964</u>	<u>1,691,166</u>	<u>1,747,732</u>	<u>1,719,521</u>	<u>1,755,517</u>
157,751	147,633	163,615	145,108	157,215
496,376	534,238	560,059	556,471	553,127
63,924	91,301	107,804	107,297	101,464
106,396	116,322	124,880	114,436	114,028
94,187	99,465	105,145	102,804	111,682
381,817	420,053	460,206	460,584	467,409
47,512	53,194	49,168	51,069	53,260
87,195	79,071	117,736	62,901	50,772
41,638	40,614	36,227	30,805	29,835
12,837	15,096	22,261	15,990	42,791
74,135	105,673	85,161	115,399	122,310
<u>1,563,768</u>	<u>1,702,660</u>	<u>1,832,262</u>	<u>1,762,864</u>	<u>1,803,893</u>
(5,804)	(11,494)	(84,530)	(43,343)	(48,376)
178,186	218,146	171,100	142,569	157,027
(175,063)	(213,003)	(171,715)	(139,773)	(155,565)
48,395	48,755	84,810	82,465	109,085
3,890	170	5,831	6,521	5,793
54,565	-	42,869	41,250	25,700
-	-	-	-	-
4,548	2,080	2,719	(392)	17,141
(57,133)	-	(46,067)	(45,561)	(28,242)
<u>57,388</u>	<u>56,148</u>	<u>89,547</u>	<u>87,079</u>	<u>130,939</u>
<u>\$ 51,584</u>	<u>\$ 44,654</u>	<u>\$ 5,017</u>	<u>\$ 43,736</u>	<u>\$ 82,563</u>
8.65%	7.49%	8.81%	5.69%	4.79%

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(DOLLARS IN THOUSANDS)**

YEAR	TAXABLE REAL PROPERTY				TAXABLE PERSONAL PROPERTY	
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	MANUFACTURING PROPERTY	OTHER	MACHINERY & EQUIPMENT	OTHER
2002	\$ 147,928,871	\$ 33,872,466	\$ 6,477,627	\$ 7,684,682	\$ 7,646,826	\$ 7,386,129
2003	161,272,895	34,230,703	6,436,607	8,035,210	7,395,022	7,624,162
2004	171,503,993	35,461,930	6,643,168	8,364,910	6,895,213	6,965,040
2005	183,256,711	36,199,927	6,760,083	8,443,463	6,395,974	7,855,625
2006	198,127,989	38,824,503	7,131,275	11,681,018	6,960,327	7,845,999
2007	220,370,481	44,100,498	7,817,974	10,748,360	7,390,343	8,327,543
2008	249,962,370	50,972,853	8,673,833	14,267,768	7,808,288	9,310,328
2009	286,099,396	60,331,491	9,792,547	13,072,328	8,205,353	9,388,613
2010	243,764,953	58,386,704	10,417,510	11,506,856	8,704,135	9,191,359
2011	238,365,326	54,362,043	9,249,529	9,984,850	8,950,510	8,689,920

Source: King County Department of Assessments.

Ratios for real property and personal property were provided by State of Washington Department of Revenue.

Total Direct Tax Rate is per \$1,000 of assessed value.

TOTAL TAXABLE PROPERTY		PERCENTAGE OF ASSESSED VALUE TO ESTIMATED ACTUAL VALUE	TOTAL DIRECT TAX RATE
ASSESSED VALUE	ESTIMATED ACTUAL VALUE		
\$ 210,996,601	\$ 231,328,370	91.2%	\$ 1.87
224,994,599	247,036,216	91.1%	1.78
235,834,254	249,751,859	94.4%	1.86
248,911,783	260,484,740	95.6%	1.81
270,571,111	294,821,227	91.8%	1.75
298,755,199	342,607,599	87.2%	1.69
340,995,440	405,511,641	84.1%	1.64
386,889,728	431,461,548	89.7%	1.49
341,971,517	403,965,414	84.7%	1.72
329,602,178	357,181,605	92.3%	1.76

# King County, Washington

## DIRECT AND OVERLAPPING GOVERNMENTS PROPERTY TAX RATES LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008
County Direct Rates							
General	\$ 1.45	\$ 1.35	\$ 1.43	\$ 1.38	\$ 1.33	\$ 1.29	\$ 1.21
Emergency Medical Services	.16	.16	.15	.15	.14	.13	.19
Road District	.26	.27	.28	.28	.28	.27	.24
Total County Direct Rates	1.87	1.78	1.86	1.81	1.75	1.69	1.64
State School Fund Rates	2.99	2.90	2.76	2.69	2.50	2.33	2.13
Port of Seattle Rates	.19	.26	.25	.25	.23	.23	.22
Ferry District Rates	-	-	-	-	-	-	.06
King County Library System Rates	.53	.55	.54	.53	.53	.50	.45
Cities and Towns Rates	.41-3.35	.39-3.28	.39-3.36	.37-3.35	.36-3.16	.35-3.22	.33-2.77
School Districts Rates	1.19-5.48	1.12-5.64	2.16-5.39	1.89-5.81	2.02-5.37	1.73-4.95	1.39-4.73
Water Districts Rates	.22	.20	.20	.18	.18	-	-
Fire Districts Rates	.84-2.10	.79-2.33	.78-1.69	.76-1.66	.72-1.68	.69-1.67	.77-1.68
Hospital Districts Rates	.10-.69	.09-.65	.09-.70	.09-.70	.47-.59	.46-.56	.43-.59
Flood Zone Districts Rates	.05	.05	.05	.05	.05	.04	.10
Park & Recreation Districts Rates	.06-.33	.05-.45	.05-.44	.04-.42	.04-.47	.04-.45	.03-.49
Miscellaneous Districts Rates	.06-.12	.05-.13	.05-.11	.05-.11	.05-.40	.04-.48	.04-.44

