



King County

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

King County Executive

Dow Constantine

County Administrative Officer and Director
Department of Executive Services

Caroline Whalen

Finance Director

Finance and Business Operations Division

Ken Guy

Interim Deputy Finance Director

Finance and Business Operations Division

Pete Anthony

Interim Chief Accountant/Manager

Financial Management Section

Carol Basile

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

For the Fiscal Year

January 1 through December 31, 2012

King County

State of Washington

Prepared by:

Department of Executive Services
Finance and Business Operations Division
Financial Management Section
King County Administration Building
500 Fourth Avenue, Room 653
Seattle, WA 98104

Interim Chief Accountant/Manager
Carol Basile, CPA

Interim Financial Accounting Supervisor
Emmanuel F. Cristobal, CPA

Financial Accounting Staff
Loren R. Burt, CPA
Michael L. Cheney, CPA
Myunghee Chung, CPA
William R. Forristall, CPA, CPFO
Connie D. Hughes, CPA, MBA
Jin Lin, CPA, CMA
Rebecca Luther, CPA
Nollin N. Rose, CPA
Maxine F. Reigel, CPA
Craig Soper, MBA
Bayisa Tadesse
Bobbi Tennis
Shu-Hui Wang, CPA

Production And Web Project Coordinator
Martha C. Diesner

Graphics and Printing
Wendy Gable Collins, Graphic Designer
Margaret L. Thompson, Print Equipment Technician

Cover Photograph
Chinook Bend, Snoqualmie River, Carnation
Photographer, Brett Roberts, King County Parks



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Comprehensive Annual Financial Report

December 31, 2012

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King County

Finance and Business Operations Division

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

June 28, 2013

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, 2012. 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 2012 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, 2012, the County contained 39 incorporated cities, accounting for 87 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 2012, 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 King County 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 comprise three Washington state nonprofit corporations created under a public-private partnership to facilitate the development and construction of specific public buildings for use by King County and Harborview Medical Center.

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.

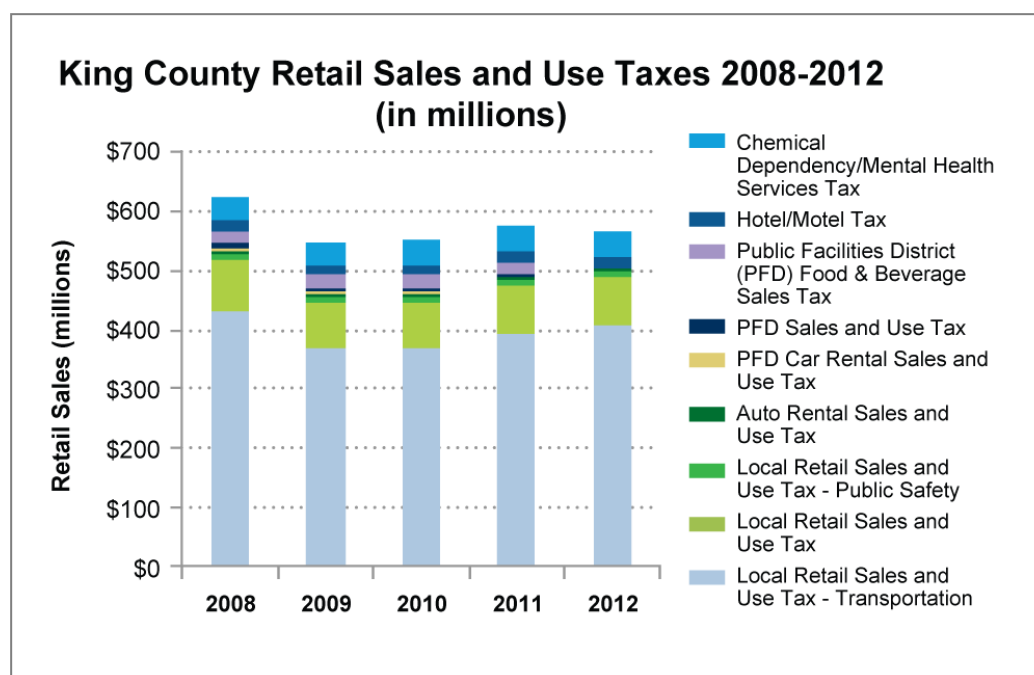
Factors Affecting Financial Condition

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 services. The County's main revenue sources include taxes, charges for services and intergovernmental revenues. The largest single

source is charges for services followed by taxes, each comprising approximately 42 percent of total revenue. Property taxes tend to be quite stable since the amount of revenue received is based on the previous year's levy amount plus 1 percent, and the value of new construction. Retail sales taxes, on the other hand, are more volatile because it is dependent on the level of retail sales which tracks the business cycle.

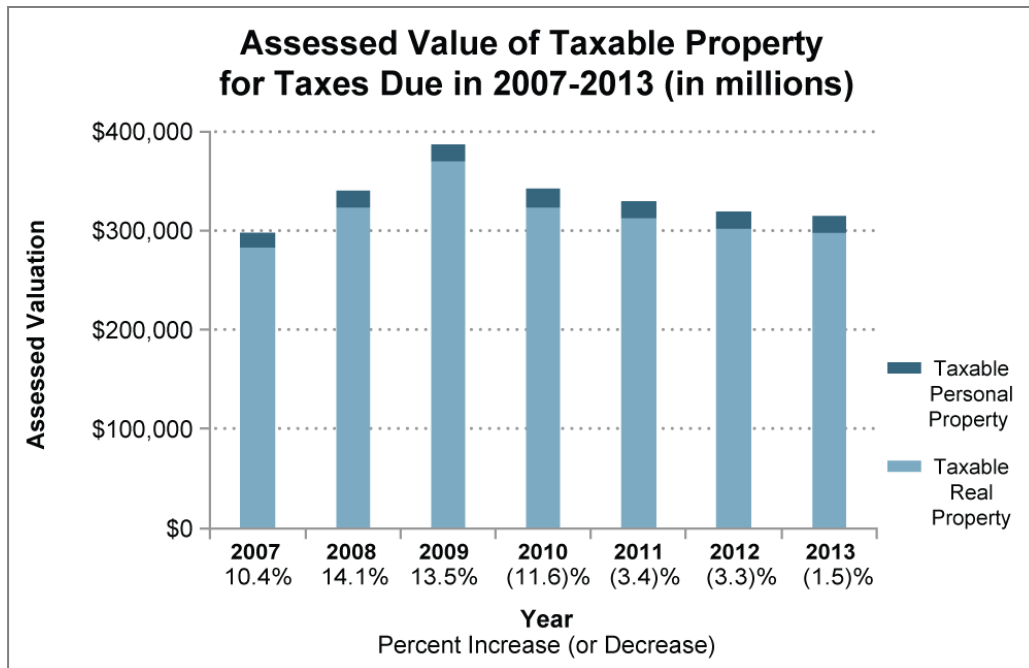


The Great Recession significantly affected the County's economy reducing employment levels, personal income and real estate values, but conditions have generally stabilized with some sectors showing significant improvement. The increasing diversification of the County's employment base was an important buffer during the economic downturn, and many employment sectors began to grow again in 2012. The County unemployment rate continues to steadily decline and is now well below 7 percent, which is less than the state and national averages. The region's most prominent local employers, The Boeing Company, Microsoft Corporation and Amazon.com Incorporated retain strong demand for their products and services.

Total assessed valuation (TAV) fell by 3.3 percent for tax year 2012 and an additional 1.5 percent for tax year 2013. Despite the downward pressure, TAV per capita is relatively high at \$161,000. Taxpayer concentration is low, with the top 10 property taxpayers accounting for less than 5 percent of 2013 TAV. Local retail sales and use tax collections declined in 2009 by 13.3 percent from 2008 levels and then fell an additional 0.2 percent in 2010 before rebounding by 6.6 percent in 2011, aided by a successful state-wide tax amnesty program. Strong retail sales in the fourth quarter of 2012 helped close out the year for a positive 2.7 percent annual growth in local retail sales and use taxes.

The County's investment pool earnings continued to be low in 2012 because of record low yields in US Treasury securities. The Federal Reserve continues to keep short-term and long-term interest rates artificially low to support the economy. The net rate of return of the pool for 2012 was an anemic 0.57 percent, down from the over 5 percent the County enjoyed before the recession.

Inflation did increase somewhat in 2012. The Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W-STB) increased by 3.26 percent for the year ending in July 2012 (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 2.93 percent during the same period.



Economic outlook

The national economy will continue on a path of slow and gradual recovery from the recent recession. Total output (real GDP) is currently well above pre-recession levels although employment is still lagging behind. This character of the recovery is partly explained by employers doing more with fewer employees. The effective gain in productivity coupled with the resurgence of consumer confidence has led to higher corporate profit margins and stock values during 2011-12. Factors that are tempering the recovery include the uncertainty in the direction of national fiscal policy and instability in economic and geo-political conditions abroad.

King County has a favorable employment outlook. Boeing has received over 1,000 new orders for the 737 MAX, a new plane being assembled in its Renton plant, and has signed a new labor contract with its machinists. The rest of the private sector led by the technology clusters in and around the county has begun hiring again, and the rise of job loss in the public sector appears to be declining. In the mean time, it is expected that more “discouraged workers” will rejoin the labor force as the employment picture improves expanding the number of persons actively seeking employment. The net effect will be a steady, but slow, decline in the unemployment rate.

The negative impacts from the real estate recession appear to have been mitigated in 2012 and assessed valuations and residential new construction are expected to stabilize. Locally, foreclosures seemed to have peaked although many homeowners are still “underwater” owing more on their mortgage than the market value of their homes. Construction of new apartment buildings has been occurring at a rapid pace as more families choose to rent rather than own. Commercial construction in select downtown areas should also flourish in 2013 as evidenced by several major projects either breaking ground or continuing their construction phase.

It will still take more time 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 utilities, road infrastructure, the transit system, and general government operations.

Long-term financial planning

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, limiting new programs, and the creation of reserves for future deficits. While the recession and its effects may be a thing of the past, the impacts of

caps on property tax levy rates and the 1 percent limit on revenue growth continue to pose a strain to the County's limited resources. The County continues to forecast out year deficits, intensified by weak national conditions, and is managing to address predicted shortfalls.

Annexations of unincorporated areas to cities continued in 2012 with Eastgate and areas within its immediate vicinity being added to the City of Bellevue. Over the last four years, several successful large annexations have taken place: a) in March, 2010 the southern portion of North Highline was annexed to the City of Burien; b) in July, 2010 the Panther Lake area became part of the City of Kent; and, c) the Juanita, Finn Hill and Kingsgate areas were annexed by the City of Kirkland in June, 2011. These annexations all together have transferred approximately 78,000 residents from unincorporated King County to their new respective cities. Annexations generally benefit the County because the cost of services that were previously provided in these areas is typically higher than the tax revenues that were assessed and collected. An important exception is with road services where revenues are usually higher and therefore annexations contribute to reducing overall funding for road maintenance in the unincorporated areas.

The County reaffirms its steadfast commitment to maintain a minimum 6 percent undesignated reserve policy for the General Fund and also its willingness to make often painful decisions in order to reduce expenditures to match revenue levels while retaining prudent reserves. The County also continues to maintain a rainy day reserve which in 2013 is expected to increase to \$20 million. The County has not employed any portion of the reserve since its inception. 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 2012 Initiatives

The County completed or had underway many major initiatives in 2012. These initiatives were guided by the King County Strategic Plan adopted in 2010. Major initiatives included:

- The County continued to identify operating efficiencies in many budgets during 2012, enabling most agencies to continue all programs and staffing levels in 2013. Among the most significant efficiencies realized were continued consolidation of servers in the County's data center, relocation of agencies to reduce office space and energy consumption, and continued improvements in "return to work" programs that reduce industrial insurance costs.
- As part of the efficiencies initiative, the County formally deployed the "Lean" process improvement methodology and hired a four-person Continuous Improvement Team. This team, along with other Lean-qualified employees in some agencies, conducted a series of events to identify efficiencies and long-term cost savings. Several of these changes were implemented in the 2013 budget.
- The County continued to experience employee health care cost growth rates well below national and regional averages. Much of this is due to the "Healthy Incentives" program, which has encouraged employees to improve their health and become more thoughtful consumers of health care services. In addition, the County negotiated agreements with most of its labor unions to cap the County's cost growth for health care programs at 4 percent per year for the next three years.
- The County continued its transition to biennial budgeting. Most County funds, representing about three-fourths of the total budget, have biennial budgets for 2013-2014. The remaining agencies and funds will transition to biennial budgets for 2015-2016. The use of biennial budgeting is expected to generate significant time savings in the "off-budget" year. These savings will be applied to efficiency initiatives and other priority activities.
- A "Congestion Reduction Charge" of \$20 on each vehicle license was authorized by the State Legislature to maintain transit service in King County, and was first imposed in mid-2012. Revenues from this charge, along with significant savings in costs generated by the Metro Transit Division and its employees, will preserve transit service levels through 2013 and most of 2014. However, the \$20 charge is a two-year temporary measure - unless new revenues are authorized by the Legislature, significant reductions in service will begin in late 2014.

- In August 2012, King County voters approved a ballot measure to replace the outmoded Youth Services Center with a 55 percent "yes" vote. The new building will house courtrooms, a detention center, and related facilities that will provide much higher quality services, will be more efficient to operate, and will eliminate the need for large maintenance expenses at the current facility. The new building will be funded through a nine-year, \$210 million property tax levy lid lift.
- In November 2012, voters approved a renewal of the County's Automated Fingerprint Identification System (AFIS) levy with a 59 percent "yes" vote.
- As part of the Accountable Business Transformation project, the County completed the deployment of new accounting, human resources, payroll, and budget systems in 2012. These new systems replace antiquated, often disjointed systems that have been in use for decades. The County is leveraging the technological capabilities of these new systems to make business process improvements, enhance decision making, and provide better service to customers.
- Following passage of Referendum 74 legalizing same-sex marriage, King County issued 623 marriage licenses in the first three days. County staff planned diligently for the expected surge in license applicants, opened its licensing office at midnight and processed hundreds of licenses in the first day.
- The Public Health Department opened a new clinic in Burien in 2012. This clinic uses a "patient-centric" design in which services are brought to the patient's room, rather than the patient moving from room to room in a facility. The new design is much more efficient and will generate significant annual operating cost savings. Similar replacement facilities are planned for Kent and Renton.

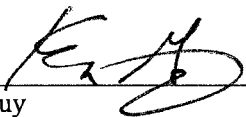
Awards and Acknowledgements

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, 2011. This was the 31st 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.

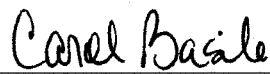
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Ken Guy
Finance Director
Finance and Business Operations Division



Carol Basile, CPA
Interim Chief Accountant/Manager
Finance and Business Operations Division

ELECTED OFFICIALS
at time of publication

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



**King County Executive
Dow Constantine**



Metropolitan King County Council
Standing (left to right): Kathy Lambert, District 3, Rod Dembowski, District 1, Joe McDermott, District 8, Larry Phillips, District 4, Reagan Dunn, District 9, and Pete von Reichbauer, District 7.
Seated (left to right): Council Vice Chair Julia Patterson, District 5, Chair Larry Gossett, District 2, Council Vice Chair Jane Hague, District 6.



**King County
Assessor
Lloyd Hara**



**King County
Elections Director
Sherril Huff**



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



**King County
Sheriff
John Urquhart**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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, 2011

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.



Christopher P. Moirrell

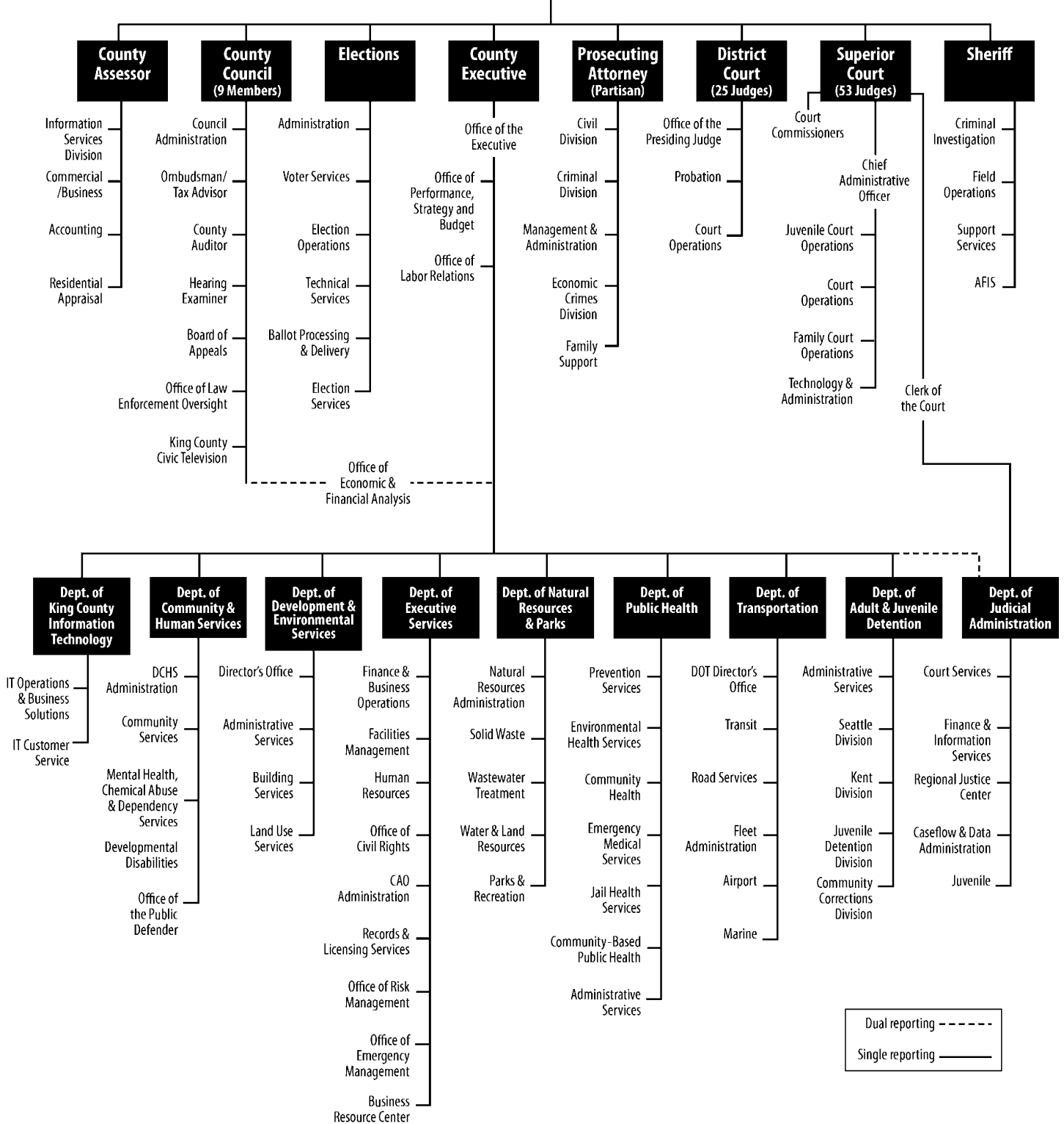
President

Jeffrey R. Emer

Executive Director

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Electorate of King County



2013/2014 King County Organization

Elected Officials, Departments and Divisions

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial Section

CAFR
COMPREHENSIVE ANNUAL FINANCIAL REPORT



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

June 18, 2013

Council and Executive
King County
Seattle, Washington

REPORT ON FINANCIAL STATEMENTS

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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Building Development and Management Corporations fund which represents 8 percent, -0.7 percent and 6 percent, respectively, of the assets, net position and revenues of the governmental activities, and 7 percent, -0.5 percent and 0.4 percent, respectively, of the assets, net position 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 66 percent, 23 percent and 30 percent, respectively, of the assets, net position 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 60 percent, respectively, of the assets, net position 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 solely 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 from 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2012, the County has implemented the Governmental Accounting Standards Board Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, *Statement No. 62, Codification of Accounting and Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17 condition assessments and preservation of infrastructure eligible for modified approach on pages 119 through 121 and postemployment health care plan information on page 121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

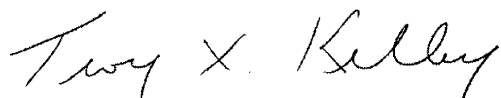
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The accompanying information listed as Combining and Individual Fund Statements and Schedules and Supplementary Information on pages 123 through 178 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 18, 2013, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
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, 2012. 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, 2012, the assets of the County exceeded its liabilities by \$4,907.4 million (net position). Because most of the County's net position is either invested in capital assets or restricted as to use, the combined unrestricted net position was \$654.4 million at the end of the year.
- In 2012, the County's total net position increased by 4.5 percent (\$212.6 million). The governmental net position increased by 5.6 percent (\$126.3 million), and the business-type net position increased by 3.5 percent (\$86.3 million).
- As of December 31, 2012, the County's governmental funds reported combined ending fund balances of \$671.9 million. Approximately 14.1 percent (\$93.6 million) is unassigned fund balance.
- At the end of 2012 the unassigned fund balance for the General Fund was \$102.6 million, amounting to 17.2 percent of total General Fund expenditures. Total fund balance for the General Fund increased 3.6 percent (\$4.9 million) for the year.
- The County's total bonded debt increased by 2.9 percent (\$141.2 million) in 2012 due to new bond issuance of \$958.8 million offset by \$124.1 million of debt service principal payments and debt of \$693.6 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 position** presents all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 2012 operations of the County's flood control district. Although legally separate from the County, this component unit is blended with the primary government (King County) because of its 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. Also included within the business-type activities are the 2012 operations of the County's ferry district. Although legally separate from the County, this component unit is blended with the primary government (King County) because of its governance relationship with the County.

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.

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 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

An analysis of net position 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 position, the County's combined net position (governmental and business-type

activities) was \$4,907.4 million at the end of 2012. This is an increase of 4.5 percent (\$212.6 million) over the net position of the previous year, as restated.

Governmental activities. Although net position of the County's governmental activities increased 5.6 percent (\$126.3 million) to \$2,371.4 million, nearly all of the net position is either subject to external

restrictions as to how it may be used, or is 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 position for governmental activities was \$13.2 million at the end of 2012. This is a \$129.8 million increase from the deficit in unrestricted net position at the end of 2011.

	Net Position (in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 1,137,831	\$ 1,083,758	\$ 1,464,610	\$ 1,375,067	\$ 2,602,441	\$ 2,458,825
Capital assets	2,871,402	2,776,767	5,789,884	5,609,950	8,661,286	8,386,717
Total Assets	4,009,233	3,860,525	7,254,494	6,985,017	11,263,727	10,845,542
Liabilities						
Long-term liabilities	1,473,093	1,441,697	4,337,174	4,115,319	5,810,267	5,557,016
Other liabilities	164,715	173,749	381,388	420,053	546,103	593,802
Total Liabilities	1,637,808	1,615,446	4,718,562	4,535,372	6,356,370	6,150,818
Net Position						
Net investment in capital assets	1,905,722	1,920,793	1,627,435	1,622,274	3,533,157	3,543,067
Restricted	452,529	440,959	267,262	311,596	719,791	752,555
Unrestricted	13,174	(116,673)	641,235	515,775	654,409	399,102
Total net position	\$ 2,371,425	\$ 2,245,079	\$ 2,535,932	\$ 2,449,645	\$ 4,907,357	\$ 4,694,724

The increase in net position for governmental activities in 2012 reflects the County's ability, on an annual basis, to meet its current obligations in those activities including the related debt service requirements. A factor in the balance of unrestricted net position is long-term commitments that are greater than currently available resources. Specifically, the County's governmental activities include general obligation debt of \$223.1 million for which no corresponding assets are recorded but for which future revenues are obligated.

Of the amount of debt with no corresponding assets, 55.9 percent (\$124.7 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 \$66.9 million associated with the Kingdome facility, demolished in 2000, and \$31.6 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 3.5 percent to \$2,535.9 million in the net position of business-type activities. Of the total net position for business-type activities, 64.2 percent (\$1,627.4 million) is the net investment in capital assets (e.g., land, buildings, vehicles, plant assets, equipment, and work in progress). 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 10.5 percent of the total net position of business-type activities is restricted for capital projects (\$0.2 million), debt service (\$232.6 million), regulatory assets and environmental liabilities (\$33.0 million) and for other purposes (\$1.5 million). The remaining 25.3 percent (\$641.2 million) is unrestricted net

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

The combination of the \$13.2 million of governmental activities unrestricted net position and the \$641.2 million positive balance in the business-type activities unrestricted net position of \$654.4 million in total unrestricted net position for the County as a whole.

Analysis of Changes in Net position

The increase in the County's total net position in 2012 resulted from revenues exceeding related expenses and reflects the County's ability to meet its ongoing obligations, including its debt service requirements. Approximately 40.5 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 45.8 percent of the total revenues, while 13.3 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 position changed during 2012.

Governmental activities. Governmental activities accounted for 59.4 percent of the total growth in net position of the County, resulting in an increase in the County's governmental activities net position of \$126.3 million. Program revenues for governmental activities total \$898.5 million and include the amount paid by those who directly benefit from the programs (\$626.1 million), and by other governments and organizations that subsidized certain programs with operating grants and contributions (\$205.2 million), and capital grants and contributions (\$67.1 million). In 2012, the cost of all governmental activities was \$1,606.1 million. The County paid for the \$707.6 million remaining public benefit portion of governmental activities with \$593.7 million in property taxes, \$161.5 million in retail sales and use taxes, and \$72.2 million in other revenues, including other taxes and interest earnings.

The growth in net position of governmental activities of \$126.3 million is primarily due to the following factors: the collection of revenues (mostly taxes) to fund repayments of long-term debt (\$56.9 million); the collection of revenues for the acquisition of capital assets (\$80.8 million); and, donations of capital assets, primarily infrastructure, to the County (\$25.8 million). In addition, the loss on capital assets sold, retired, or transferred (\$22.9 million) and depreciation expense (\$33.9 million) reduced net position.

King County, Washington

Changes in Net Position (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 626,138	\$ 590,329	\$ 794,233	\$ 698,566	\$ 1,420,371	\$ 1,288,895
Operating grants and contributions	205,235	207,038	58,537	61,374	263,772	268,412
Capital grants and contributions	67,113	73,182	81,712	152,999	148,825	226,181
General revenues						
Property taxes	593,654	594,130	25,217	23,792	618,871	617,922
Retail sales and use taxes	161,467	180,948	413,047	399,812	574,514	580,760
Other taxes	63,808	62,387	-	-	63,808	62,387
Unrestricted interest earnings	8,356	8,050	5,700	7,033	14,056	15,083
Total revenues	<u>1,725,771</u>	<u>1,716,064</u>	<u>1,378,446</u>	<u>1,343,576</u>	<u>3,104,217</u>	<u>3,059,640</u>
Expenses ^(a)						
General government ^(b)	147,396	153,910	-	-	147,396	153,910
Law, safety and justice	629,924	594,366	-	-	629,924	594,366
Physical environment	77,111	78,823	-	-	77,111	78,823
Transportation	78,937	100,724	-	-	78,937	100,724
Economic environment	104,707	112,081	-	-	104,707	112,081
Mental and physical health	469,234	457,507	-	-	469,234	457,507
Culture and recreation	60,273	56,917	-	-	60,273	56,917
Interest and other debt service costs	38,509	51,670	-	-	38,509	51,670
Airport	-	-	29,909	28,101	29,909	28,101
Public transportation	-	-	740,384	716,949	740,384	716,949
Solid waste	-	-	108,837	96,871	108,837	96,871
Water quality	-	-	396,260	321,057	396,260	321,057
Other enterprises activity	-	-	13,912	13,183	13,912	13,183
Total expenses	<u>1,606,091</u>	<u>1,605,998</u>	<u>1,289,302</u>	<u>1,176,161</u>	<u>2,895,393</u>	<u>2,782,159</u>
Increase in net assets before transfers	119,680	110,066	89,144	167,415	208,824	277,481
Transfers	2,857	505	(2,857)	(505)	-	-
Special item	3,809	-	-	-	3,809	-
Increase in net position	126,346	110,571	86,287	166,910	212,633	277,481
Net position, beginning of year (restated) ^(c)	<u>2,245,079</u>	<u>2,139,401</u>	<u>2,449,645</u>	<u>2,282,735</u>	<u>4,694,724</u>	<u>4,422,136</u>
Net position, end of year	<u>\$ 2,371,425</u>	<u>\$ 2,249,972</u>	<u>\$ 2,535,932</u>	<u>\$ 2,449,645</u>	<u>\$ 4,907,357</u>	<u>\$ 4,699,617</u>

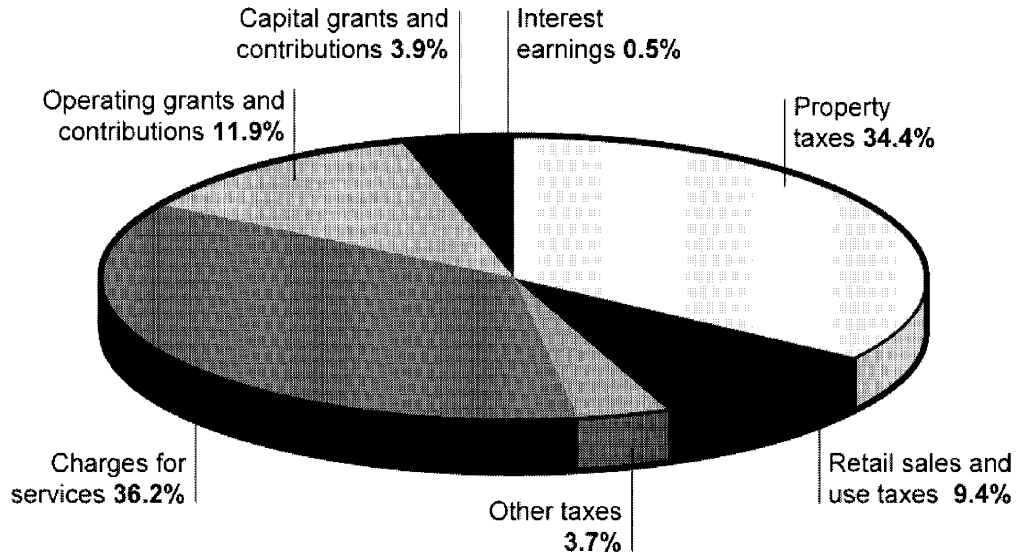
(a) Expenses for all functions include the allocation of indirect expenses from the general government function. The amount of indirect general government expenses allocated to each function is shown in a separate column on the County's government-wide Statement of Activities alongside the column that reflects the direct operating expenses incurred by each function. As a result of this allocation, the \$147.4 million in General government expense above consists of \$174.4 million in direct program expenses and loss on the disposal (transfer) of capital assets of \$22.9 million reduced by a net allocation of \$49.8 million to other County functions.

(b) General government expenses includes loss on sale/disposal/transfer of capital assets of \$22.9 million and \$46.5 million in 2012 and 2011, respectively.

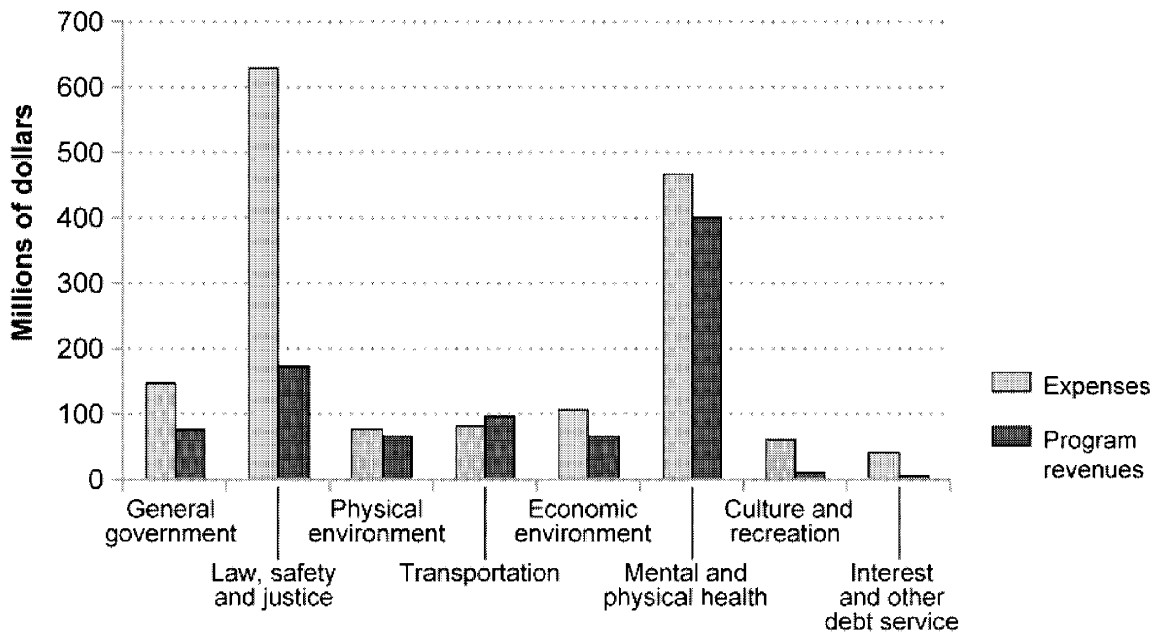
(c) Net position, beginning of year has been restated, see Note 18 - "Restrictions, Components of Fund Balance, and Changes in Equity" – Restatements of Beginning Balances.

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 2012



Expenses and Program Revenues – Governmental Activities 2012



Charges for services provided 36.2 percent, and property taxes 34.4 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 85.5 percent of the activities of that

function. In 2012, Transportation received \$25.8 million in infrastructure and right-of-way capital assets from developers, which enabled program revenues to exceed expenses by \$15.8 million. These capital contributions accounted for 21.5 percent of the 2012 increase in governmental activities net position.