Source: King County Department of Assessments

Notes: (1) Limitations on levies: Article 7, § 2 (as amended) of the Washington State Constitution and the Revised Code of Washington (RCW) 84.52.050 limit the total "regular" property tax levy to a maximum of \$10 per \$1,000 of true and fair value of real and personal property valuation. This "1 percent of value" limitation does not include tax levies for port and public utility districts. This limit is subject to further reduction since RCW 84.52.043(2) limits the overlapping levy rate excluding the State (school), port districts, and public utility districts to \$5.90 per \$1,000 of assessed value. RCW 84.55.010, as amended by Ch. 1, Laws of 2002 (approved as Initiative 747 by State voters in November 2001) also limits the total dollar amount of regular property taxes levied by individual taxing districts to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an amount applicable to new construction. The limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than one percent, the limit factor can be increased to 101 percent, if approved by a majority plus one vote of the governing body of the municipality upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the municipality upon a finding of substantial need and is also approved by the voters at a general or special election within the municipality. These limitations are not applicable to "excess" or special levies approved by the electorate of districts.

(2) Real and personal property taxes are payable on or after February 15. Unpaid taxes become delinquent after April 30, unless tax is \$50 or more and one-half is paid before April 30. In this case, the second half is not delinquent until after October 31.

(3) Tax rates are in per \$1,000 of assessed value. Rates include excess and special levies not subject to the limitations discussed in footnote (1) above.

2009	2010	2011
\$ 1.10	\$ 1.28	\$ 1.34
.18	0.19	0.19
<u>.22</u>	<u>0.25</u>	<u>0.23</u>
1.50	1.72	1.76
1.96	2.22	2.28
.20	.22	0.22
.05	-	0.004
.42	.49	0.57
.30-2.58	.33-2.92	.39-3.06
1.18-4.54	1.74-5.28	1.79-5.39
-	-	-
.74-1.65	.83-1.90	.88-1.90
.40-.53	.46-.63	.48-.56
.09	0.10	0.11
.01-.44	.01-.52	.02-.80
.04-.44	.04-.47	.04-.50

**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
 (IN THOUSANDS)

YEAR	TAXES LEVIED FOR THE YEAR		ADJUSTMENTS	TOTAL ADJUSTED TAX LEVY	COLLECTED WITHIN THE YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS
	(ORIGINAL LEVY)				AMOUNT	PERCENTAGE OF LEVY	
2002	\$ 393,665	\$	(1,911)	\$ 391,754	\$ 383,250	97.35%	\$ 8,389
2003	397,352		(2,123)	395,229	386,775	97.34%	8,420
2004	437,227		(1,987)	435,240	427,447	97.76%	7,754
2005	450,736		(2,935)	447,801	440,109	97.64%	7,657
2006	472,475		(2,320)	470,155	462,851	97.96%	7,267
2007	501,255		(1,108)	500,147	492,120	98.18%	7,957
2008	590,373		(3,757)	586,616	575,431	97.47%	10,903
2009	609,355		(3,036)	606,319	594,263	97.52%	10,258
2010	622,795		(6,479)	616,316	604,359	97.04%	8,041
2011	624,564		(7,138)	617,426	606,573	97.12%	-

Source: King County Department of Assessments.

Note: The levy of any given fiscal year is based on the assessed values from the tax roll of the preceding calendar year.

(a) Adjustments in original levy are due to omits, cancellations, and supplements during the fiscal year.

The amounts in the total uncollected taxes column are cumulative totals of all taxes levied at the end of the year.

TOTAL COLLECTIONS TO DATE		TOTAL UNCOLLECTED TAXES	
AMOUNT	PERCENTAGE OF LEVY	AMOUNT	PERCENTAGE OF LEVY
\$ 391,639	99.97%	\$ 114	0.03%
395,195	99.99%	34	0.01%
435,201	99.99%	39	0.01%
447,766	99.99%	34	0.01%
470,118	99.99%	37	0.01%
500,077	99.99%	69	0.01%
586,334	99.95%	281	0.05%
604,521	99.70%	1,798	0.30%
612,400	99.36%	3,905	0.63%
606,573	98.24%	10,853	1.76%