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):

(Expenses) Net of Program Revenues

General government	\$ (70,226)
Law, safety and justice	(455,206)
Physical environment	(10,838)
Transportation	15,838
Economic environment	(38,907)
Mental and physical health	(61,521)
Culture and recreation	(50,026)
Interest and other debt service costs	(36,718)
Total expenses	<u>(707,604)</u>

General revenues

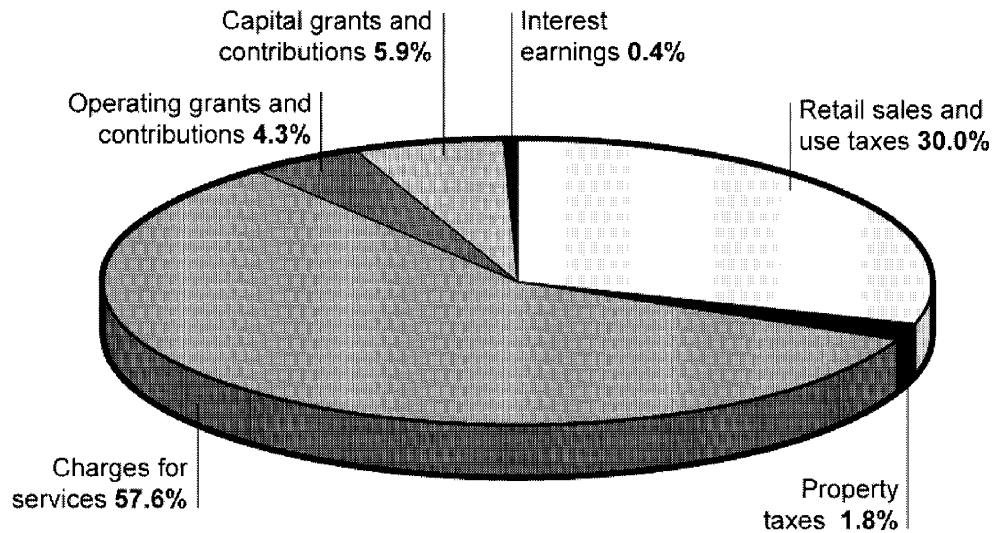
Property taxes	593,654
Retail sales and use taxes	161,467
Other taxes	63,807
Unrestricted interest earnings	8,356
Transfers from Business-type	2,857
Special item	3,809
Increase in net assets	<u>\$ 126,346</u>

Business-type activities. Business-type activities increased the County's net position by \$86.3 million in 2012, accounting for 41.8 percent of the total growth in net position of the County. Total revenues for business-type activities were \$1,378.4 million. The cost of all business-type activities for 2012 was \$1,289.3 million. Of that amount, 72.5 percent (\$934.5 million) was funded from program revenues, including \$794.2 million in charges for services, \$58.5 million from other governments and

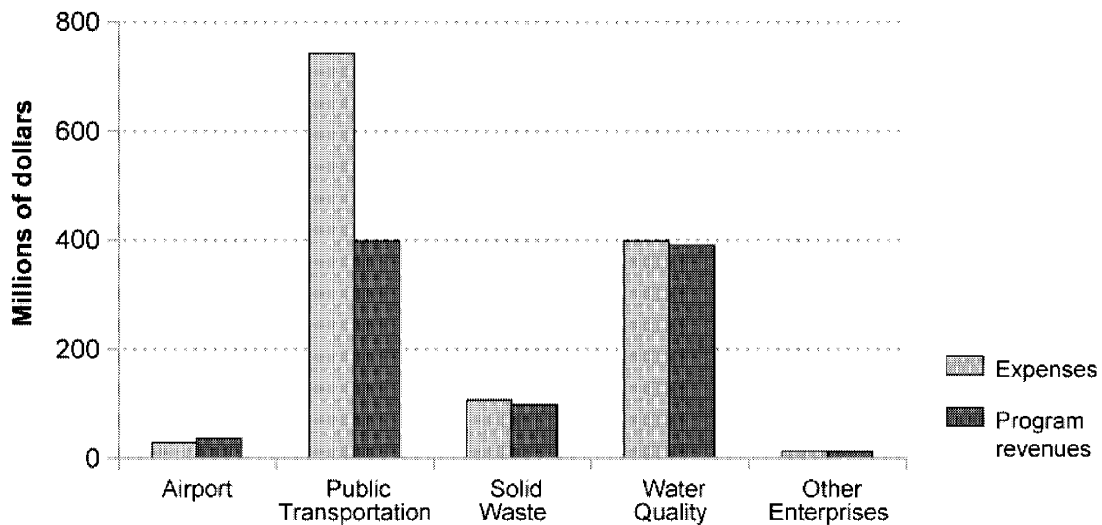
organizations that subsidized certain programs with operating grants, and \$81.7 million in capital grants and contributions. The Public Transportation operations are subsidized by retail sales and use tax revenues, which amounted to \$413.0 million in 2012 and property taxes of \$23.8 million. In addition, business-type activities earned \$5.7 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 2012



Expenses and Program Revenues – Business-type Activities 2012



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, 2012, the County's governmental funds reported combined ending fund balances of \$671.9 million, an increase of \$49.8 million in comparison with the prior year. Approximately 13.9 percent (\$93.6 million) constitutes unassigned fund balance available for spending in the coming year at the County's discretion. The remainder of fund balance is Nonspendable (2.8 percent), Restricted (61.0 percent), Committed (16.1 percent) or Assigned (6.3 percent).

Overall governmental fund revenues totaled approximately \$1,791.4 million for 2012, which represents an increase of 2.3 percent, (\$40.1 million), over the fiscal year ended December 31, 2011. While property taxes declined a modest \$0.5 million, Business and other taxes were up \$1.9 million. Retail sales and uses taxes declined \$19.5 million reflecting the decline of PFD related sales taxes of \$24.8 million (effective October 1, 2011, the County ceased collecting the PFD sales taxes as the bonds issued by the County to provide funds for the construction Safeco Field and parking facilities by the Washington State Major League Baseball Stadium Public Facilities District were fully defeased). Intergovernmental revenues were up \$26.8 million overall including increase for Mental Health (\$9.7 million) and the County Road Construction Fund (\$3.4 million).

In 2012, expenditures for governmental funds totaled \$1,818.9 million, an increase of 1.2 percent (\$22.1 million) from the previous fiscal year. However, adjusting for payments to escrow agents in 2011 and 2012 expenditures related to a building lease (in 2011 the revenues and expenditures related to the lease were netted), expenditures were up 2.6 percent (\$46.3 million). Current

expenditures were up 1.8 percent (\$27.2 million) from the previous fiscal year including increases in expenditures for General government (\$16.8 million), Law Safety and Justice (\$17.8 million) and Mental and physical health (\$14.3-million). Capital outlay expenditures were up \$16.0 million (13.1 percent). Total expenditures for governmental funds exceeded revenues by \$33.9 million in 2012, compared to \$45.4 million for 2011. The change in fund balances in 2012 of \$43.4 million included Other financing sources (uses) of \$77.2 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 \$139.6 million. Unassigned fund balance, the amount considered available to spend, totaled \$102.6 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 17.2 percent of total General Fund expenditures, a modest increase from the 17.0 percent of a year ago. Total fund balance (excluding the Rainy Day Fund) represents approximately 21 percent of total General Fund expenditures for both 2012 and 2011.

The fund balance of the County's General Fund increased \$4.9 million during 2012, compared to an increase in fund balance of \$30.6 million in 2011. While revenues were up \$6.0 million (0.9 percent) in 2012, expenditures increased by \$30.0 million (5.3 percent), Other financing sources declined \$10.9 million, and Other financing uses declined \$9.2 million. While property tax revenues increased by \$6.4 million and sales and use taxes increased by \$1.7 million, both Intergovernmental and Charges for services declined (\$2.8 million and \$3.4 million respectively). The decline in Other financing sources of \$10.9 million is due to the 2011 proceeds from the sale of land of \$10.2 million. Expenditures were up \$30.0 million due to increases in expenditures for general government (\$14.9 million) and Law, safety and justice (\$13.6 million). The increase in general government expenditures of \$14.9 million cover a broad range of services including Elections (up \$3.1 million) and Assessments (up \$1.8 million). The Law, safety and justice increase in expenditures of \$13.6 million increases in Sheriff (\$3.7 million), Prosecuting Attorney (\$2.7 million), Adult and Juvenile Detention (\$2.0 million) and Office of the Public Defender (\$2.5 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 2012 it had a total fund balance of \$14.8 million (up \$7.2 million in 2012). While revenues were up \$11.6 million and other financing sources were up \$0.5 million in 2012 from the 2011 levels, expenditures were also up \$2.7 million and other financing uses were up \$2.3 million in 2012 resulting in an increase in fund balance of \$7.2 million in 2012 versus an increase of \$0.2 million in 2011.

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 position increased by \$89.1 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 \$84.7 million and the net position of the Water Quality Enterprise decreased by \$7.2 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 2012 the Public Transportation Enterprise had total net position of \$1,677.5 million of which 71.8 percent (\$1,203.8 million) was the net investment in capital assets; 0.7 percent (\$12.4 million) was restricted as to use for capital purposes, debt service, and other purposes; and 27.5 percent (\$461.3 million) was unrestricted and available for spending. Net position increased in 2012 and 2011. The increase was \$84.7 million in 2012 and \$138.2 million in 2011. The increase in 2012 was principally attributable to increased sales tax receipts as the economy continued its slow recovery, the Congestion Reduction Charge which began to be collected in June, the proceeds from the sale of an easement at the employee garage located south of Downtown Seattle and capital grants associated with revenue fleet replacement. In 2011, the change was principally attributable to increased sales tax receipts and capital grants associated with revenue 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 position in the Water Quality Enterprise was \$580.9 million at the end of 2012 of which 38.1 percent (\$221.2 million) was the net investment in capital assets; 43.9 percent (\$254.8 million) was restricted for debt service and regulatory assets and environmental liabilities; and the remaining 18.0 percent (\$104.9 million) was unrestricted. Water Quality operating revenues increased by 13.2 percent to \$381.9 million, while operating expenses net of depreciation increased by 10.0 percent to \$117.0 million. Water Quality collected a monthly sewage treatment charge of \$36.1 per Residential Customer Equivalents (RCE) in 2012 and 2011 (an increase from the \$31.90 charge in 2010). The capacity charge rate increased to \$53.50 per RCE in 2012 from \$50.45 in 2011.

General Fund Budgetary Highlights

The County's final General Fund budget differs from the original budget in that it reflects an increase of \$18.8 million during the year due to 2012 supplemental budget appropriations. These supplemental appropriations included General Fund support for general government (\$4.9 million); law, safety and justice (\$1.1 million); and transfers to support capital projects (\$10.9 million). However, actual budgetary basis expenditures (including encumbrances) were \$9.2 million less than the original budget. This resulted in an underutilization of the total final appropriation authority by \$28.0 million, including \$5.9 million of under-expenditures in General government services, \$12.6 million in Law, safety and justice, and \$7.0 million in Transfers out. During the year total budgetary basis revenues were greater than budgetary estimates by \$5.5 million with a net impact of increasing fund balance by \$4.9 million in 2012.

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, 2012, amounts to \$8.7 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 3.0 percent (3.4 percent increase for governmental activities and 3.2 percent increase for business-type activities).

Major capital asset events during 2012 included the following:

- The conveyance system and marine outfall that connect the Brightwater treatment plant to various sources of wastewater were completed in the fall of 2012. The conveyance facilities include the pipes and pumps that deliver wastewater in and out of the treatment plant while the outfall discharges treated wastewater from the plant into Puget Sound. The Brightwater treatment system is now fully operational.
- Construction of the Bow Lake transfer station and recycling facility continued in 2012. The project provides a major upgrade to the existing outdated transfer facility with an expanded recycling area, a larger, modern and

energy-efficient transfer building, and an improved design for customer traffic flow. Expected completion is in 2013. The transfer station handles approximately a third of the County's solid waste discharge.

- The Patricia Steel Memorial Building was acquired by the County in December 2012 when it refinanced the construction bonds originally issued by Broadway Office Properties (BOP) to fund the development of the building. BOP was previously reported as a blended component unit and the building was recognized as a governmental capital asset during 2012 when the blended entity was eliminated from the primary government.
- The project to replace the old South Park Bridge commenced in 2012. Current activities include the removal of the existing structure, preparatory roadwork and landscaping. Under the modified approach much of the cost of replacing an existing bridge is considered infrastructure preservation. Only the portion of the cost that adds capacity or efficiency may be capitalized.

A summary of the 2012 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	
	2012	2011	2012	2011	2012	2011
Land and land rights	\$ 891.1	\$ 873.3	** \$ 482.9	\$ 465.9	\$ 1,374.0	\$ 1,357.0
Buildings*	671.0	699.2	** 1,968.6	1,815.5	** 2,639.6	2,514.7
Leasehold Improvements*	17.2	18.2	** 1.2	1.4	293.7	19.6
Improvements other than buildings*	42.9	36.8	276.5	267.5	** 42.9	304.3
Infrastructure - roads and bridges	1,020.6	952.0	-	-	1,020.6	952.0
Infrastructure - other*	7.5	5.0	1,589.7	945.8	1,597.2	950.8
Equipment, software and art collection*	129.7	73.8	1,000.6	862.0	1,130.3	935.8
Construction in progress	91.4	118.5	470.2	1,251.9	561.6	1,370.4
Total	<u>\$ 2,871.4</u>	<u>\$ 2,776.8</u>	<u>\$ 5,789.7</u>	<u>\$ 5,610.0</u>	<u>\$ 8,659.9</u>	<u>\$ 8,404.6</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 2007 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 2012 for road preservation and maintenance was \$52.7 million. The amount actually expended was \$45.1 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. Annexations of unincorporated areas to cities also play a role in reducing the average condition level of roads. It is the usual case that the roads in the annexed areas are high-traffic lanes and therefore were well-maintained by the County.

The County currently maintains 182 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 2012 for bridge preservation and maintenance was \$9.3 million, while the actual amount expended was \$6.4 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 2012, King County Primary Government has a total of \$5,000.5 million in bonds and notes outstanding for its governmental and business-type activities. Of this amount, \$2,158.8 million is comprised of debt backed by the full faith and credit of the County. The \$2,841.8 million remainder of the County's debt represents bonds secured solely by specified revenue sources.

	Outstanding Debt (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 772.4	\$ 682.5	\$ 991.2	\$ 1,015.6	\$ 1,763.6	\$ 1,698.2
General obligation bond anticipation notes (long-term)		65.9	73.4	-	73.4	65.9
Lease revenue bonds	321.8	385.5	-	-	321.8	385.5
Revenue bonds	-	-	2,841.8	2,709.7	2,841.8	2,709.7
Total	<u>\$1,094.2</u>	<u>\$1,134.0</u>	<u>\$3,906.3</u>	<u>\$3,725.4</u>	<u>\$5,000.5</u>	<u>\$4,859.4</u>

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 2.9 percent or \$141.2 million (a 3.5 percent or \$40 million decrease for governmental activities and 4.9 percent or \$180.9 million increase for business-type activities). Debt outstanding in governmental activities decreased primarily due to the \$67 million debt service payment and a decrease of \$29 million in refunded limited general obligation bonds. Business-type activities' debt increased primarily due to \$100 million in new sewer revenue bonds and the issuance of \$73.4 million of limited general obligation bond anticipation notes (long-term) for Solid Waste.

During 2012, the County refinanced some of its existing governmental-activities type debt to take advantage of favorable interest rates. The County refinanced \$219.7 million of general obligation various purpose bonds that is expected to decrease future aggregate debt service payments by \$33.8 million over the life of the bonds. For business-type debt, the County refinanced \$408 million (\$244.9 million of general obligation bonds and \$163.1 million of revenue bonds) that is expected to decrease future aggregate debt service payments by \$33.9 million over the life of the bonds.

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 \$7,868.7 million, significantly higher than the County's outstanding net general obligation long-term liabilities of \$1,142.2 million. For metropolitan functions the debt limitation is \$7,986.5 million and the County's outstanding net general obligation debt is \$1,112.1 million.

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

ECONOMIC OUTLOOK AND 2013 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 improving significantly. The increasing diversification of the County's employment base has been an important buffer during the economic downturn, and some employment sectors are steadily gaining traction. Employment increased by 2.6 percent in 2012 with growth in several sectors including construction which rose by almost 15 percent. The County unemployment rate is now well below seven percent, which is less than the state and national averages. The region's most prominent employers, Boeing, Microsoft and Amazon.com, retain strong demand for their products.

The decline in house values since the recent recession have stabilized with 2012 showing a slight price index increase of over 8 percent. Total assessed valuation (TAV) fell, however, by 3.3 percent for tax year 2012 and an additional 1.5 percent for tax year 2013. Despite the downward pressure, TAV per capita is relatively high at \$161,000. Taxpayer concentration is low, with the top ten property taxpayers accounting for less than five percent of 2013 TAV.

Following the recession, County taxable retail sales were particularly affected by declining incomes and low consumer confidence. Undesignated General Fund collections declined in 2009 by 13.3 percent from 2008 levels; then fell an additional 0.2 percent in 2010 before rebounding in 2011 by 6.6 percent, aided by a statewide tax amnesty program. Strong retail sales in the fourth quarter of 2012 helped close out the year with a positive 2.7 percent increase. The sales tax patterns among cities tend to be variable. Kirkland and Seattle showed 7 – 10 percent growth while Redmond showed a decline by 18 percent.

By law, the County is required to adopt a balanced budget. The budget for the County, adopted by the County Council in November 2012, totals \$7.6 billion, which includes both annual and biennial budgets. Of this amount, \$685.0 million, all annual, is appropriated for the General Fund. The budget also includes \$238.6 million (annual) committed to Public Health and the following biennial appropriations: \$247.3 million for Wastewater operating and \$451.8 million for Wastewater

construction; \$1,352 million for Public Transportation operating and \$670.9 million for Public Transportation capital and fleet replacement. The General Fund current expense budget maintained a six percent budgetary undesignated fund balance as a percentage of revenues.

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, road infrastructure, 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 2013. Incorporation or annexation is also encouraged by the Washington State Growth Management Act.

In 2012 the Eastgate area and vicinity was annexed by the City of Bellevue. 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.