King County, Washington

**PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND TEN YEARS AGO  
(IN THOUSANDS)**

TAXPAYER	2011			2001		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Boeing	3,075,544	1	0.93 %	\$ 3,273,994	1	1.74 %
Microsoft	2,720,008	2	0.82	907,597	4	0.48
Puget Sound Energy/Gas/Electric	1,689,936	3	0.51	1,353,849	2	0.72
Alaska Airlines	942,122	4	0.29	1,067,220	3	0.57
CenturyLink Inc. <sup>(a)</sup>	777,785	5	0.24	-	-	-
AT&T Mobility LLC	719,347	6	0.22	-	-	-
T-Mobile	691,910	7	0.21	-	-	-
W2007 Seattle <sup>(b)</sup>	501,788	8	0.15	-	-	-
Union Square LLC	432,829	9	0.13	372,393	10	0.20
Wright Runstad & Company	354,130	10	0.11	-	-	-
EOP Northwest Properties	-	-	-	557,410	5	0.30
Bank of America	-	-	-	510,231	6	0.27
National Tax Search LLC	-	-	-	509,620	7	0.27
McElroy George & Associates	-	-	-	485,233	8	0.26
Washington Mutual Bank	-	-	-	472,745	9	0.25
Total	11,905,399		3.61	9,510,292		5.06
Total Assessed Valuation of other taxpayers	318,509,600		96.39	178,909,812		94.94
Total 2010 Assessed Valuation for taxes due in 2011	<u>\$ 330,414,999</u>		<u>100.00 %</u>			
Total 2000 Assessed Valuation for taxes due in 2001				<u>\$ 188,420,104</u>		<u>100.00 %</u>

Source: King County Department of Assessments.

(a) Formerly known as Qwest Corporation Inc.

(b) Formerly known as Archon Group LP



**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**  
(DOLLARS IN THOUSANDS, EXCEPT PER CAPITA AMOUNT)

YEAR	GENERAL BONDED DEBT OUTSTANDING						PERCENTAGE OF ESTIMATED ACTUAL TAX- ABLE VALUE OF PROPERTY	PER CAPITA <sup>(b)</sup>
	GENERAL OBLIGATION BONDS	GENERAL OBLI- GATION BOND ANTICIPATION NOTES	LEASE REVENUE BONDS	GENERAL OBLIGATION CAPITAL LEASES	SPECIAL ASSESSMENT BONDS	TOTAL		
2002	\$ 1,544,310	\$ 85,000	\$ 140,530	\$ 5,780	\$ 137	\$1,775,757	0.77%	1,007
2003	1,399,045	80,000	138,770	5,447	135	1,623,397	0.66%	917
2004	1,604,240	46,370	136,925	5,334	15	1,792,884	0.72%	1,006
2005	1,707,415	60,000	236,025	7,256	15	2,010,711	0.77%	1,115
2006	1,512,828	83,990	422,505	4,695	15	2,024,033	0.69%	1,105
2007	1,482,642	43,975	414,535	4,324	15	1,945,491	0.57%	1,047
2008	1,363,764	48,755	408,640	4,000	-	1,825,159	0.45%	969
2009	1,643,976	27,095	402,455	-	-	2,073,526	0.48%	1,082
2010	1,759,620	84,290	395,990	-	-	2,239,900	0.55%	1,160
2011	1,698,189	82,295	385,525	-	-	2,166,009	0.61%	1,115

Additional details regarding the County's outstanding debt can be found in Note 15 - "Debt."

(a) Property value data can be found in the table "Assessed and Estimated Actual Value of Taxable Property."

(b) Population data can be found in the table "Demographic and Economic Statistics."

# King County, Washington

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF DECEMBER 31, 2011

(IN THOUSANDS)

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED<sup>(a)</sup> PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
<b>DEBT REPAYED WITH PROPERTY TAXES</b>			
King County – net overlapping debt:			
Port of Seattle	\$ 336,120	100.00%	\$ 336,120
School Districts:			
Lake Washington SD	451,113	100.00%	451,113
Northshore SD	327,231	66.10%	216,299
Issaquah SD	278,300	100.00%	278,300
Highline SD	282,847	100.00%	282,847
Bellevue SD	448,995	100.00%	448,995
Seattle SD	204,175	100.00%	204,175
Renton SD	305,738	100.00%	305,738
Kent SD	206,039	100.00%	206,039
Federal Way SD	186,971	100.00%	186,971
Shoreline SD	98,542	100.00%	98,542
Other school districts	368,445	100.00%	368,445
Total school districts	3,158,397		3,047,465
Cities and towns: <sup>(b)</sup>			
City of Seattle	763,371	100.00%	763,371
City of Bellevue	158,853	100.00%	158,853
City of Kent	73,438	100.00%	73,438
City of Renton	82,183	100.00%	82,183
City of Redmond	71,720	100.00%	71,720
City of Auburn	63,359	100.00%	63,359
City of Kirkland	43,458	100.00%	43,458
City of Shoreline	21,280	100.00%	21,280
Other cities and towns	195,993	85.50%	167,574
Total cities and towns	1,473,656		1,445,236
Hospital districts	290,901	100.00%	290,901
King County Library System	123,117	98.11%	120,790
Fire districts	85,612	100.00%	85,612
Library capital facility districts	7,305	100.00%	7,305
Parks and recreation service area district	2,313	66.10%	1,529
Vashon Maury Park	1,702	100.00%	1,702
TOTAL KING COUNTY – NET OVERLAPPING DEBT	5,479,122		5,336,659
KING COUNTY – NET DIRECT DEBT	1,174,504 <sup>(c)</sup>	100.00%	1,174,504
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b>\$ 6,653,626</b>		<b>\$ 6,511,163</b>

Source: Assessed value data used to estimate percentages applicable to this governmental unit are provided by the King County Department of Assessments.