Basic Statements

CAFR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATEMENT OF NET POSITION
DECEMBER 31, 2012
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 920,370	\$ 1,049,291	\$ 1,969,661	\$ 254,944
Investments	-	-	-	34,842
Receivables, net	230,481	240,876	471,357	129,215
Due from primary government	-	-	-	1,372
Internal balances	(35,239)	35,239	-	-
Inventories	2,206	27,749	29,955	8,271
Prepayments and other assets	11,932	7,033	18,965	2,246
Capital assets				
Non-depreciable assets	2,012,670	947,334	2,960,004	48,756
Depreciable assets, net of depreciation	858,732	4,842,550	5,701,282	709,453
Deferred charges	8,081	26,723	34,804	-
Deposits with other governments	-	-	-	600
Regulatory assets - environmental remediation	-	46,918	46,918	-
Other utility assets	-	29,731	29,731	-
Other assets	-	1,050	1,050	2,718
TOTAL ASSETS	4,009,233	7,254,494	11,263,727	1,192,417
LIABILITIES				
Accounts payable and other current liabilities	83,235	91,694	174,929	48,810
Due to component unit	1,372	-	1,372	-
Accrued liabilities	52,288	113,407	165,695	38,345
Notes payable	-	100,325	100,325	-
Unearned revenues	27,820	13,362	41,182	3,832
Rate stabilization	-	62,600	62,600	-
Noncurrent liabilities				
Due within one year	224,727	92,009	316,736	4,958
Due in more than one year	1,248,366	4,245,165	5,493,531	42,886
TOTAL LIABILITIES	1,637,808	4,718,562	6,356,370	138,931
NET POSITION				
Net investment in capital assets	1,905,722	1,627,435	3,533,157	727,889
Restricted for:				
Capital projects	71,131	199	71,330	-
Debt service	60,689	232,600	293,289	-
General government	37,153	-	37,153	-
Law, safety and justice	78,903	-	78,903	-
Physical environment	62,536	-	62,536	-
Transportation	19	-	19	-
Economic environment	40,871	-	40,871	-
Mental and physical health	89,725	-	89,725	-
Culture and recreation	11,502	-	11,502	-
Regulatory assets and environmental liabilities	-	32,992	32,992	-
Other purposes	-	1,471	1,471	-
Expendable	-	-	-	76,345
Nonexpendable	-	-	-	3,448
Unrestricted	13,174	641,235	654,409	245,804
TOTAL NET POSITION	\$ 2,371,425	\$ 2,535,932	\$ 4,907,357	\$ 1,053,486

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

King County, Washington

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 197,147	\$ (49,752)	\$ 72,711	\$ 4,459	\$ -
Law, safety & justice	609,568	20,356	143,737	30,981	-
Physical environment	75,879	1,232	55,526	9,389	1,358
Transportation	76,652	2,285	13,656	17,305	63,814
Economic environment	103,444	1,263	29,958	35,842	-
Mental & physical health	463,641	5,593	300,604	107,108	-
Culture & recreation	59,539	734	8,163	143	1,941
Interest and other					
debt service costs	38,509	-	1,783	8	-
Total governmental activities	<u>1,624,379</u>	<u>(18,289)</u>	<u>626,138</u>	<u>205,235</u>	<u>67,113</u>
Business-type activities:					
Airport	29,627	282	17,812	-	17,628
Public Transportation	727,038	13,346	278,143	58,347	59,846
Solid Waste	106,933	1,904	98,827	-	630
Water Quality	393,586	2,674	390,705	190	-
Institutional Network	3,151	-	2,739	-	-
Ferry District	6,621	-	1,421	-	3,467
Radio Communications Services	4,057	83	4,586	-	141
Total business-type activities	<u>1,271,013</u>	<u>18,289</u>	<u>794,233</u>	<u>58,537</u>	<u>81,712</u>
Total primary government	<u>\$ 2,895,392</u>	<u>\$ -</u>	<u>\$ 1,420,371</u>	<u>\$ 263,772</u>	<u>\$ 148,825</u>
Component units	<u>\$ 785,003</u>		<u>\$ 764,012</u>	<u>\$ 19,237</u>	<u>\$ 7,138</u>
General revenues					
Property taxes					
Retail sales and use taxes					
Business and other taxes					
Penalties and interest - delinquent taxes					
Interest earnings					
Transfers					
Special item					
Total general revenues and transfers					
Change in net position					
Net position - January 1, 2012 (Restated)					
Net position - December 31, 2012					

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

King County, Washington

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component
			Units Total
Governmental Activities	Business-type Activities	Total	
\$ (70,225)	\$	\$ (70,225)	\$
(455,206)		(455,206)	
(10,838)		(10,838)	
15,838		15,838	
(38,907)		(38,907)	
(61,522)		(61,522)	
(50,026)		(50,026)	
(36,718)		(36,718)	
(707,604)		(707,604)	
	5,531	5,531	
	(344,048)	(344,048)	
	(9,380)	(9,380)	
	(5,365)	(5,365)	
	(412)	(412)	
	(1,733)	(1,733)	
	587	587	
-	(354,820)	(354,820)	
(707,604)	(354,820)	(1,062,424)	
			5,384
593,654	25,217	618,871	-
161,467	413,047	574,514	-
42,332	-	42,332	-
21,476		21,476	-
8,356	5,700	14,056	2,182
2,856	(2,857)	(1)	-
3,809		3,809	
833,950	441,107	1,275,057	2,182
126,346	86,287	212,633	7,566
2,245,079	2,449,645	4,694,724	1,045,920
\$ 2,371,425	\$ 2,535,932	\$ 4,907,357	\$ 1,053,486

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012
(IN THOUSANDS)**

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 106,168	\$ 72	\$ 511,988	\$ 618,228
Taxes receivable - delinquent	7,264	-	8,700	15,964
Accounts receivable, net	13,355	17,116	45,397	75,868
Other receivables, net	-	-	-	-
Interest receivable	9,003	-	-	9,003
Due from other funds	2,610	2,764	26,165	31,539
Interfund short-term loans receivable	6,194	-	-	6,194
Due from other governments, net	44,392	28,007	49,835	122,234
Inventory of supplies	-	579	-	579
Prepayments	-	-	7,146	7,146
Advances to other funds	3,800	-	4,000	7,800
TOTAL ASSETS	\$ 192,786	\$ 48,538	\$ 653,231	\$ 894,555
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 4,304	\$ 16,764	\$ 30,515	\$ 51,583
Due to other funds	9,300	6,235	23,329	38,864
Interfund short-term loans payable	-	4,490	11,194	15,684
Due to other governments	621	-	6,033	6,654
Due to component unit	-	-	1,372	1,372
Interest payable	-	-	270	270
Wages payable	20,613	5,699	9,913	36,225
Taxes payable	204	-	32	236
Bonds payable	-	-	3,555	3,555
Unearned revenues	15,166	245	34,232	49,643
Notes and contracts payable	-	-	-	-
Custodial accounts	2,934	326	9,023	12,283
Advances from other funds	-	-	6,325	6,325
Total liabilities	53,142	33,759	135,793	222,694
Fund balances				
Nonspendable fund balance	3,800	579	14,069	18,448
Restricted fund balance	2,702	4,050	402,840	409,592
Committed fund balance	21,761	-	86,439	108,200
Assigned fund balance	8,827	10,150	23,007	41,984
Unassigned fund balance	102,554	-	(8,917)	93,637
Total fund balances	139,644	14,779	517,438	671,861
TOTAL LIABILITIES AND FUND BALANCES	\$ 192,786	\$ 48,538	\$ 653,231	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	2,540,730
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	(1,752)
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	79,604
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(919,018)
Net position of governmental activities	\$ 2,371,425

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, 2012
(IN THOUSANDS)

	<u>GENERAL FUND</u>	<u>PUBLIC HEALTH FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes				
Property taxes	\$ 282,775	\$ -	\$ 310,769	\$ 593,544
Retail sales and use taxes	88,991	-	72,476	161,467
Business and other taxes	8,560	-	33,775	42,335
Penalties and interest - delinquent taxes	21,476	-	-	21,476
Licenses and permits	4,418	14,216	3,018	21,652
Intergovernmental revenues	101,351	137,026	359,172	597,549
Charges for services	114,226	19,965	115,564	249,755
Fines and forfeits	8,262	-	237	8,499
Interest earnings	3,612	-	2,938	6,550
Miscellaneous revenues	17,546	9,765	61,279	88,590
TOTAL REVENUES	<u>651,217</u>	<u>180,972</u>	<u>959,228</u>	<u>1,791,417</u>
EXPENDITURES				
Current				
General government	110,959	-	80,599	191,558
Law, safety and justice	459,707	-	111,219	570,926
Physical environment	-	-	98,962	98,962
Transportation	-	-	90,737	90,737
Economic environment	439	-	104,348	104,787
Mental and physical health	24,761	195,722	261,264	481,747
Culture and recreation	-	-	57,067	57,067
Debt Service				
Principal	-	-	56,913	56,913
Interest and other debt service costs	3	20	26,323	26,346
Refunding bond issuance costs	-	-	1,560	1,560
Payment to escrow agent	-	-	-	-
Capital outlay	1,149	181	136,949	138,279
TOTAL EXPENDITURES	<u>597,018</u>	<u>195,923</u>	<u>1,025,941</u>	<u>1,818,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,199</u>	<u>(14,951)</u>	<u>(66,713)</u>	<u>(27,465)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	238	25,042	117,675	142,955
Transfers out	(49,654)	(2,877)	(85,175)	(137,706)
General government debt issued	-	-	51,980	51,980
Premium on bonds sold	-	-	59,146	59,146
Refunding bonds issued	-	-	256,615	256,615
Sale of capital assets	93	1	453	547
Payment to refunded bonds escrow agent	-	-	(296,322)	(296,322)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(49,323)</u>	<u>22,166</u>	<u>104,372</u>	<u>77,215</u>
Net changes in fund balances	4,876	7,215	37,659	49,750
Fund balances - January 1, 2012 (Restated)	134,768	7,564	479,779	622,111
Fund balances - December 31, 2012	<u>\$ 139,644</u>	<u>\$ 14,779</u>	<u>\$ 517,438</u>	<u>\$ 671,861</u>

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

**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, 2012
(IN THOUSANDS)**

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

Net change in fund balances - total governmental funds	\$ 49,750
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.	104,417
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.	1,276
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	2,574
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 position. 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.	(12,966)
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.	(29,213)
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	10,508
Change in net position of governmental activities	<u>\$ 126,346</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, 2012
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes				
Property taxes	\$ 276,717	\$ 276,717	\$ 282,775	\$ 6,058
Retail sales and use taxes	87,186	87,186	88,991	1,805
Business and other taxes	6,672	6,672	8,560	1,888
Penalties and interest - delinquent taxes	22,000	22,000	21,476	(524)
Licenses and permits	3,972	3,972	4,418	446
Intergovernmental revenues	106,751	106,751	101,351	(5,400)
Charges for services	115,801	115,801	114,226	(1,575)
Fines and forfeits	9,471	9,471	8,262	(1,209)
Interest earnings	1,854	1,854	3,070	1,216
Miscellaneous revenues	14,911	14,911	17,546	2,635
Sale of capital assets	30	30	92	62
Transfers in	150	150	238	88
TOTAL REVENUES	645,515	645,515	651,005	5,490
EXPENDITURES				
Current				
General government services	112,793	117,665	111,749	5,916
Law, safety and justice	471,858	472,916	460,304	12,612
Economic environment	549	549	439	110
Mental and physical health	25,395	25,395	24,761	634
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	3	-
Capital outlay	1,398	2,809	1,149	1,660
Transfers out	45,182	56,676	49,654	7,022
TOTAL EXPENDITURES	657,212	676,047	648,059	27,988
Deficiency of revenues under expenditures (budgetary basis)	\$ (11,697)	\$ (30,532)	2,946	\$ 33,478
Adjustment from budgetary basis to GAAP basis			1,930 ^(a)	
Net change in fund balance			4,876	
Fund balance - January 1, 2012			134,768	
Fund balance - December 31, 2012			<u>\$ 139,644</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized gains on investments on a GAAP basis			\$ 542	
Adjustments to expenditures				
Non-budgeted expenditures			(582)	
Encumbrances, not included in GAAP basis expenditures			1,969	
Adjustment from budgetary basis to GAAP basis			<u>\$ 1,929</u>	

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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, 2012
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Licenses and permits	\$ 13,204	\$ 13,066	\$ 14,216	\$ 1,150
Intergovernmental revenues	133,280	135,155	137,026	1,871
Charges for services	16,274	16,184	19,965	3,781
Contribution donations from private sources	7,320	5,294	4,897	(397)
Miscellaneous revenues	12,378	12,632	4,868	(7,764)
Transfers in	25,042	25,042	25,042	-
Sale of capital assets	-	-	1	1
Total Revenues	207,498	207,373	206,015	(1,358)
EXPENDITURES				
Current				
Mental and physical health	202,612	202,612	195,722	6,890
Debt service				
Interest and other debt service costs	40	40	20	20
Capital outlay	474	474	181	293
Transfers out	249	249	2,877	(2,628)
Total Expenditures	203,375	203,375	198,800	4,575
Excess (Deficiency) of revenues over (under) expenditures (budgetary basis)	\$ 4,123	\$ 3,998	7,215	\$ 3,217
Adjustment from budgetary basis to GAAP basis - encumbrances			-	
Net change in fund balance			7,215	
Fund balances - January 1, 2012			7,564	
Fund balance - December 31, 2012			\$ 14,779	

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012
(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	\$ 368,666	\$ 116,800	\$ 100,648	\$ 586,114	\$ 303,641	
Restricted cash and cash equivalents	18,977	135,449	170	154,596	301	
Accounts receivable	69,233	43,720	10,159	123,112	1,678	
Estimated uncollectible						
accounts receivable	(361)	(1,151)	(128)	(1,640)	(1)	
Due from other funds	1,445	2,321	3,900	7,666	5,567	
Interfund short-term loans receivable	29,648	-	311	29,959	-	
Property tax receivable-delinquent	463	-	43	506	-	
Due from other governments, net	115,680	-	2,786	118,466	822	
Inventory of supplies	19,221	6,972	1,548	27,741	1,635	
Prepayments and other assets	404	144	-	548	4,786	
Total current assets	623,376	304,255	119,437	1,047,068	318,429	
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	5,306	249,459	48,701	303,466	3,315	
Accounts receivable	-	-	-	-	32	
Due from other governments, net	23	325	-	348	-	
Property tax receivable-delinquent	84	-	-	84	-	
Total restricted assets	5,413	249,784	48,701	303,898	3,347	
Capital assets						
Non-depreciable assets	251,104	536,488	159,741	947,333	8,048	
Depreciable assets, net of depreciation	1,079,798	3,604,727	148,538	4,833,063	332,115	
Total capital assets	1,330,902	4,141,215	308,279	5,780,396	340,163	
Other noncurrent						
Prepayments	6,485	-	-	6,485	-	
Advances to other funds	-	-	3,239	3,239	-	
Regulatory assets - environmental remediation	-	46,918	-	46,918	-	
Other utility assets, net of accumulated depreciation	-	29,731	-	29,731	-	
Deferred charges	877	25,820	26	26,723	3,258	
Other assets	1,050	-	-	1,050	-	
Total other noncurrent	8,412	102,469	3,265	114,146	3,258	
Total noncurrent assets	1,344,727	4,493,468	360,245	6,198,440	346,768	
TOTAL ASSETS	1,968,103	4,797,723	479,682	7,245,508	665,197	

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

King County, Washington

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012
 (IN THOUSANDS)
 (PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities					
Accounts payable	\$ 50,858	\$ 30,254	\$ 10,170	\$ 91,282	\$ 10,408
Retainage payable	5,293	365	171	5,829	23
Estimated claim settlements	-	-	-	-	104,071
Due to other funds	1,293	851	762	2,906	3,002
Interest payable	460	80,520	1,714	82,694	1,354
Interfund short-term loans payable	-	20,158	311	20,469	-
Wages payable	23,511	4,471	2,717	30,699	6,227
Compensated absences payable	8,208	617	155	8,980	660
Taxes payable	3	4	214	221	1
Unearned revenues	9,090	865	3,407	13,362	2,547
Environmental remediation - current portion	-	6,246	-	6,246	-
Revenue bonds payable	-	39,290	-	39,290	9,800
General obligation bonds payable	9,975	3,435	3,930	17,340	2,055
Capital leases payable	104	-	-	104	-
State revolving loan payable	-	8,841	-	8,841	-
Notes payable	-	100,000	325	100,325	-
Landfill closure and post-closure care liability	-	-	4,061	4,061	-
Other liabilities	-	-	33	33	2,237
Total current liabilities	108,795	295,917	27,970	432,682	142,385
Noncurrent liabilities					
Retainage payable	1,963	-	-	1,963	-
Rate stabilization	-	62,600	-	62,600	-
Compensated absences payable	42,263	10,632	5,740	58,635	15,235
Other postemployment benefits	7,144	1,040	865	9,049	1,595
Advances from other funds	3,500	-	1,214	4,714	-
General obligation bonds payable, net of unamortized premium, discount, and deferred amount on refunding loss	123,577	888,057	111,406	1,123,040	12,035
Revenue bonds payable	-	2,802,465	-	2,802,465	311,980
Capital leases payable	2,983	-	-	2,983	-
State revolving loans payable	-	127,161	-	127,161	-
Landfill closure and post-closure care liability	-	-	88,078	88,078	-
Estimated claim settlements	-	-	-	-	65,492
Environmental remediation	353	28,955	3,295	32,603	-
Other liabilities	-	-	474	474	-
Total noncurrent liabilities	181,783	3,920,910	211,072	4,313,765	406,337
TOTAL LIABILITIES	290,578	4,216,827	239,042	4,746,447	548,722
NET POSITION					
Net investment in capital assets	1,203,777	221,227	192,943	1,617,947	7,551
Restricted for:					
Capital projects	199	-	-	199	5,339
Debt service	10,775	221,825	-	232,600	1,616
Regulatory assets and environmental liabilities	-	32,992	-	32,992	-
Other purposes	1,471	-	-	1,471	-
Unrestricted	461,303	104,852	47,697	613,852	101,969
TOTAL NET POSITION	\$ 1,677,525	\$ 580,896	\$ 240,640	2,499,061	\$ 116,475
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				36,871	
Net position of business-type activities				\$ 2,535,932	