Note: Within King County, other municipal governments incur general obligation debt. Debts incurred by other governmental units, although overlapping, have no claim on any County revenues.

(a) Determined by ratio of assessed valuation of property in overlapping unit subject to taxation in reporting unit to total valuation of property subject to taxation in overlapping unit.

(b) Outstanding debts are provided by the cities and towns.

(c) \$ 1,231,289 General long-term debt – general obligation bonds, lease revenue bonds, installment purchase capital leases, and compensated absences  
56,360 General short-term debt – general obligation bond anticipation notes  
-0- Public Facilities District special taxes and revenue financed – Limited Tax GO Bonds  
(73,886) Hotel/motel tax financed – \$3,435 thousand Stadium Unlimited Tax GO bonds and \$76,733 thousand Stadium Limited Tax GO bonds  
(7,068) General obligation debt financed by Component Unit  
(32,192) Funds available in GO Debt Service Funds excluding \$28,477 thousand of hotel/motel and special taxes  
\$ 1,174,504 NET DIRECT DEBT

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(IN THOUSANDS, EXCEPT PER CAPITA AMOUNT)**

<b>GOVERNMENTAL ACTIVITIES</b>								
<b>YEAR</b>	<b>GENERAL OBLIGATION BONDS</b>	<b>LEASE REVENUE BONDS</b>	<b>GENERAL OBLIGATION CAPITAL LEASES</b>	<b>SPECIAL ASSESSMENT BONDS</b>				
2002	\$ 911,042	\$ 140,530	\$ 5,780	\$ 137				
2003	870,271	138,770	5,447	135				
2004	1,043,302	136,925	5,334	15				
2005	966,298	236,025	7,256	15				
2006	870,445	422,505	4,695	15				
2007	819,221	414,535	4,324	15				
2008	725,698	408,640	4,000	-				
2009	724,295	402,455	-	-				
2010	728,409	395,990	-	-				
2011	748,482	385,525	-	-				

<b>BUSINESS-TYPE ACTIVITIES</b>							
<b>YEAR</b>	<b>GENERAL OBLIGATION BONDS</b>	<b>SEWER REVENUE BONDS</b>	<b>CAPITAL LEASES</b>	<b>STATE OF WASHINGTON REVOLVING LOANS</b>	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>PERCENTAGE OF PERSONAL INCOME</b>	<b>PER CAPITA</b>
2002	\$ 633,268	\$ 952,421	\$ 34,883	\$ 38,196	\$ 2,716,257	3.49%	1,540
2003	528,774	1,038,056	29,147	86,391	2,696,991	3.41%	1,524
2004	560,938	1,210,341	13,101	93,465	3,063,421	3.47%	1,718
2005	741,117	1,189,756	3,685	111,483	3,255,635	3.66%	1,805
2006	642,383	1,499,105	3,611	118,622	3,561,381	3.64%	1,944
2007	663,421	1,724,220	3,534	118,524	3,747,794	3.51%	2,018
2008	638,066	1,947,905	3,453	129,186	3,856,948	3.52%	2,047
2009	919,681	2,167,365	3,368	141,165	4,358,329	4.00%	2,274
2010	1,031,211	2,433,350	3,279	135,995	4,728,234	4.34%	2,448
2011	1,015,642	2,709,714	3,186	129,276	4,991,825	4.58%	2,570

Note: Details regarding the County's outstanding debt can be found in Note 15 - "Debt."

Because personal income data is not available for 2011, the percentages use the personal income amount for 2010.