King County, Washington

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
I-Net fees	\$ -	\$ -	\$ 2,604	\$ 2,604	\$ -
Radio services	-	-	4,542	4,542	-
Solid waste disposal charges	-	-	91,081	91,081	-
Airfield fees	-	-	3,054	3,054	-
Hangar, building, and site rentals and leases	-	-	13,918	13,918	-
Reimbursement for services to tenants	-	-	242	242	-
Passenger	217,138	-	1,421	218,559	-
Special service contracts	9,226	-	-	9,226	-
Sewage disposal fees	-	321,066	-	321,066	-
Other operating revenues	23,468	60,809	732	85,009	499,058
Total operating revenues	249,832	381,875	117,594	749,301	499,058
OPERATING EXPENSES					
Personal services	404,900	40,699	46,991	492,590	117,713
Materials and supplies	77,942	14,580	8,265	100,787	12,930
Contract services and other charges	33,301	13,490	37,252	84,043	283,153
Utilities	4,840	14,695	4,064	23,599	-
Purchased transportation	49,510	-	2,335	51,845	-
Internal services	63,617	31,475	15,613	110,705	25,556
Environmental related amortization	-	2,035	-	2,035	-
Depreciation and amortization	113,302	135,391	16,970	265,663	18,082
Total operating expenses	747,412	252,365	131,490	1,131,267	457,434
OPERATING INCOME (LOSS)	(497,580)	129,510	(13,896)	(381,966)	41,624
NONOPERATING REVENUES					
Sales tax	413,047	-	-	413,047	-
Property tax	23,832	-	1,385	25,217	-
Intergovernmental	58,347	190	-	58,537	24
Interest earnings	2,591	2,141	952	5,684	1,822
DNR administration	-	-	4,747	4,747	-
Rental income	-	-	261	261	-
Other nonoperating revenues	28,311	8,734	2,783	39,828	-
Total nonoperating revenues	526,128	11,065	10,128	547,321	1,846
NONOPERATING EXPENSES					
Interest	2,632	139,414	1,498	143,544	19,063
DNR administration	-	-	5,643	5,643	-
(Gain) loss on disposal of capital assets	(59)	1,556	273	1,770	(1,038)
Landfill closure and post-closure care	-	-	14,101	14,101	-
Other nonoperating expenses	122	6,493	1,124	7,739	380
Total nonoperating expenses	2,695	147,463	22,639	172,797	18,405
Income (loss) before contributions and transfers	25,853	(6,888)	(26,407)	(7,442)	25,065
Capital grants and contributions	59,846	-	21,866	81,712	1,527
Transfers in	-	-	5,812	5,812	149
Transfers out	(1,027)	(275)	(7,255)	(8,557)	(2,653)
Special items	-	-	-	-	1,182
CHANGE IN NET POSITION	84,672	(7,163)	(5,984)	71,525	25,270
NET POSITION - JANUARY 1, 2012	1,592,853	588,059	246,624		91,205
NET POSITION - DECEMBER 31, 2012	\$ 1,677,525	\$ 580,896	\$ 240,640		\$ 116,475
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				14,762	
Change in net position of business-type activities				\$ 86,287	

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

King County, Washington

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 212,085	\$ 368,413	\$ 113,960	\$ 694,458	\$ 501,390
Cash payments to suppliers for goods and services	(225,620)	(71,257)	(68,247)	(365,124)	(320,390)
Cash payments for employee services	(402,592)	(39,541)	(45,550)	(487,683)	(111,732)
Other receipts	-	-	666	666	3,619
Other payments	-	-	-	-	-
Net cash provided (used) by operating activities	(416,127)	257,615	829	(157,683)	72,887
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	522,425	190	3,756	526,371	1,434
Interfund loan principal amounts loaned to other funds	(29,648)	-	(303)	(29,951)	-
Interfund loan principal repayments from other funds	49,289	-	-	49,289	-
Interfund loan principal borrowed from other funds	-	20,158	-	20,158	-
Interfund loan principal repayment amounts	-	(39,583)	-	(39,583)	-
Advance to other funds	-	-	(1,214)	(1,214)	-
Grants to others	(122)	(130)	-	(252)	-
Transfers in	-	-	5,812	5,812	149
Transfers out	(1,027)	(275)	(7,255)	(8,557)	(2,653)
Net cash provided (used) by noncapital financing activities	540,917	(19,640)	796	522,073	(1,070)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(179,846)	(198,764)	(44,801)	(423,411)	(8,344)
Financing of environmental remediation	-	(2,401)	-	(2,401)	-
Proceeds from capital debt	-	203,240	71,815	275,055	4,500
Principal paid on capital debt	(11,539)	(50,388)	(42,812)	(104,739)	(10,505)
Interest paid on capital debt	(5,145)	(159,750)	(780)	(165,675)	(19,353)
Proceeds from short-term interfund loan	-	-	303	303	-
Advances from other funds	-	-	1,214	1,214	-
Deferred Cost	-	-	-	-	-
Capital grants and contributions	45,291	-	20,796	66,087	43
Other capitalized payments	-	-	-	-	(9,846)
Proceeds from disposal of capital assets	1,146	36	22	1,204	1,447
Landfill closure and post-closure care	-	-	(4,273)	(4,273)	-
Net cash provided (used) by capital and related financing activities	(150,093)	(208,027)	1,484	(356,636)	(42,058)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	2,591	2,141	957	5,689	1,823
Net cash provided by investing activities	2,591	2,141	957	5,689	1,823
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,712)	32,089	4,066	13,443	31,582
CASH AND CASH EQUIVALENTS - JANUARY 1, 2012	415,661	469,619	145,453	1,030,733	275,675
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2012	\$ 392,949	\$ 501,708	\$ 149,519	\$ 1,044,176	\$ 307,257

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, 2012
 (IN THOUSANDS)
 (PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (497,580)	\$ 129,510	\$ (13,896)	\$ (381,966)	\$ 41,624
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and amortization	113,302	137,426	16,970	267,698	18,082
Other nonoperating revenue/expense	12,870	8,734	669	22,273	-
Changes in assets - (increase) decrease					
Accounts receivable, net	(50,854)	(9,177)	(3,579)	(63,610)	(983)
Due from other funds	(654)	15	(395)	(1,034)	(1,505)
Due from other governments, net	-	-	(23)	(23)	80
Inventory of supplies	(1,534)	(640)	(25)	(2,199)	(124)
Prepayments	404	(68)	109	445	580
Changes in liabilities - increase (decrease)					
Accounts payable	4,724	2,855	926	8,505	4,303
Due to other funds	118	849	(3,966)	(2,999)	(65)
Retainage payable	36	19	(322)	(267)	(102)
Rate stabilization	-	(13,899)	-	(13,899)	-
Wages payable	2,517	928	939	4,384	2,340
Taxes payable	(133)	(31)	35	(129)	(4)
Unearned revenues	891	865	(109)	1,647	(666)
Claims and judgments payable	-	-	-	-	5,444
Compensated absences	(1,458)	45	(185)	(1,598)	3,302
Other postemployment benefits	1,249	184	148	1,581	339
Customer deposits and other liabilities	(25)	-	3,533	3,508	242
Total adjustments	81,453	128,105	14,725	224,283	31,263
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (416,127)	\$ 257,615	\$ 829	\$ (157,683)	\$ 72,887

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Public Transportation issued bonds to refund debt issued in 2002 and 2004. The \$79,005 thousand proceeds were placed in escrow for the defeasance of \$73,830 thousand of outstanding bond principal and \$5,175 thousand of interest.

Water Quality issued bonds to refund debt issued in 2004 and 2005. The \$371,443 thousand proceeds were placed in escrow for the defeasance of \$334,150 thousand of outstanding bond principal and \$37,293 thousand of interest.

Internal Service Funds received \$1,527 thousand of capital assets from other funds and transferred \$63 thousand of capital assets to other funds.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 149,329
Assets held in trust - external investment pool	-	2,511,962
Assets held in trust - external impaired investment pool	-	6,591
Investments	2,517,555	1,190
Assets held in trust - individual investment accounts	-	111
Taxes receivable - delinquent	-	73,804
Accounts receivable	-	4,817
Interest receivable	1,109	-
Assessments receivable	-	5,881
Notes and contracts receivable	-	51
TOTAL ASSETS	<u>2,518,664</u>	<u>2,753,736</u>
LIABILITIES		
Warrants payable	-	100,470
Accounts payable	-	4,875
Wages payable	-	1,400
Custodial accounts - County agencies	-	68,446
Due to special districts/other governments	-	2,578,545
TOTAL LIABILITIES	<u>-</u>	<u>\$ 2,753,736</u>
NET POSITION		
Held in trust for pool/individual investment account participants	<u>\$ 2,518,664</u>	

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)**

	<u>INVESTMENT TRUST FUNDS</u>
ADDITIONS	
Contributions	\$ 8,243,958
Net investment earnings	
Interest	13,589
Increase in the fair value of investments	<u>2,238</u>
TOTAL ADDITIONS	8,259,785
DEDUCTIONS	
Distributions	<u>8,363,728</u>
Change in net position	(103,943)
Net position - January 1, 2012	<u>2,622,607</u>
Net position - December 31, 2012	<u><u>\$ 2,518,664</u></u>

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

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2012
(IN THOUSANDS)

	Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
ASSETS				
Cash and cash equivalents	\$ 227,192	\$ 4,042	\$ 23,710	\$ 254,944
Investments	-	-	34,842	34,842
Receivables, net	128,738	18	459	129,215
Due from primary government	-	-	1,372	1,372
Inventories	8,271	-	-	8,271
Prepayments	2,245	1	-	2,246
Non-depreciable assets	10,332	38,424	-	48,756
Depreciable assets, net of depreciation	363,074	346,379	-	709,453
Deposits with other governments	600	-	-	600
Other assets	2,718	-	-	2,718
Total assets	<u>743,170</u>	<u>388,864</u>	<u>60,383</u>	<u>1,192,417</u>
LIABILITIES				
Accounts payable and other current liabilities	48,433	60	317	48,810
Accrued liabilities	38,345	-	-	38,345
Unearned revenues	-	-	3,832	3,832
Noncurrent liabilities				
Due within one year	1,488	3,271	199	4,958
Due in more than one year	19,201	22,451	1,334	42,986
Total liabilities	<u>107,467</u>	<u>25,782</u>	<u>5,682</u>	<u>138,931</u>
NET POSITION				
Invested in capital assets, net of related debt	368,808	359,081	-	727,889
Restricted for:				
Expendable	20,194	-	56,151	76,345
Nonexpendable	3,448	-	-	3,448
Unrestricted	243,253	4,001	(1,450)	245,804
Total net position	<u>\$ 635,703</u>	<u>\$ 363,082</u>	<u>\$ 54,701</u>	<u>\$ 1,053,486</u>

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)**

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units:					
Harborview Medical Center	\$ 762,517	\$ 759,779	\$ 6,024	\$ 3,966	
WSMLB Stadium	14,273	4,149	-	3,172	
Cultural Development Authority	8,213	84	13,213	-	
Total component units	\$ 785,003	\$ 764,012	\$ 19,237	\$ 7,138	
General revenues					
Interest earnings					
Change in net position					
Net position - January 1, 2012					
Net position - December 31, 2012					

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

Net (Expense) Revenue and Changes in Net Position			
Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
\$ 7,252	\$ -	\$ -	\$ 7,252
-	(6,952)	-	(6,952)
-	-	5,084	5,084
7,252	(6,952)	5,084	5,384
1,283	186	713	2,182
8,535	(6,766)	5,797	7,566
627,168	369,848	48,904	1,045,920
\$ 635,703	\$ 363,082	\$ 54,701	\$ 1,053,486

Notes to the Financial Section

For the Year Ended December 31, 2012

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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 three non-profit property management corporations reported collectively. 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, 2012, rather than the County's fiscal year-end of December 31, 2012.

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, 2012, including bonds reported by HMC as a component unit as of June 30, 2012.

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, Box 359750 325 Ninth Ave., Seattle, Washington, 98122.

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 Enterprise Funds in the Proprietary 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 three 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) Goat Hill Properties for the Goat Hill Parking Garage and the Chinook Building; and (3) NJB Properties for the Ninth & Jefferson Building. At the end of November 2012 the County refinanced the revenue bonds issued by Broadway Office Properties to finance the Patricia Steel Memorial building. Title to the building effectively transferred to the County on December 2012 and Broadway Office Properties ceased to be a component unit. Separately issued and audited financial statements for the blended nonprofits 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, 2012, 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 2012, the WDC reimbursed King County approximately \$4.4 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, 2012, 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 Position 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. Its main sources of funding are grants, license and permit fees, and taxes.

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 2012, 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.

Basis 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.

New Accounting Standards

The following GASB pronouncements are effective for the 2012 reporting year of the County:

GASB Statement 60 – *Service Concession Arrangements* was implemented in 2012. A service concession is where a government transfers an asset to an operator who operates the asset in exchange for significant consideration to provide public services. The County does not have any material service concession contracts.

GASB Statement 62 – *Codification of Accounting and Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was implemented in 2012. The County is already in compliance with the applicable provisions to its proprietary and governmental funds.

GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was implemented in 2012. This statement specified limited situations that can result in the reporting of deferred outflows or deferred inflows of resources. The County did not enter into these transactions and therefore do not have balances to report as deferred outflows or inflows of resources. The only significant change to the County's financial reporting this year is in the renaming of "Net Assets" to "Net Position", and "Invested in Capital Assets Net of Related Debt" to "Net Investment in Capital Assets" as required under the guidance.

GASB Statement 64 – *Derivative Instruments* relates to accounting for hedging of derivative investments.

The County acknowledges its issuance but it is not currently applicable as the County does not invest in derivative instruments in accordance with its risk policy.

The County did not early implement GASB Statement 65 – *Items Previously Reported as Assets and Liabilities* which is effective for periods beginning after December 15, 2013. It is a supplemental guidance to GASB Statement 63 as it expands the list of transactions that could potentially result in the recognition of deferred outflows or deferred inflows of resources.

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 Position:

- 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 position 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 position 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 unearned revenues. Property taxes are recognized as revenue when collected in cash at which time the balance sheet accounts, Taxes receivable and unearned 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 unearned 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 unearned 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 Position. 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 Position. Enterprise and internal service fund capital assets are also reported in the individual proprietary fund Statement of Net Position. 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 Position under Noncurrent

liabilities and in the fund financial statements under Long-term liabilities.

Unearned Revenues

Unearned revenues include: (1) amounts collected before revenue recognition criteria are met, such as unearned 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 Position. 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.

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 Position (in thousands):

The governmental funds balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. 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	\$ 754,794
Less: Deferred charge on refunding (to be amortized as interest expense)	(26,952)
Deferred charge for issuance costs (to be amortized over the life of the debt)	(4,823)
Plus: Unamortized premiums on bonds sold	66,786
Accrued interest payable	8,226
Compensated absences	80,828
Unemployment compensation payable	2,586
Other postemployment benefits	35,588
Environmental Remediation	<u>1,985</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at net position - governmental activities	<u>\$ 919,018</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 positions 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	\$ 138,279
Depreciation expense	<u>(33,862)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 104,417</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 position."

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.

\$ 23,573

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.

(24,849)

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

\$ (1,276)

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	\$ 110
Abatement fee accraul	11
Noxious weed assement accrual	(3)
Surface Water Management service charge accrual	134
Probation and parole service charge accrual	(244)
Fines and forfeits net accrual	(66)
Direct subsidy bonds reimbursement accrual	5
Special item	2,627

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

\$ 2,574

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 position. 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	\$ 51,980
Issuance of refunding bonds	256,615
Premium on bonds sold	59,146
Bond issuance costs	(2,748)
Principal repayments	(56,913)
Receipts from component units for principal repayments	1,208
Payment to escrow agent	(296,322)

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

\$ 12,966

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	\$ (3,686)
Accrued unemployment compensation	(203)
Other postemployment benefits	5,829
Retroactive retirement contribution settlement	31,000
Environmental Remediation	1,985
Accrued interest	1,331
Amortization of issuance costs	1,507
Amortization of deferred charge on refunding	7,756
Amortization of bond premiums	<u>(16,306)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 29,213</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	\$ (1,806)
Intergovernmental revenues	(24)
Revenues related to services provided to outside parties	(6,237)
Expenses related to services provided to outside parties	5,717
Gain on disposal of capital assets	(574)
Interest on long-term debt	19,063
Capital contributions	(487)
Transfers in	(149)
Transfers out	2,543
Special item	(1,182)
Internal service fund gains allocated to governmental activities	<u>(27,372)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (10,508)</u>

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

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

statement of net position. 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 position because the fund was established to serve the Water Quality Enterprise.

Net assets of the business-type activities internal service fund	\$	14,265
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years		9,944
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year		<u>12,662</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net position of business-type activities</i>	\$	<u>36,871</u>

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

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

a reconciliation between *change in net position - total enterprise funds* and *change in net position 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	\$	16
Revenues related to services provided to outside parties		96
Expenses related to services provided to outside parties		(88)
Gain on disposal of capital assets		84
Transfers in		1,040
Transfers out		(110)
Internal service fund gains allocated to business-type activities		<u>13,724</u>
Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position of business-type activities</i>	\$	<u>14,762</u>

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 2012/13.

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 2012/13.

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 2012/13 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, 2012, by fund type (in thousands):

General Fund	\$ 1,969
Special Revenue Funds	261
Internal Service Funds	<u>2,623</u>
Total All Funds	<u>\$ 4,853</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

All funds and departments/divisions with annual or biennial budgets completed the year within their legally authorized expenditures, including other financing uses.

Material Fund Balance and Net Position Deficits

Building Development and Management Corporations – The deficit of \$17.3 million is the result of the depreciation on capital assets being greater than the principal payments on the lease revenue bonds and bond interest expenses exceeding rent collected in the initial years of a buildings operation. When bond payments become progressively larger the deficit will be reduced.

Construction and Facilities Management Fund – The deficit of \$713 thousand in unrestricted net position is the result of accumulated impact of \$4.1 million fund balance reduction through tenant rebates in 2010 and 2011, and an unanticipated draw down of the 2012 fund balance caused by lower than expected revenues and unfunded supplemental appropriation approvals. The accumulated fund balance target for this fund is designed to cover unanticipated needs for supplemental appropriations. Unfortunately, the fund balance was insufficient to deal with unanticipated expenditures and long term liabilities of the fund.

A fund balance surcharge of \$700 thousand was proposed during a 2013 budget development process. This proposal was designed to restore FMD's fund balance to established financial targets and adequate fund balances. However, this

proposal was not approved. FMD will be proposing a tenant rate surcharge to restore the fund balance to financial target levels during the 2015 budget process. FMD will also be careful in forecasting revenues in future years.

County Road Construction Fund – The deficit of \$1.2 million is the result of timing differences between construction spending and receipt of tax revenues. Property tax allocations for 2013 will correct the deficit.

I-Net Enterprise Funds – The deficit of \$511 thousand is due to the cost of constructing IT investment. \$1.8M is transferred in 2012 to KCIT Capital fund to plan and replace the aged I-Net infrastructure system. The negative net position is expected to be reduced as the fund collects the revenue from customers in the future years. The I-Net service fees include the system replacement surcharge.

King County Information Technology Services Fund – The deficit of \$1.8 million is primarily caused by \$3.4M increase in the vacation/sick liability due to the IT reorganization. Because of the IT consolidation efforts, 216 employees moved from various departments in the King County Executive branch to KCIT Services fund in 2012. As a result, the fund experienced a large increase in vacation/sick related liabilities. The subsequent effort to transfer equity from other funds to cover this transfer of liability will improve the negative net position in the future years.