# King County, Washington

## LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (IN THOUSANDS)

	2002	2003	2004	2005	2006
Assessed Valuation <sup>(a)</sup>	\$ 224,994,599	\$ 235,834,254	\$ 248,911,783	\$ 270,571,111	\$ 298,755,199
<b>Limited Tax General Obligations for Metropolitan Functions</b>					
Debt Limit - 0.75% of Assessed Value	\$ 1,687,459	\$ 1,768,757	\$ 1,866,838	\$ 2,029,283	\$ 2,240,664
Debt applicable to limit	631,747	535,960	574,074	790,025	696,657
Less: Amounts set aside to repay LTGO debts	(20,686)	(17,914)	(18,779)	(18,173)	(20,126)
Total net debt applicable to the limit	611,061	518,046	555,295	771,852	676,531
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 1,076,398	\$ 1,250,711	\$ 1,311,543	\$ 1,257,431	\$ 1,564,133
Total net debt applicable to the limit as a percentage of the debt	36.21%	29.29%	29.75%	38.04%	30.19%
<b>Limited Tax General Obligations for General County Purposes and Metropolitan Functions</b>					
Debt Limit - 1.5% of Assessed Value	\$ 3,374,919	\$ 3,537,514	\$ 3,733,677	\$ 4,058,567	\$ 4,481,328
Debt applicable to limit <sup>(c)</sup>	1,623,940	1,519,339	1,547,231	1,801,177	1,858,302
Less: Amounts set aside to repay LTGO debts	(48,903)	(50,483)	(45,646)	(50,758)	(47,664)
Total net debt applicable to the limit	1,575,037	1,468,856	1,501,585	1,750,419	1,810,638
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 1,799,882	\$ 2,068,658	\$ 2,232,092	\$ 2,308,148	\$ 2,670,690
Total net debt applicable to the limit as a percentage of the debt limit	46.67%	41.52%	40.22%	43.13%	40.40%
<b>Total General Obligations (GO) for Metropolitan Functions</b>					
Debt Limit - 2.5% of Assessed Value	\$ 5,624,865	\$ 5,895,856	\$ 6,222,795	\$ 6,764,278	\$ 7,468,880
Debt applicable to limit	631,747	535,960	574,074	790,025	696,657
Less: Amounts set aside to repay GO debts	(20,686)	(17,914)	(18,779)	(18,173)	(20,126)
Total net debt applicable to the limit	611,061	518,046	555,295	771,852	676,531
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 5,013,804	\$ 5,377,810	\$ 5,667,500	\$ 5,992,426	\$ 6,792,349
Total net debt applicable to the limit as a percentage of the debt	10.86%	8.79%	8.92%	11.41%	9.06%
<b>Total General Obligations (GO) for County Purposes</b>					
Debt Limit - 2.5% of Assessed Value	\$ 5,624,865	\$ 5,895,856	\$ 6,222,795	\$ 6,764,278	\$ 7,468,880
Debt applicable to limit <sup>(c)</sup>	1,254,453	1,211,664	1,338,709	1,345,162	1,461,755
Less: Amounts set aside to repay GO debts	(41,146)	(40,987)	(47,317)	(47,303)	(41,515)
Total net debt applicable to the limit	1,213,307	1,170,677	1,291,392	1,297,859	1,420,240
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 4,411,558	\$ 4,725,179	\$ 4,931,403	\$ 5,466,419	\$ 6,048,640
Total net debt applicable to the limit as a percentage of the debt limit	21.57%	19.86%	20.75%	19.19%	19.02%

Source: Assessed Valuation data are from King County's Department of Assessments.

Note: Details regarding the County's outstanding debt can be found in Note 15 - "Debt."

(a) In compliance with Washington State Budgeting, Accounting and Reporting System (BARS), the most current assessed value is used for a given fiscal year and is for the following calendar year's tax roll.

(b) Legal debt margin is the County's available borrowing authority under state statutes.

(c) Lease revenue bonds reported as capital leases in prior years were reclassified as lease revenue bonds in 2007. The bonds were issued in accordance with the provisions of Revenue Ruling 63-20. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County. The amount of debt applicable to debt limit for County purposes prior to 2007 has been restated to reflect this reclassification.

# King County, Washington

	2007	2008	2009	2010	2011
Assessed Valuation <sup>(a)</sup>	\$ 340,995,440	\$ 386,889,728	\$ 341,971,517	\$ 330,414,999	\$ 319,460,937
<b>Limited Tax General Obligations for Metropolitan Functions</b>					
Debt Limit – 3/4% of Assessed Value	\$ 2,557,466	\$ 2,901,673	\$ 2,564,786	\$ 2,478,112	\$ 2,395,957
Debt applicable to limit	718,376	699,144	985,702	1,099,943	1,059,464
Less: Amounts set aside to repay LTGO debts	(20,482)	(16,541)	(21,904)	(20,829)	(19,310)
Total net debt applicable to the limit	697,894	682,603	963,798	1,079,114	1,040,154
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 1,859,572	\$ 2,219,070	\$ 1,600,988	\$ 1,398,998	\$ 1,355,803
Total net debt applicable to the limit as a percentage of the debt	27.29%	23.52%	37.58%	43.55%	43.41%
<b>Limited Tax General Obligations for General County Purposes and Metropolitan Functions</b>					
Debt Limit – 1½% of Assessed Value	\$ 5,114,932	\$ 5,803,346	\$ 5,129,573	\$ 4,956,225	\$ 4,791,914
Debt applicable to limit <sup>(c)</sup>	1,817,183	1,734,629	1,998,947	2,106,580	2,211,173
Less: Amounts set aside to repay LTGO debts	(51,449)	(46,110)	(53,730)	(64,177)	(64,943)
Total net debt applicable to the limit	1,765,734	1,688,519	1,945,217	2,042,403	2,146,230
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 3,349,198	\$ 4,114,827	\$ 3,184,356	\$ 2,913,822	\$ 2,645,684
Total net debt applicable to the limit as a percentage of the debt limit	34.52%	29.10%	37.92%	41.21%	44.79%
<b>Total General Obligations (GO) for Metropolitan Functions</b>					
Debt Limit – 2½% of Assessed Value	\$ 8,524,886	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523
Debt applicable to limit	718,376	699,144	985,702	1,099,943	1,059,464
Less: Amounts set aside to repay GO debts	(20,482)	(16,541)	(21,904)	(20,829)	(19,310)
Total net debt applicable to the limit	697,894	682,603	963,798	1,079,114	1,040,154
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 7,826,992	\$ 8,989,640	\$ 7,585,490	\$ 7,181,261	\$ 6,946,369
Total net debt applicable to the limit as a percentage of the debt	8.19%	7.06%	11.27%	13.06%	13.02%
<b>Total General Obligations (GO) for County Purposes</b>					
Debt Limit – 2½% of Assessed Value	\$ 8,524,886	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523
Debt applicable to limit <sup>(c)</sup>	1,363,072	1,270,260	1,217,955	1,193,132	1,303,129
Less: Amounts set aside to repay GO debts	(41,597)	(39,206)	(41,554)	(53,891)	(52,267)
Total net debt applicable to the limit	1,321,475	1,231,054	1,176,401	1,139,241	1,250,862
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 7,203,411	\$ 8,441,189	\$ 7,372,887	\$ 7,121,134	\$ 6,735,661
Total net debt applicable to the limit as a percentage of the debt limit	15.50%	12.73%	13.76%	13.79%	15.66%