King County Information Technology Services Capital Fund – The deficit of \$33 thousand is the result of timing differences between project spending and transfer of revenues. Bond proceeds will be transferred in 2013 to cover the deficit.

King County Flood Control Contract Fund – The deficit of \$91 thousand was caused by an increase in expenditures reported in the general ledger after the final reimbursement billing was sent to the King County Flood District. The deficit will be eliminated by requesting further reimbursement from the Flood District.

Park Facilities Rehabilitation – The deficit of \$118 thousand of unassigned fund balance was due to costs incurred pending transfer of resources from other funds. Transfers will occur in 2013 to cover the deficit.

Parks, Recreation and Open Space Fund – The deficit of \$835 thousand is due to timing differences between expenditure and reimbursement from real estate excise tax revenues. Tax receipts will be distributed in 2013 to cover the deficit.

Renton Maintenance Facilities Construction – The deficit of \$5.5 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.

River Improvements Fund — The deficit of \$1 thousand is the result of timing differences between expenditures and the receipt of tax revenues.

Unrestricted Net Position Deficits

Solid Waste Enterprise Fund – The deficit of \$1,6 million in unrestricted net position 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.

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 entirely 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 that governs public depositories and provides that "All public funds deposited in public depositories, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter." 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.

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 further limits deposits to institutions with a short-term investment positive grade rating of Moody's P-3, S&P A-3 or Fitch F-3 or better and a Safe & Sound Star rating of 3 or better. Those institutions not meeting the minimum credit rating requirements may receive deposits up to the FDIC or federally guaranteed amounts. No new deposits will be placed with institutions that are on credit watch "negative" by Moody's, S&P or Fitch, or where Safe & Sound's predictive indicator is negative. The County's diversification policy limits the maximum amount of investment in certificates of deposit to 25 percent of the total amount of the portfolio and 2.5 percent from a single issuer.

As of December 31 the County's total deposits, excluding the equity in the component units, were \$187.6 million in carrying amount and \$181.7 million in bank balance. All of the deposits are either covered entirely by the FDIC or uninsured but fully collateralized under the PDPC collateral pool. Accordingly, the County has no custodial risk for its deposits as shown in the following schedule (in thousands):

	Carrying Amount	Bank Balance
Demand deposits	\$ 184,052	\$ 178,156
Money Market Accounts	3,596	3,596
Total deposits	<u>\$ 187,648</u>	<u>\$ 181,752</u>

The money market accounts in the schedule above comprise cash held with trustees for three 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) and Wells Fargo (Trustee), is invested in United States Government Money Market accounts that are uninsured but fully collateralized under the PDPC collateral pool.

Investments

Investment Instruments State statutes authorize

King County to invest in:

- Savings or time accounts in designated qualified public depositories; and certificates, notes, or bonds of the United States.
- Other obligations of the United States, its agencies, or in any corporation wholly owned by the U.S. government.
- Bankers' acceptances purchased on the secondary market, Federal Home Loan bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.

- Obligations of any other government-sponsored corporation whose obligations is or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System.
- Commercial paper (within the policies established by the State Investment Board)
- Debt instruments of banking institutions, local and state general obligations
- 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 to meet the investment needs of the Pool. Such transactions are governed by a Master Repurchase Agreement. County investment policies require that securities' tri-party underlying repurchase agreements must have a market value equal to at least 102 percent of repurchase price, plus accrued interest. 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 not to enter into this type of transaction during the year. Also, during the year, the County did not buy, sell, or hold any derivative or similar instrument.

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 the *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), which serves the role of the County Finance Committee as defined in RCW 36.48.070. The Investment Pool Advisory Committee (IPAC) was created by Ordinance 16280 to provide input to the EFC on matters related to the County Investment Pool. The IPAC is comprised of 10 members drawn from representatives of King County government agencies and nearly 100 other special purpose districts, including school, fire, sewer, library, water and other districts within the County. The IPAC has not been vested with decision making authority for the Pool; it will make recommendations to the EFC on its agenda items related to the Pool.

Impaired Investment Pool 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. 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 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. At year-end, the amount reserved for the County amounted to a total of \$2.0 million for the Cheyne, Rhinebridge, and Mainsail restructurings. The "estimated fair value" of the \$2.0 million was based on the value of the cash

retained by the receivers as of December 31, 2012. 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.

During 2012, the County received a cash "tail" payment of over \$810 thousand related to Mainsail that was distributed to impaired pool participants. The realized loss that was associated with this amount was also distributed. The Mainsail receivers also indicated that up to \$405 thousand may be available for future disbursement. This brings the total cash available for future disbursement from all receivers to \$2 million. The receiver for Cheyne and Rhinebridge have elected not to distribute any funds that were segregated for the various parties involved in the restructuring process until there is more certainty about the impact of pending legal claims.

Between 2008 and 2010, the County initiated lawsuits seeking recovery for losses associated with all four of the impaired investments. In 2012, the County settled the litigation concerning Mainsail and Victoria, and executed a settlement with three of the defendants in the lawsuits concerning Rhinebridge. The net settlement payments have been distributed to each pool participant.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>
Repurchase Agreements	\$ 150,000	\$ 150,000	0.20%	0.006
U.S. Agency Discount Notes	396,463	396,576	0.14%	0.321
U.S. Treasury Notes	1,685,111	1,650,000	0.57%	1.958
U.S. Agency Notes	1,622,785	1,615,457	0.85%	1.755
U.S. Agency Collateralized Mortgage Obligations	17,605	16,101	4.34%	3.239
State Treasurer's Investment Pool	796,069	796,069	0.24%	-
Totals	\$ 4,668,033	\$ 4,624,203	0.57%	1.357

When accounting for all four impaired investments, the fair value of the Impaired Pool at December 31, 2012, was \$11.6 million and the book value was \$23.6 million. The fair value at year-end was determined by a combination of the December 2012 value of Victoria based on a market quote from one dealer and, as stated earlier, the value of the cash retained by the receivers as of December 31, 2012. Also, because of extremely low interest rates, the County chose not to discount these future cash flows.

The Main Pool Excluding the equity in the component units, the main Pool has a balance of \$4,419.1 million. The component units have a balance of \$249.5 million. The change in the fair value of the total investments for the reporting entity as of December 31, 2012, after considering purchases, sales and maturities, resulted in a net markup from cost of \$15.0 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, 2012 (in thousands):

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 2012, 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 fees. 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 is reported as an increase or decrease in cash and cash equivalents in the statement of net position.

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–15.2 percent, Federal National Mortgage Association–13.6 percent, Federal Home Loan Bank–5.8 percent, and Federal Farm Credit Bank–9 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 main 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 less. Securities in the portfolio cannot have an average life greater than five years at purchase. As of December 31, 2012, the effective duration of the main Pool was 1.357 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. At year-end, 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	\$ 150,000	\$ -	\$ -	\$ 150,000
U.S. Agency Discount Notes	396,463	-	-	396,463
U.S. Treasury Notes	-	1,685,111	-	1,685,111
U.S. Agency Notes	-	1,622,785	-	1,622,785
U.S. Agency Collateralized Mortgage Obligations	-	17,605	-	17,605
State Treasurer’s Investment Pool	-	-	796,069	796,069
TOTAL	\$ 546,463	\$ 3,325,501	\$ 796,069	\$ 4,668,033

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 Repurchase Agreements, 3.2 percent, U.S. Agency Discount Notes, 8.5 percent, U.S. Treasury Notes, 36.1 percent, U.S.

Agency Notes, 34.8 percent, U.S. Agency Mortgage Backed Securities, 0.4 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**

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

The King County Investment Pool's (the main Pool) and the Impaired Investment Pool's Condensed Statements of Net Position and Changes in Net Position as of December 31, 2012 (in thousands):

Condensed Statement of Net Position

	Total	Main Pool	Impaired Pool
Assets	\$ 4,681,221	\$ 4,669,637	\$ 11,584
Net Position held in trust for pool participants	\$ 4,681,221	\$ 4,669,637	\$ 11,584
Equity of internal pool participants	\$ 2,162,669	\$ 2,157,676	\$ 4,993
Equity of external pool participants	2,518,552	2,511,962	6,591
Total equity	\$ 4,681,221	\$ 4,669,637	\$ 11,584

Condensed Statement of Changes in Net Position

Net Position - January 1, 2012	\$ 4,671,245	\$ 4,657,920	\$ 13,325
Net change in investments by pool participants	9,976	11,717	(1,741)
Net Position - December 31, 2012	\$ 4,681,221	\$ 4,669,637	\$ 11,584

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 position 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 \$4.4 million and reports a carrying amount of \$4.4 million. In addition, HMC has equity in the Investment Pool (reported as cash equivalents on June 30, 2012) totaling \$222.7 million and a carrying amount of \$222.7 million. As of June 30, 2012, all of the deposits were covered entirely by the FDIC or uninsured but fully collateralized under the PDPC collateral pool. Accordingly, the HMC has no custodial credit risk for its deposits as shown in the following table (in thousands):

**Harborview Medical Center
Deposits and Investments**

	Carrying Amount	Bank Balance
Cash in other banks	\$ 4,441	\$ 4,431
Equity in Investment Pool	222,751	222,751
Total	\$ 227,192	\$ 227,182

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. At year-end, all the PFD's deposits are covered entirely by the FDIC or uninsured but fully collateralized under the PDPC collateral pool. Accordingly, the PFD has no custodial credit risk for its deposits. At year-end, the PFD's equity in the King County Investment Pool and carrying amount was \$4 million.

Cultural Development Authority of King County
(CDA)

Deposits The Cultural Development Authority of King County (CDA) maintains a deposit relationship with a local commercial bank. All deposits with this qualified public depository that are not insured by the FDIC are fully collateralized by the 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.

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 codes. The primary objective is the preservation of principal.

State statutes authorize the CDA to invest in certificates, notes, and 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. 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. LGIP funds are limited to high quality obligations with limited maximum and average maturities, which has the effect of minimizing both market and credit risk.

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

The following schedule shows the types of investments, the average interest rate, the effective duration limits and the concentration of all CDA investments as of December 31, 2012 (in thousands):

**Cultural Development Authority
Investments By Type**

<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	\$ 16,720	\$ 15,268	2.80%	3.949	29.14%
Federal Home Loan Mortgage Corp Debentures	3,852	3,686	4.12%	2.250	6.71%
Federal National Mortgage Association Notes	5,969	5,689	3.86%	2.335	10.40%
Federal Home Loan Bank Bonds	3,487	3,128	3.92%	6.002	6.08%
Federal Farm Credit Bank Bonds	1,392	1,279	3.85%	3.007	2.43%
State Treasurer's Investment Pool	22,527	22,527	0.24%	0.003	39.27%
Other/Money Market Fund	3,423	3,423	0.13%	0.003	5.97%
Subtotals	<u>\$ 57,370</u>	<u>\$ 55,000</u>	<u>1.93%</u>	<u>1.984</u>	<u>100.00%</u>
Less State Treasurer's Investment Pool (Cash Equivalent)	<u>(22,527)</u>				
Total Investments per Statement of Net Position	<u>\$ 34,843</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, 2012, the combined weighted average effective duration of the CDA's portfolio was 1.98 years.

Credit risk Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2012, all issuers of investments in the CDA portfolio had a Standard & Poor's rating of "AA+." The Washington

State Local Government Investment Pool is not rated.

Concentration of credit risk – Investments Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of December 31, 2012, 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 – 10.4 percent, Federal Home Loan Mortgage Corporation – 6.7 percent, and Federal Home Loan Bank – 6.1 percent.

Note 5

Receivables

Estimated Uncollectible Accounts Receivable

Receivables for governmental funds are reported net of estimated uncollectible amounts in the basic financial statement, Balance Sheet–Governmental

Funds. The schedule below shows receivables at gross with the related estimated uncollectible accounts (in thousands):

	<u>General Fund</u>	<u>Public Health Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Accounts receivable				
Accounts receivable	\$ 80,328	\$ 17,116	\$ 47,569	\$ 145,013
Estimated uncollectible accounts receivable	(66,973)	-	(2,172)	(69,145)
Net accounts receivable	<u>\$ 13,355</u>	<u>\$ 17,116</u>	<u>\$ 45,397</u>	<u>\$ 75,868</u>
Due from other governments	\$ 44,675	\$ 28,007	\$ 49,835	\$ 122,517
Estimated uncollectible due from other governments	(283)	-	-	(283)
Net due from other governments	<u>\$ 44,392</u>	<u>\$ 28,007</u>	<u>\$ 49,835</u>	<u>\$ 122,234</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 \$1.21477 per thousand in 2012. 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 currently is at the maximum rate of \$2.25 per thousand in 2012. Additional statutory provisions limit the increase in the aggregate 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 2012 is \$0.05483 per \$1,000 of assessed value and its levy rate for transit-related purposes is \$0.075.

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 2012 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. On August 16, 2011, voters approved an extension of this levy for an additional six years. The County levied \$0.05000 per thousand for Veterans and Human Services in 2012. 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 2012 levy rate is \$0.03530 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 2012 levy rate is \$0.06308 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 by RCW 84.52.043(2). This limitation is exclusive of excess levies authorized by Article VII, Section 2, of the State Constitution; levies for emergency medical services, affordable housing for very low income households, transit-related purposes, and acquiring conservation futures; a portion of certain levies by metropolitan park districts and by fire protection districts; and levies imposed by ferry districts.

If aggregate regular property tax levies exceed the one percent or \$5.90 per \$1,000 of assessed value limitations, then, in order to bring the aggregate levy into compliance, levies requested by “junior” taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010). 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 (RCW 84.55) 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.

Excess Property Taxes. The County also may impose “excess” property taxes, which 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 number 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 also may be imposed without a popular vote when necessary to prevent the impairment of the obligation of contracts.

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 \$0.11616 and \$0.00372, respectively for

the 2012 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 unearned 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 unearned 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 unearned revenues. For the government-wide financial statements, the unearned 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 2011 and 2012 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 2012 countywide assessed valuation was \$319.5 billion, a decrease of \$11 billion from 2011; the assessed valuation for the unincorporated area levy was \$33.0 billion, a decrease of \$6.5 billion from 2011.

ALLOCATION OF 2012 AND 2011 TAX LEVIES

	2012 Original Taxes Levied (in thousands)	2012 Levy Rate (per thousand)	2011 Original Taxes Levied (in thousands)	2011 Levy Rate (per thousand)
Countywide Levy Assessed Valuation:				
\$319,460,937 thousand ^(a)				
Items Within Operating Levy^(b)				
General Fund	\$ 284,370	\$ 0.89508	\$ 278,188	\$ 0.84638
Veterans' Relief	2,602	0.00819	2,557	0.00778
Human Services	5,840	0.01838	5,739	0.01746
Intercounty River Improvement	50	0.00016	49	0.00015
Limited GO Bonds Debt Service	25,893	0.08150	24,582	0.07479
Automated Fingerprint Identification System ^(c)	11,216	0.03530	11,596	0.03528
Parks Levy ^(d)	40,081	0.12616	38,264	0.11642
Veterans and Human Services ^(e)	15,886	0.05000	15,473	0.04708
Total Operating Levy	385,938	1.21477	376,448	1.14534
Public Transportation ^(f)	23,827	0.07500	22,625	0.06884
Conservation Futures Levy^(g)				
Conservation Futures Levy	9,235	0.02907	10,008	0.03045
Farmland and Park Debt Service	8,184	0.02576	7,053	0.02146
Total Conservation Futures Levy	17,419	0.05483	17,061	0.05191
Unlimited Tax GO Bonds				
(Voter-approved Excess Levy)	22,459	0.07128	23,501	0.07207
Total Countywide Levy	449,643	1.41588	439,635	1.33816
EMS Levy Assessed Valuation:				
\$201,874,699 thousand ^{(a) (h)}	60,238	0.30000	62,740	0.30000
Unincorporated County Levy				
Assessed Valuation:				
\$32,993,778 thousand ^{(a) (i)}				
County Road Fund	73,716	\$ 2.25000	86,111	\$ 2.19730
Total County Tax Levies^(j)	\$ 583,597		\$ 588,486	

(a) Assessed valuation for taxes payable in 2012.

(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. On August 16, 2011, voters approved an extension of this levy for an additional six years.

(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 2012 and 2011, the original taxes levied were \$36,905 and \$36,076 thousand, respectively), and b) the Ferry District (in 2012 and 2011 the original taxes levied were \$1,182 thousand and \$1,185 thousand).