King County, Washington

**KING COUNTY, WASHINGTON**  
**SPECIAL TAXES AND REVENUES COLLECTIONS**  
**LIMITED TAX GENERAL OBLIGATION BONDS**  
**SERIES 1997 A-D, 2002 REFUNDING, 2004 SERIES C & D REFUNDING (BASEBALL STADIUM)**  
**LAST TEN FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (IN THOUSANDS)

<b>FISCAL YEAR</b>	<b>FOOD AND BEVERAGE TAXES</b>	<b>CAR RENTAL TAXES</b>	<b>COUNTY SALES TAXES</b>	<b>STATE LOTTERY RECEIPTS</b>	<b>STATE LICENSE PLATE RECEIPTS</b>	<b>STADIUM ADMISSION TAXES</b>	<b>TOTAL</b>
2002	15,201	4,812	6,379	3,796	181	4,552	34,921
2003	15,677	4,867	6,397	3,948	179	4,462	35,530
2004	16,807	4,712	6,762	4,106	163	4,040	36,590
2005	17,950	5,060	7,341	4,270	137	3,800	38,558
2006	19,305	5,472	7,899	4,441	113	3,559	40,789
2007	20,958	5,671	8,704	4,618	116	3,796	43,863
2008	21,161	5,668	8,236	4,803	88	3,607	43,563
2009	20,349	5,302	7,114	4,995	93	1,908	39,761
2010	21,140	5,474	7,056	5,195	79	-	38,944
2011	16,884	4,484	3,596	5,403	50	-	30,417

Note: The County's outstanding Limited Tax General Obligation Bonds, 1997 Series A-D, 2002 Refunding, 2004 C & D Refunding (Baseball Stadium) are additionally secured by certain special taxes and revenues. This data is presented pursuant to the Securities and Exchange Commission Rule 15c2-12.

**REVENUE BOND COVERAGE FOR THE WATER QUALITY ENTERPRISE  
LAST TEN FISCAL YEARS  
(DOLLARS IN THOUSANDS)**

<u>YEAR</u>	<u>OPERATING REVENUES</u>	<u>INTEREST EARNED ON INVESTMENTS</u>	<u>OPERATING AND MAINTENANCE EXPENSE</u>	<u>NET AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE</u>		<u>COVERAGE</u>
					<u>PRINCIPAL</u>	<u>INTEREST</u>	
2002	\$ 213,223	\$ 4,875	\$ 79,640	\$ 138,458	\$ 17,440	\$ 61,772	175%
2003	214,158	5,072	82,887	136,343	27,650	65,711	146%
2004	217,275	3,852	82,778	138,349	28,555	71,296	139%
2005	221,043	6,617	83,651	144,009	29,330	79,190	133%
2006	241,317	9,131	91,120	159,328	30,890	80,723	143%
2007	262,930	5,559	95,574	172,915	32,585	92,120	139%
2008	284,173	4,087	98,370	189,890	34,445	102,276	139%
2009	306,856	5,613	103,118	209,351	34,620	110,558	144%
2010	304,825	3,426	103,682	204,569	36,490	109,975	140%
2011	337,430	2,725	103,995	236,160	41,735	124,429	142%

INTEREST EARNED ON INVESTMENTS: By interpretation of applicable rate covenant, interest earned on investments for all years excludes the effects of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

DEBT SERVICE: By interpretation of applicable rate covenant, debt service excludes the principal and interest on bonds refunded in the current year.

COVERAGE: The Water Quality Enterprise is obligated by bond ordinance to collect net revenue equal to at least 1.15 times the defined debt service requirements payable from revenues of the Enterprise.

**WATER QUALITY ENTERPRISE  
ADDITIONAL COVERAGE RATIOS  
DECEMBER 31, 2011**

The Water Quality Enterprise is obligated by applicable bond ordinances to set sewage disposal rates at a level adequate to provide net revenue equal to at least 1.15 times the annual debt service requirements for sewer revenue and general obligation bonds payable from revenues of the Enterprise. It is the adopted policy of the Enterprise to achieve a debt service coverage ratio of at least 1.25.

Coverage (1.15 required by covenant, adopted policy 1.25)	1.42
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In 2001, the County adopted a new debt service coverage target of 1.15 times the annual debt service for bonds, obligations, notes, and loans of the Enterprise.