Note 7

Capital Assets

Primary Government

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

	Balance 1/1/2012	Increases	Decreases	Balance 12/31/2012
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 449,602	\$ 31,524	\$ (12,797)	\$ 468,329
Rights-of-way and easements	423,742	8,338	(9,248)	422,832
Infrastructure	951,972	78,299	(9,665)	1,020,606
Art collections	10,742	56	(1,280)	9,518
Work in progress	118,512	126,538	(153,665)	91,385
Total capital assets not being depreciated	1,954,570	244,755	(186,655)	2,012,670
Capital assets being depreciated				
Buildings	1,021,300	42,165	(42,406)	1,021,059
Leasehold Improvements	19,076	-	-	19,076
Improvements other than buildings	46,968	8,063	-	55,031
Infrastructure	5,294	2,815	-	8,109
Furniture, machinery & equipment	162,539	11,209	(28,018)	145,730
Software	39,409	71,335	(1,190)	109,554
Total capital assets being depreciated	1,294,586	135,587	(71,614)	1,358,559
Less accumulated depreciation for:				
Buildings	(322,126)	(28,219)	273	(350,072)
Leasehold Improvements	(936)	(984)	-	(1,920)
Improvements other than buildings	(10,194)	(1,927)	-	(12,121)
Infrastructure	(313)	(270)	-	(583)
Furniture, machinery & equipment	(111,093)	(14,463)	23,047	(102,509)
Software	(27,727)	(4,914)	19	(32,622)
Total capital assets being depreciated - net	822,197	84,810	(48,275)	858,732
Governmental activities capital assets - net	\$ 2,776,767	\$ 329,565	\$ (234,930)	\$ 2,871,402
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 430,865	\$ 17,235	\$ (1)	\$ 448,099
Rights-of-way and easements	27,458	-	-	27,458
Art collections	1,291	302	-	1,593
Work in progress	1,251,927	406,607	(1,188,349)	470,185
Total capital assets not being depreciated	1,711,541	424,144	(1,188,350)	947,335
Capital assets being depreciated				
Buildings	2,714,735	261,799	(16,478)	2,960,056
Leasehold Improvements	1,467	-	-	1,467
Improvements other than buildings	565,969	23,028	(566)	588,431
Rights-of-way - Easements Temp	7,635	-	-	7,635
Infrastructure	1,306,576	674,670	(448)	1,980,798
Furniture, machinery & equipment	1,965,390	224,298	(56,172)	2,133,516
Software	96,181	47,001	(2,396)	140,786
Total capital assets being depreciated	6,657,953	1,230,796	(76,060)	7,812,689
Less accumulated depreciation for:				
Buildings	(899,298)	(97,388)	5,328	(991,358)
Leasehold Improvements	(147)	(147)	-	(293)
Improvements other than buildings	(298,480)	(13,639)	253	(311,866)
Rights-of-way - Easements Temp	(55)	(473)	255	(273)
Infrastructure	(360,756)	(30,413)	57	(391,112)
Furniture, machinery & equipment	(1,144,492)	(115,422)	48,063	(1,211,851)
Software	(56,314)	(9,348)	2,275	(63,387)
Total capital assets being depreciated - net	3,898,411	963,966	(19,829)	4,842,549
Business-type activities capital assets - net	\$ 5,609,952	\$ 1,388,110	\$ (1,208,179)	\$ 5,789,884

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):

Governmental Activities	
General government services	\$ 16,443
Law, safety and justice	11,767
Physical environment	311
Transportation	369
Economic environment	174
Mental and physical health	1,114
Culture and recreation	3,685
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	16,915
Total depreciation and amortization expense - governmental activities	<u>\$ 50,777</u>
Business-type Activities	
Water Quality	\$ 135,391
Public Transportation	113,302
Solid Waste	10,854
King County International Airport	4,105
Institutional Network	1,462
Radio Communications	367
King County Ferry District	182
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	1,167
Total depreciation and amortization expense - business-type activities	<u>\$ 266,830</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

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.

Flood Control Zone District (FCZD)

As a blended governmental component unit, the FCZD's capital assets are recorded as governmental capital assets. Land acquisitions are capitalized from expenditures of the King County Flood Control Capital Contract Fund which is reimbursed periodically by the District. The land is held under the County's name until transferred to the District in accordance with an inter-local agreement. As of December 31, 2012, transfers have not taken place. Other FCZD's capital assets are added to the County's governmental capital assets as reported in their independently audited financial statements.

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 Chinook building and Goat Hill parking garage, and the Ninth & Jefferson Building. The Patricia Bracelin Steel Memorial building was transferred to governmental capital assets in 2012 after the County refinanced the

original bonds issued by Broadway Office Properties, the former owner-manager.

Construction Commitments

Project commitments are defined as authorized and planned expenditures for the next fiscal year.

Enterprise Funds

Public Transportation Enterprise – \$340 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise – \$252 million 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 – \$75 million is committed to improving the County's solid waste regional landfill and transfer stations and \$1 million is committed to runway rehabilitation and facilities improvements at the King County International Airport.

Capital Projects Funds

\$117 million is committed to various capital projects, including: (1) open space and conservation easement acquisitions, (2) development and improvement of trails, playgrounds and ballfields, and other cultural facilities; (3) affordable housing; (4) technology initiatives to improve business efficiency, emergency preparedness, and network security; (5) flood control projects to protect the ecosystem and public property; (6) preservation of roads construction of bridges; and (7) improvements and major repairs to office buildings and other facilities.

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

Capital assets activity for HMC during the fiscal year ended June 30, 2012 (in thousands):

	Balance 06/30/2011	Increases	Decreases	Balance 06/30/12
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	7,860	11,257	(10,371)	8,746
Total capital assets not being depreciated	9,446	11,257	(10,371)	10,332
Capital assets being depreciated:				
Buildings	391,951	2,175	-	394,126
Improvements other than buildings	14,127	71	(7)	14,191
Equipment	381,557	19,210	(4,372)	396,395
Total capital assets being depreciated	787,635	21,456	(4,379)	804,712
Less accumulated depreciation for:				
Buildings	(134,357)	(13,599)	-	(147,956)
Improvements other than buildings	(3,137)	(933)	7	(4,063)
Equipment	(263,085)	(30,779)	4,245	(289,619)
Total accumulated depreciation	(400,579)	(45,311)	4,252	(441,638)
HMC capital assets, net	<u>\$ 396,502</u>	<u>\$ (12,598)</u>	<u>\$ (10,498)</u>	<u>\$ 373,406</u>

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 position.

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

Capital assets activity for the PFD for the fiscal year ended December 31, 2012 (in thousands):

	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Capital assets not being depreciated:				
Land	\$ 38,424	\$ -	\$ -	\$ 38,424
Capital assets being depreciated:				
Baseball stadium	489,255	872	-	490,128
Improvements other than buildings	27,070	736	(859)	26,947
Equipment	65	-	-	65
Total capital assets being depreciated	516,390	1,609	(859)	517,140
Less accumulated depreciation for:				
Baseball stadium	(155,112)	(12,253)	-	(167,366)
Improvements other than buildings	(2,657)	(674)	-	(3,331)
Equipment	(65)	-	-	(65)
Total accumulated depreciation	(157,834)	(12,927)	-	(170,761)
PFD capital assets, net	<u>\$ 396,980</u>	<u>\$ (11,318)</u>	<u>\$ (859)</u>	<u>\$ 384,803</u>

Note 8

Restricted Assets

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

The restricted assets for these funds are (in thousands):

Proprietary Funds

<u>Public Transportation</u> - restricted for future construction projects, debt service and obligations.	\$ 24,390
<u>Radio Communications Services</u> - restricted for construction projects and obligations.	44
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	385,233
<u>King County International Airport</u> - restricted for construction projects and obligations.	565
<u>Solid Waste</u> - restricted for landfill closure and post-closure care costs.	48,262
<u>Building Development & Management Corporations</u> - restricted for construction projects and debt service.	3,625
<u>Construction & Facilities Management</u> - restricted for construction projects and obligations.	23
Total Proprietary Funds restricted assets	<u>\$ 462,142</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.	\$ 14,126
<u>HMC Special Purpose Fund</u> - restricted donations, gifts, and bequests from various sources for specific uses.	10,949
<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.	41,853
<u>HMC Plant Fund</u> - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.	54,806
Total HMC restricted assets	<u>\$ 121,734</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.	\$ 3,832
<u>Cultural Grant Awards Fund</u> - restricted for arts and heritage cultural programs.	56,552
Total CDA restricted assets	<u>\$ 60,384</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.

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 and 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(ren) 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 child(ren), 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 1,184 participating employers in PERS. Membership in PERS consisted of the following as

of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	79,363
Terminated plan members entitled to, but not yet receiving benefits	29,925
Active plan members vested	105,578
Active plan members nonvested	46,839
Total	<u>261,705</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, 2012, are as follows:

Members not participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	7.21%	7.21%	7.21%
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	7.21%	7.21%	7.21%
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
2010	\$ 2,197	\$ 37,286	\$ 6,083
2011	\$ 2,247	\$ 43,421	\$ 7,270
2012	\$ 2,255	\$ 50,402	\$ 8,621

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):

Term of service	Percent of Final Average
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 373 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	9,947
Terminated plan members entitled to, but not yet receiving benefits	656
Active plan members vested	13,942
Active plan members nonvested	3,113
Total	<u>27,658</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, 2012, 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
2010	\$ 1	\$ 4,035
2011	\$ 1	\$ 4,081
2012	\$ 1	\$ 4,163

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, 2011:

Retirees and beneficiaries receiving benefits	15
Terminated plan members entitled to, but not yet receiving benefits	1
Active plan members vested	167
Active plan members nonvested	4,020
Total	4,203

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, 2012, were as follows:

	PSERS Plan 2
Employer	8.87%
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
2010	\$ 2,039
2011	\$ 2,120
2012	\$ 2,188

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 24 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 11.01 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 11.01 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 2010, 2011 and 2012 ending December 31 were \$696, \$544, and \$540 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 WSMLB Stadium Public Facilities District have the option of participating in either PERS or the Stadium PFD Retirement Plan (in 2012, 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 2012 were zero.

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

All CDA personnel participate in PERS, a statewide local government retirement system administered by the DRS under cost-sharing, multiple-employer defined benefit plans.

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 \$46.2 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, 2012, 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 position for the year ended December 31, 2012, 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, 2012 (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	38,484
Net OPEB obligation - end of year	\$ 46,228

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>
12/31/2010	\$ 12,835	39.0%	\$ 30,740
12/31/2011	12,861	39.8%	38,484
12/31/2012	12,861	39.8%	46,228

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, 2012, 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)	\$ 961,982
UAAL as a percentage of covered payroll	18.6%

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 \$52.3 million and \$56.1 million, for health care expenses for the years ended June 30, 2012, and 2011, 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, 2012, is \$68.5 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, 2012, 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 and a flood sublimit of \$250 million. The 2012 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 the following specific insurance policies to cover some of its other exposures.

COVERAGE	AMOUNT	DEDUCTIBLE
Aircraft liability & physical damage	\$50 million per occurrence & scheduled value	None for liability, \$1,000 to \$85,000 for physical damage
Crime and fidelity for employee dishonesty	\$2.5 million	\$50,000
Excess workers' compensation	Statutory	\$2.5 million per occurrence
Fiduciary liability for employees' benefit	\$20 million	None
Foreign liability in general and automobile	\$1 million	None
Airport general liability	\$300 million per occurrence	\$50,000 aggregate
Airport property damage	\$160 million with sublimits of \$100 million for flood and \$50 million for earthquake	\$100,000
Marine (includes Ferry District)	\$150 million	\$2,500
Parks swimming pools general liability	\$7.5 million	None

In 2010 and 2011 there were four occurrences that resulted in payment in excess of the self-insured retention of \$3.5 million. There was no occurrence that resulted in payment in excess of the \$7.5 million self-insured retention in 2012.

During 2012, there were significant changes made in the County's insurance program. The Brightwater treatment plant was added to the County's property insurance policy which resulted in an increased premium.

The fiduciary liability limit increased from \$10 million to \$20 million and general liability limit for Parks swimming pools increased from \$5 million to \$7.5 million.

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 2011 and 2012 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2011	\$ 65,043	\$ 9,579	\$ (14,854)	\$ 59,768
2012	59,768	26,383	(17,614)	68,537

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, 2012, the total claim liability is \$81.3 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 2011 and 2012 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2011	\$ 79,431	\$ 25,320	\$ (19,925)	\$ 84,826
2012	84,826	13,707	(17,228)	81,305

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 fund as of December 31, 2012, is \$19.7 million.

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

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2011 and 2012 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2011	\$ 18,851	\$ 174,237	\$ (173,563)	\$ 19,525
2012	19,525	179,225	(179,029)	19,721

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 \$2.6 million is recorded in governmental long-term liability for the estimated future claims liability for employees as of December 31, 2012.

Changes in the Unemployment liability in 2011 and 2012 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2011	\$ 2,466	\$ 4,019	\$ (3,696)	\$ 2,789
2012	2,789	2,587	(2,790)	2,586

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, 2012, 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 \$2.1 million in the period July 1, 2010 to June 30, 2011, and \$2.7 million in the period July 1, 2011 to June 30, 2012.

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. WageWorks, Inc. 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, 2012 (in thousands):

	Business-type Activities	
	Capital Assets	Capital Leases Payable
Leasehold improvements	\$ 4,881	\$ 3,087
Less depreciation	(1,760)	-
Totals	<u>\$ 3,121</u>	<u>\$ 3,087</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, 2012 (in thousands):

	Minimum Lease Payments
2013	\$ 255
2014	\$ 255
2015	\$ 255
2016	\$ 255
2017	\$ 255
2018-2022	\$ 1,275
2023-2027	\$ 1,275
2022-2032	<u>\$ 914</u>
Total minimum lease payments	4,739
Less: Amount representing interest	<u>(1,652)</u>
Present value of net minimum lease payments	<u>\$ 3,087</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, 2012 for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$19.1 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
2013	\$ 4,914	\$ 161	\$ 1,571	\$ 6,646
2014	4,740	-	836	5,576
2015	3,913	-	692	4,605
2016	3,338	-	697	4,035
2017	2,896	-	676	3,572
2018-2022	7,873	-	2,466	10,339
2023-2027	1,126	-	1,905	3,031
2028-2032	1,126	-	1,815	2,941
2033-2037	250	-	2,006	2,256
2038-2042	-	-	2,213	2,213
2043-2047	-	-	2,445	2,445
2048-2052	-	-	2,697	2,697
2053	-	-	573	573

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, 2012 (in thousands):

	Governmental Activities	Business-type Activities	
		Airport	Other
Land	\$ 152	\$ 11,220	\$ 3,711
Buildings	443	29,439	-
Less depreciation	(436)	(14,683)	-
Total cost of property under lease	\$ 159	\$ 25,976	\$ 3,711

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2012 (in thousands):

Year	Governmental Activities	Business-type Activities		Total
		Airport	Other	
2013	\$ 2,505	\$ 4,637	\$ 196	\$ 7,338
2014	2,457	4,518	151	7,126
2015	2,344	4,295	111	6,750
2016	2,067	4,200	87	6,354
2017	1,751	4,157	45	5,953
2018-2022	5,383	19,632	81	25,096
2023-2027	3,575	17,952	81	21,608
2028-2032	2,477	11,716	23	14,216

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, 2012, cash and cash equivalents of \$36.4 million were held in the Landfill Reserve Fund, and \$10.8 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. However, 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.

The \$92.1 million reported as landfill closure and post-closure care liability as of December 31, 2012, 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	77%	\$ 66,099	\$ 28,087	2024
Covered	100%	20,465	-	Closed
Custodial	100%	5,574	-	Closed

Note 14

Pollution 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 2012 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 Metropolitan 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 conduct the studies on which to base the cleanup decision. 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. 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. The total

environmental remediation liability at December 31, 2012, stands at \$35.2 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 continues to be 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 set out by GASB 49. 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 re-measured as succeeding benchmarks are reached or when cost assumptions are modified. All pollution remediation obligations are being deferred as permitted by regulatory accounting standards.

Lake Union Tank and Dearborn Groundwater Monitoring – The Public Transportation Enterprise reported an environmental pollution remediation liability of \$353 thousand at December 31, 2012. The pollution obligation is primarily related to monitoring soil and ground water contamination at the Lake Union Tank and Dearborn sites (under consent decrees from the DOE, dating back to the mid-1990's) and groundwater monitoring at two bus operation bases on a voluntary basis. The liability was measured at the estimated amounts compiled by Metro Transit staff with knowledge of pollution issues at the sites, using the expected cash flow technique. Cost estimates are subject to changes when additional information becomes available regarding the level of contamination at specific sites, when existing agreements or remediation methods are modified, or when new applicable regulations emerge.

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 Metro Transit and Chevron Corporation as additional potentially liable parties (PLP) related to the Gasworks sediment site. Subsequently, the DOE notified Metro Transit and Chevron Corporation that they might be PLPs under the Model Toxics Control Act. The DOE has not issued a final decision regarding Metro Transit's status as a PLP. No liability was recorded because outlays for the site cleanup were not reasonably estimable at December 31, 2012.

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, a condition that was known at the time of acquisition. 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 was finalized in January 2013 requiring the County to conduct a remediation investigation, a feasibility study and a cleanup action plan. The County estimates that remediation will cost approximately \$4 million which it expects to finance through grants, contribution from former owner, and County resources. Because the remediation was a prerequisite to the agreement to purchase the property and is a necessary activity to prepare a portion of the land for its intended use, the County intends to capitalize the cost of pollution as part of the land in accordance with Codification of

Governmental Accounting and Financial Reporting Standards, Section P40.120b.

Quad 7 Development Site – In 2011, King County and Quad 7 Development LLC entered an agreement to investigate and identify cleanup options in connection with development of the site located at 7777 Perimeter Road South. During the development of the site, some remediation of the soils will occur as outlined in the Soils Management Plan. The total liability, as stated in the agreement, is \$800 thousand. There are no estimated recoveries at this time that will reduce the amount of this liability.

Former Standard Service Station Site - A tenant took a core sample of soil on undeveloped airport property in an area planned for a future development. The sample indicated that there was contamination in the soil and groundwater that was outside the standards established by Washington State's Model Toxic Control Act. The Airport then contracted an environmental engineering firm to do a further investigation. The environmental firm confirmed the contamination in a report dated November 13, 2012 and recommended two cleanup alternatives. The estimated liability, which was estimated using the expected cash flow technique, is \$510 thousand. Remediation cost estimates are subject to changes due to price increases or reductions, changes in technology, or changes in applicable laws or agreements.

Note 15

Debt

Short-term Debt Instruments and Liquidity

For governmental activities, on March 29, 2012, the County completed the sale of \$65.94 million of limited tax general obligation bonds, of which the proceeds and other unspent additional proceeds were used to pay off both its \$65.94 long-term limited tax general obligation bond anticipation notes and \$16.36 million of its short-term bond anticipation notes.

For business-type activities, on March 1, 2012, the County completed the sale of \$73.4 million of limited tax general obligation (Solid Waste) Bond Anticipation Notes, with a maturity of February 28, 2013. Proceeds from the sale of the Note are used to refinance a \$40 million Bond Anticipation Notes issued on February 13, 2011. Also a portion of the

proceeds of the notes are accounted for in the Solid Waste Construction Fund, and provide financing to upgrade the County's solid waste facilities. The 2012 Notes, reported as long-term debt, was refinanced on February 27, 2013, with the completed sale of \$77.1 million of limited tax general obligation bonds (payable from Solid Waste).