Coverage (1.15 adopted target)	1.32
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The Enterprise is required to generate revenues sufficient to pay all costs of operation of the sewage treatment system and debt service on obligations of the Enterprise.

Coverage (1.00 required by covenant)	1.25
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In 2001, the Enterprise issued an additional tier of revenue bonds. The bond covenants of the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, require that sewage disposal rates provide net revenue equal to at least 1.10 times the annual debt service requirements for all Junior Lien obligations after payment of Senior Lien requirements. In 2010, the Enterprise issued Multi-Modal Limited Tax General Obligation Sewer Revenue Bonds, series 2010A and 2010B which incorporate the same requirements as Junior Lien obligations.

Coverage (1.10 required by covenant)	25.33
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**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

CALENDAR YEAR	POPULATION	PERSONAL INCOME (1,000s)	PER CAPITA PERSONAL INCOME	AVERAGE EARNINGS PER JOB	UNEMPLOYMENT RATE	
					COUNTY	STATE
2002	1,763,669	\$ 78,430,868	\$ 44,470	\$ 56,166	6.1%	7.3%
2003	1,769,753	80,127,397	45,276	57,339	6.2%	7.4%
2004	1,782,942	89,382,311	50,132	58,267	5.2%	6.2%
2005	1,803,691	89,431,448	49,582	59,391	4.7%	5.5%
2006	1,832,059	99,608,475	54,370	62,550	4.2%	4.9%
2007	1,857,506	106,637,605	57,409	64,480	3.9%	4.6%
2008	1,884,242	109,551,329	58,141	65,812	4.7%	5.4%
2009	1,916,441	109,053,408	56,904	66,354	8.5%	9.4%
2010	1,931,249	N/A	N/A	N/A	9.1%	9.9%
2011	1,942,600 *	N/A	N/A	N/A	8.1%	9.2%

CALENDAR YEAR	MEDIAN HOUSEHOLD INCOME ESTIMATES	POPULATION 65 YEARS OLD AND OVER	BIRTHS	DEATHS	STUDENTS ENROLLED IN PUBLIC SCHOOLS	STUDENTS ENROLLED IN PRIVATE SCHOOLS
2002	\$ 58,028	183,805	21,814	11,527	253,817	38,373
2003	58,721	185,497	21,909	11,395	254,699	35,988
2004	63,920	186,700	22,508	11,632	255,475	37,088
2005	63,205	188,330	22,877	11,373	254,189	38,835
2006	65,845	190,337	22,890	11,346	257,346	39,726
2007	68,152	192,673	24,491	11,506	257,078	40,362
2008	68,832	195,715	25,051	11,960	259,269	41,161
2009	62,810	198,679	25,277	11,960	253,779	40,569
2010	66,398	201,552	24,914	12,292	263,512	39,429
2011	66,174	216,949	24,400	11,746	263,249	36,282

N/A = Not yet available

\* = Projection

Population, personal income, per capita personal income and average earnings per job are from Pacific Northwest Regional Economic Analysis Project - King County, Washington.

Population data are from Washington State Office of Financial Management, Forecasting Division.  
Unemployment rates are from State of Washington Employment Security Department, Labor Market and Economic Analysis Branch. Median household income estimates, population 65 old and older, births and deaths are from Washington State Office of Financial Management, Forecasting Division.

Student enrollment data are from Washington State Office of Superintendent of Public Instruction except for 2009 data, which was provided by Washington.SchoolTree.org.

**PRINCIPAL EMPLOYERS OF KING COUNTY BY MAJOR INDUSTRY  
CURRENT YEAR AND NINE YEARS AGO**

TYPE OF INDUSTRY	2011			2002		
	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Trade, transportation and utilities	212,233	1	18.36%	224,942	1	19.97%
Professional and business services	184,592	2	15.96%	162,450	2	14.42%
Government	164,792	3	14.25%	161,167	3	14.31%
Educational and health services	142,908	4	12.36%	113,317	5	10.06%
Leisure and hospitality	112,133	5	9.70%	99,650	6	8.85%
Manufacturing	100,717	6	8.71%	118,392	4	10.51%
Information	80,050	7	6.92%	69,217	8	6.14%
Financial activities	67,292	8	5.82%	77,242	7	6.86%
Construction	48,792	9	4.22%	59,375	9	5.27%
Total	<u>1,113,509</u>		<u>96.30%</u>	<u>1,085,752</u>		<u>96.39%</u>
Total Employment	<u>1,156,242</u>			<u>1,126,567</u>		

Source: Washington State Employment Security Department, Labor Market and Economic Analysis.

Note: The State of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the County's employment base.

The number of employees are annual averages based on total nonfarm employment, and are not seasonally adjusted.

**TEN LARGEST CUSTOMERS OF THE WATER QUALITY ENTERPRISE  
DECEMBER 31, 2011**

	<b><u>PERCENT OF REVENUE</u></b>
City of Seattle	40.4%
City of Bellevue	8.7%
Alderwood Water & Wastewater District	5.2%
Soos Creek Water & Sewer District	4.9%
City of Kent	4.9%
City of Renton	4.1%
City of Redmond	4.1%
Northshore Utility District	4.0%
City of Auburn	4.0%
Ronald Wastewater District	<u>2.8%</u>
Total	<u><u>83.1%</u></u>

**OPERATING AND CAPITAL INDICATORS BY FUNCTION  
LAST TEN YEARS**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Public Works</b>					
Miles of Paved Roads	1,810	1,798	1,804	1,801	1,795
Miles of Unpaved Roads	55	84	55	55	54
Bridges	187	187	187	187	187
<b>Building Permits</b>					
Permits	3,579	3,980	3,725	3,359	2,982
Value of Buildings (in thousands)	\$ 684,939	\$ 754,803	\$ 831,500	\$ 716,076	\$ 575,524
<b>Justice and Law Enforcement</b>					
<b>Sheriff's Office</b>					
Number of Employees - Commission	705	730	717	704	734
Number of Employees - Civilian	377	365	366	355	305
Motor Pool Fleet - Vehicles	636	695	690	651	703
Motor Pool Fleet - Boats	6	8	6	5	8
Motor Pool Fleet - Helicopters	3	4	5	5	5
<b>Adult Detention</b>					
Average Daily Adult Custodial Population	2,648	2,394	2,456	2,603	2,667
Average Length of Stay (in days)	18	17	18	19	19
Bookings	54,008	53,361	49,616	50,628	53,433
<b>Parks and Land Use</b>					
Number of Parks	203	204	204	222	225
Acres of Parks	25,965	29,094	121,218	121,597	120,788
<b>Public Transportation</b>					
Size of Fleet - Buses	1,324	1,332	1,391	1,536	1,545
Size of Fleet - Active Commuter Vans	667	663	662	732	801
Annual Bus Trips	98,425,286	99,325,901	101,915,207	104,461,689	109,386,798
Annual Commuter Van Trips	1,749,238	1,793,748	1,688,996	1,795,611	1,966,935
<b>Wastewater Treatment</b>					
Total Sewer Customers (Residences & Residential Customer Equivalents)	685,095	685,133	687,909	689,817	690,934
New Sewer Connections Equivalents	13,100	11,900	11,000	9,600	10,900
Monthly Sewer Rate	\$23.40	\$23.40	\$23.40	\$25.60	\$25.60
Residential Connection Charge (Monthly for 15 years)	\$17.20	\$17.60	\$18.00	\$34.05	\$34.05
Total Sewer Revenues (in thousands)	\$192,124	\$191,919	\$192,912	\$212,069	\$212,117
Number of Treatment Plants	2	3	3	3	3
Total Treatment Capacity					
Million of Gallons per Day (MGD)	660	766	766	766	766
Average Daily Flow (MGD)	182	183	175	170	198
Peak Daily Flow (MGD)	513	559	507	483	542

Source: Various King County Agencies.

King County, Washington

2007	2008	2009	2010	2011
1,803	1,710	1,694	1,581	1,479
51	51	51	51	51
184	183	182	180	181
2,900	1,867	1,324	1,341	1,123
\$ 562,836	\$ 327,942	\$ 233,635	\$ 245,912	\$ 235,562
714	743	729	683	645
312	313	290	346	376
670	662	638	642	632
8	8	8	8	8
6	7	7	7	5
2,727	2,575	2,402	2,352	2,201
19	20	21	20	21
53,697	48,234	44,797	43,018	38,089
220	228	223	218	215
120,745	164,676	168,842	169,719	170,273
1,519	1,508	1,560	1,465	1,505
845	1,031	1,088	1,075	1,228
117,492,162	126,941,510	119,936,267	117,522,583	120,500,000
2,322,012	2,770,711	3,187,454	2,849,287	3,110,418
702,946	706,846	703,795	704,391	707,278
12,200	11,500	8,600	7,400	6,900
\$27.95	\$27.95	\$31.90	\$31.90	\$36.10
\$42.00	\$46.25	\$47.64	\$49.07	\$50.45
\$227,665	\$240,001	\$256,160	\$253,684	\$285,607
3	4	4	4	5
767	767	767	767	767*
178	162	169	178	173*
636	444	525	639	472*

\* Brightwater numbers are not included for 2011.

# King County, Washington

## FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>FUNCTION/PROGRAM</b>										
General government	1,680	1,551	1,548	1,560	1,506	1,568	1,585	1,657	1,597	1,558
Law, safety & justice	3,443	3,409	3,585	3,556	3,683	3,730	3,857	3,905	3,801	3,619
Physical environment	1,516	1,517	1,497	1,488	1,652	1,670	1,692	1,394	1,363	1,345
Transportation	4,363	4,383	4,322	4,373	4,509	4,589	4,931	4,918	4,851	4,850
Economic environment	517	413	431	409	316	311	303	376	294	288
Mental and physical health	1,584	1,619	1,446	1,512	1,397	1,336	1,455	1,461	1,474	1,416
Culture and recreation	262	158	161	156	151	157	176	210	207	209
Total	13,365	13,050	12,990	13,054	13,214	13,361	13,999	13,921	13,587	13,285

Source: King County Budget Office Essbase Budget Development System.

Note: A full-time employee is scheduled to work 261 days per year (365 minus two days off per week). At eight hours per day, 2,088 hours are scheduled per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,088.

The year-end number represents what was adopted for that year by the King County Council.