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, 2012 (IN THOUSANDS)

	Balance 01/01/12	Additions	Reductions	Balance 12/31/12
Governmental activities:				
Limited Tax GO Bond Anticipation Notes	\$ 16,360	\$ -	\$ (16,360)	\$ -
Unamortized premium bonds sold	187	-	(187)	-
Governmental activities short-term debt	<u>\$ 16,547</u>	<u>\$ -</u>	<u>\$ (16,547)</u>	<u>\$ -</u>
Business-type activities:				
Commercial paper	\$ 100,000	\$ 1,173,650	\$ (1,173,650)	\$ 100,000
Limited Tax GO Bond Anticipation Notes	40,000	-	(40,000)	-
Unamortized premium bonds sold	795	-	(795)	-
Business-type activities short-term debt	<u>\$ 140,795</u>	<u>\$ 1,173,650</u>	<u>\$ (1,214,445)</u>	<u>\$ 100,000</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 consists 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 12/31/12
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
2003 Limited Tax GO (Payoff BAN 2003B) Series A	10/30/03	06/01/23	2.00-5.25%	27,605	\$ 1,270
2003 Various Purpose Refunding Bonds Series B (Partial)	10/30/03	06/01/23	2.00-5.25%	27,890	405
2004 Refunding Bonds Series A	09/21/04	01/01/16	2.00-5.00%	57,045	28,210
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	01/01/25	2.50-5.00%	82,435	11,175
2005 Refunding Bonds Series A	06/29/05	01/01/19	5.00%	22,510	11,330
2006 Refunding Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	38,330	22,070
2006 HUD Section 108 Bonds – Greenbridge Project	08/01/06	08/01/24	4.96-5.70%	6,783	3,599
2007 Kingdome Debt Series A Refunding 1997F	09/05/07	12/01/15	4.00-5.00%	48,665	47,155
2007 Various Purpose Series C	11/01/07	01/01/28	4.00-4.50%	10,695	9,140
2007 Various Purpose Series D	11/01/07	01/01/28	4.00-5.00%	34,630	29,725
2007 Various Purpose Series E (Partial)	11/27/07	12/01/17	4.00-5.00%	3,070	1,710
2009 Multi-Modal Limited Tax GO Bond Series A	02/26/09	06/01/29	Variable ^(a)	50,000	44,100
2009 LTGO VP Capital Facilities Project Series B2	05/12/09	06/01/29	2.00-5.13%	34,810	30,965
2009 LTGO (Refg93B) Series C	12/10/09	01/01/24	4.50%	17,150	16,975
2010 LTGO Refunding Series A (Partial)	10/18/10	12/31/21	2.00-5.00%	21,295	19,845
2010 LTGO Series A Tax-Exempt	11/15/10	12/01/14	2.00-5.00%	17,240	7,900
2010 LTGO Series B (BABs) Taxable	11/15/10	12/01/30	2.85-6.05%	17,355	17,355
2010 LTGO Series C (RZEDBs) Taxable	11/15/10	12/01/30	4.58-6.05%	23,165	23,165
2010 LTGO Series D (QECBs) Taxable	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	9,295
2011 LTGO Refunding Bonds	08/01/11	06/01/23	2.00-5.00%	25,700	25,385
2011 Flood Plain Series B/payoff 2010B BAN	12/01/11	12/01/19	2.00-4.00%	5,725	5,725
2011 LTGO Series C (Taxable)	12/01/11	12/01/19	0.03-1.85%	15,530	12,855
2011 LTGO Series D	12/21/11	12/01/31	2.00-3.50%	21,895	20,495
2012 LTGO Series A (ABT Project)	03/29/12	07/01/22	3.00-5.00%	65,935	65,935
2012 LTGO Series B (S. Park Bridge)	05/08/12	09/01/32	3.00-5.00%	28,065	28,065
2012 LTGO Series C Refunding Bonds	08/28/12	01/01/25	5.00%	54,260	54,260
2012 LTGO Series D Ref02 (HMC)	11/29/12	12/01/31	2.00-5.00%	41,810	41,810
2012 LTGO Series E (Partial)	12/19/12	12/01/27	2.00-5.00%	20,905	20,905
2012 LTGO Series F (QECBS) Taxable (Partial)	12/19/12	12/01/22	2.20%	3,010	3,010
Total Payable From Limited Tax GO Redemption Fund				836,358	616,659
Payable From Internal Service Funds					
2010 LTGO Series A (Tax Exempt)	11/15/10	12/01/14	2.00-5.00%	4,730	2,465
2010 LTGO Series B (BABs) Taxable	11/15/10	12/01/30	4.58-6.05%	7,125	7,125
2012 LTGO Series E (Partial)	12/19/12	12/01/27	2.00-5.00%	4,500	4,500
Total Payable From Internal Service Funds				16,355	14,090
Total Limited Tax General Obligation Debt				852,713	630,749
IB. Unlimited Tax General Obligation Bonds (ULTGO)					
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	10,605
2004 Harborview Medical Center Series A	05/04/04	12/01/23	2.00-5.00%	110,000	10,245
2004 Harborview Medical Center Series B	09/14/04	06/01/23	3.00-5.00%	54,000	5,065
2009 Refunding 2001(HMC) Series A	12/10/09	12/01/20	4.30-5.00%	19,570	15,980
2010 Partial Refunding 2000 UTGO Series A	10/18/10	12/31/15	3.00-5.00%	16,305	6,375
2012 UTGO Refunding Bonds (HMC)	08/14/12	12/01/23	2.00-5.00%	94,610	93,420
Total Payable From Unlimited Tax GO Bond Redemption Fund				403,280	141,690
IC. Lease Revenue Bonds ^(b)					
Payable From Internal Service Funds					
2005 Goathill Property – Chinook Building	02/03/05	12/01/33	4.00-5.25%	101,035	89,335
2006A NJB Properties – HMC	12/05/06	12/01/36	5.00%	179,285	172,095
2006B NJB Properties – HMC (Taxable)	12/05/06	12/01/36	5.51%	10,435	10,045
2007 King Street Center Project Refunding 1997	03/08/07	06/01/25	4.00-5.00%	62,400	50,305
Total Lease Revenue Bonds Payable from Internal Service Funds				353,155	321,780
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,609,148	1,094,219

King County, Washington

SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/12
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
2004 LTGO (Public Transp. Sales Tax) Bonds	06/08/04	06/01/34	2.50-5.50%	49,695	\$ 2,150
2005 LTGO (WQ-LTGO) Bonds	04/21/05	01/01/35	5.00%	200,000	28,925
2006 Refunding Bonds (Partial)	12/14/06	01/01/15	4.00-5.00%	7,995	1,940
2007 Various Purpose Series E (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	33,750
2008 LTGO (WQ-LTGO) Refunding Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	225,155
2009 LTGO (Public Transp. Sales Tax) Refunding Bonds	02/18/09	12/01/19	2.00-4.00%	48,535	32,490
2009 LTGO (WQ-LTGO) Bonds Series B	04/08/09	01/01/39	5.00-5.25%	300,000	300,000
2010 Partial Refunding 2001VP Series A	10/18/10	12/31/21	2.00-5.00%	5,110	4,585
2010 LTGO Series A (TR) Tax-Exempt	11/15/10	12/01/14	2.00-5.00%	3,855	2,010
2010 LTGO Series B (BABs) (TR) Taxable	11/15/10	12/01/30	2.85-6.05%	20,555	20,555
2010 LTGO Series D (QECBs) Taxable	11/15/10	12/01/25	4.33-5.43%	3,000	3,000
2010 Multi-Modal LTGO (WQ) Series A	01/12/10	01/01/40	Variable ^(a)	50,000	50,000
2010 Multi-Modal LTGO (WQ) Series B	01/12/10	01/01/40	Variable ^(a)	50,000	50,000
2012 LTGO (WQ) Refg05A Bonds Series A	04/18/12	01/01/25	2.00-5.00%	68,395	68,395
2012 LTGO (WQ) Refg05A Bonds Series B	08/02/12	01/01/29	5.00%	41,725	41,725
2012 LTGO (WQ) Refg05A Bonds Series C	09/19/12	01/01/34	5.00%	53,405	53,405
2012 LTGO (TR) Refunding Bonds Series A	10/16/12	06/01/34	2.00-5.00%	71,670	70,080
2012 LTGO (WQ) Bonds Series F	12/19/12	12/01/22	2.20%	3,010	3,010
Total Limited Tax GO Bonds Payable From Enterprise Funds				1,254,535	991,175
IIB. Limited Tax General Obligation Bond Anticipation Notes					
Payable From Enterprise Funds					
2012 LTGO Bond Anticipation Notes (payable from Solid Waste) ^(d)	03/01/12	02/28/13	2.50%	73,395	73,395
Total Limited Tax General Obligation Debt				1,327,930	1,064,570
IIC. Revenue Bonds, Capital Leases and Loans					
Payable From Enterprise Funds					
2001 WQ Revenue Bonds Junior Lien Series A	08/06/01	01/01/32	Variable ^(c)	\$ 50,000	\$ 50,000
2001 WQ Revenue Bonds Junior Lien Series B	08/06/01	01/01/32	Variable ^(c)	50,000	50,000
2003 WQ Revenue Refunding Bonds	04/24/03	01/01/35	2.00-5.25%	96,470	89,380
2004 WQ Revenue Refunding 1999-2 Bonds Series B	03/18/04	01/01/35	2.00-5.00%	61,760	53,095
2006 WQ Revenue and Refunding 1999-1 Bonds Series A	05/16/06	01/01/36	5.00%	124,070	102,970
2006 WQ Revenue and Refunding Bonds Series B-2	11/30/06	01/01/36	3.50-5.00%	193,435	179,870
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	490,660
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 ^(c)	100,000	100,000
2012 WQ Revenue and Refunding Bonds Series A	04/18/12	01/01/52	5.00%	104,450	104,445
2012 WQ Revenue and Refunding Bonds Series B	08/02/12	01/01/35	4.00-5.00%	64,260	64,260
2012 WQ Revenue and Refunding Bonds Series C	09/19/12	01/01/33	2.50-5.00%	65,415	65,415
2012 WQ Revenue Bonds Junior Lien VR Demand bonds	12/27/12	01/01/43	Variable ^(c)	100,000	100,000
2000-2012 State of Washington Revolving Loans	Various	Various	0.50-3.10%	177,834	136,002
2000 Public Transp. Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	3,087
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				3,078,496	2,980,844
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				4,406,426	4,045,414
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				\$ 6,015,574	\$ 5,139,633

(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 junior lien variable rate demand 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 February 27, 2013, the County financed the repayment of the 2012 bond anticipation notes with the issuance of \$77.1 million in limited tax general obligation bonds (payable from Solid Waste), 2013 Series A, with a maturity date of December 1, 2040.

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES							
Year	General Obligation Bonds		Lease Revenue Bonds		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	72,581	31,987	9,800	15,667	82,381	47,654	
2014	73,503	28,239	10,280	15,188	83,783	43,427	
2015	80,942	25,191	10,800	14,669	91,742	39,860	
2016	64,636	21,889	11,330	14,141	75,966	36,030	
2017	55,982	19,376	11,890	13,579	67,872	32,955	
2018-2022	250,726	62,171	68,235	59,110	318,961	121,281	
2023-2027	124,074	18,100	73,575	41,655	197,649	59,755	
2028-2032	49,995	3,271	77,275	24,213	127,270	27,484	
2033-2037	-	-	48,595	6,126	48,595	6,126	
TOTAL	\$ 772,439	\$ 210,225	\$ 321,780	\$ 204,348	\$ 1,094,219	\$ 414,573	

BUSINESS-TYPE ACTIVITIES								Debt Service Requirements to Maturity	
Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2013	17,340	44,789	48,235	128,483	65,575	173,272	147,956	220,926	
2014	23,610	45,491	56,690	127,339	80,300	172,830	164,083	216,257	
2015	24,520	44,361	59,295	124,889	83,815	169,250	175,557	209,110	
2016	24,920	43,243	61,804	122,324	86,724	165,567	162,690	201,597	
2017	37,100	41,883	52,260	119,946	89,360	161,829	157,232	194,784	
2018-2022	185,665	182,406	293,444	563,689	479,109	746,095	798,070	867,376	
2023-2027	199,645	136,889	341,306	492,339	540,951	629,228	738,600	688,983	
2028-2032	228,980	83,651	507,099	401,838	736,079	485,489	863,349	512,973	
2033-2037	175,340	30,395	450,688	291,581	626,028	321,976	674,623	328,102	
2038-2042	147,450	3,127	544,470	182,760	691,920	185,887	691,920	185,887	
2043-2047	-	-	440,670	79,376	440,670	79,376	440,670	79,376	
2048-2052	-	-	124,885	10,381	124,885	10,381	124,885	10,381	
TOTAL	\$ 1,064,570	\$ 656,235	\$ 2,980,844	\$ 2,644,945	\$ 4,045,414	\$ 3,301,180	\$ 5,139,633	\$ 3,715,753	

Summary of changes in long-term liabilities for the year ended December 31, 2012 (in thousands):

	Balance 01/01/12	Additions	Reductions	Balance 12/31/12	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 748,482	\$ 313,095	\$ (289,138)	\$ 772,439	\$ 72,581
Lease revenue bonds ^(a)	385,525	-	(63,745)	321,780	9,800
Less deferred amounts:					
Unamortized premium bonds sold	23,947	59,146	(16,307)	66,786	-
Refunding	(11,412)	(23,297)	7,757	(26,952)	-
Total bonds payable	1,146,542	348,944	(361,433)	1,134,053	82,381
Retainage payable	125	-	(125)	-	-
Compensated absences liability	97,107	7,411	(7,795)	96,723	4,237
Other postemployment benefits	31,015	6,168	-	37,183	-
Unemployment compensated liabilities	2,789	2,587	(2,790)	2,586	2,586
Environmental remediation	-	1,985	-	1,985	452
Estimated claims settlements and other liabilities	164,119	253,836	(217,392)	200,563	135,071
Total Governmental activities long-term liabilities	<u>\$ 1,441,697</u>	<u>\$ 620,931</u>	<u>\$ (589,535)</u>	<u>\$ 1,473,093</u>	<u>\$ 224,727</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 1,015,642	\$ 238,205	\$ (262,672)	\$ 991,175	\$ 16,055
General obligation bond anticipation notes ^(b)	-	73,395	-	73,395	1,285
Revenue bonds	2,709,715	334,120	(202,080)	2,841,755	39,290
Less deferred amounts:					
Unamortized premium bonds sold	128,024	61,023	(12,699)	176,348	-
Refunding	(74,144)	(35,168)	8,774	(100,538)	-
Total bonds payable	3,779,237	671,575	(468,677)	3,982,135	56,630
Capital leases	3,185	-	(98)	3,087	104
State revolving loans	129,276	15,325	(8,599)	136,002	8,841
Retainage payable	6,236	7,541	(5,985)	7,792	5,829
Compensated absences liability	69,212	23,042	(24,639)	67,615	8,980
Other postemployment benefits	7,469	2,685	(1,105)	9,049	-
Landfill closure and post-closure care liability	82,311	17,101	(7,274)	92,138	4,061
Environmental remediation	37,861	3,475	(2,487)	38,849	6,246
Customer deposits	532	102	(127)	507	33
Total Business-type activities long-term liabilities	<u>\$ 4,115,319</u>	<u>\$ 740,847</u>	<u>\$ (518,991)</u>	<u>\$ 4,337,174</u>	<u>\$ 90,724</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 \$169.6 million are included in the above amount. Governmental activities compensated absences and other postemployment benefits 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.

(b) On February 27, 2013, the County financed the repayment of the 2012 bond anticipation notes with the issuance of a \$77.1 million limited tax general obligation bonds (payable from Solid Waste), 2013 Series, with a maturity date of December 1, 2040.

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, 2012 (in thousands):

2012 ASSESSED VALUE (2013 TAX YEAR)	\$ 314,746,207
Debt limit of limited tax (LT) general obligations for metropolitan functions	
0.75 % of assessed value	\$ 2,360,597
Less: Net LT general obligation indebtedness for metropolitan functions	(1,112,057)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 1,248,540
Debt limit of LT general obligations for general county purposes and metropolitan functions - 1.5 % of assessed value	\$ 4,721,193
Less: Net LT general obligation indebtedness for general county purposes	(1,007,232)
Net LT general obligation indebtedness for metropolitan functions	(1,112,057)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	(2,119,289)
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	\$ 2,601,904
Debt limit of total general obligations for metropolitan functions	
2.5 % of assessed value	\$ 7,868,655
Less: Net total general obligation indebtedness for metropolitan functions	(1,112,057)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 6,756,598
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	\$ 7,868,655
Less: Net unlimited tax general obligation indebtedness for general county purposes	(134,967)
Net LT general obligation indebtedness for general county purposes	(1,007,232)
Net total general obligation indebtedness for general county purposes	(1,142,199)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	\$ 6,726,456

Refunding and Defeasing General Obligation Bond Issues - 2012

Limited Tax General Obligation (GO) Refunding Bonds, 2012C - On August 28, 2012, the County

issued \$54.26 million in limited tax general obligation bonds, 2012C with an effective interest cost of 1.90 percent to advance refund \$58.97 million of outstanding limited tax general obligation refunding bonds 2004B and 2005 with an effective

interest rate of 4.88 percent. 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 position.

The reacquisition price exceeded the net carrying amount of the old debt by \$10.1 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2024, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$5.98 million over the life of the new bonds.

Limited Tax General Obligation (GO) Refunding Bonds, 2012D – On November 29, 2012, the County issued \$41.81 million in limited tax general obligation bonds, 2012D with an effective interest cost of 2.36 percent to advance refund \$54.39 million of outstanding limited tax GO lease revenue bonds, 2002 Broadway Office Properties with an effective interest rate of 5.05 percent. 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 position.

The reacquisition price exceeded the net carrying amount of the old debt by \$852 thousand. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2030, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$12.8 million over the life of the new bonds.

Unlimited Tax General Obligation Refunding Bonds, 2012 – On August 14, 2012, the County issued \$94.6 million in unlimited tax general obligation bonds, 2012 with an effective interest cost of 1.67 percent to advance refund \$106.31 million of outstanding unlimited tax general obligation refunding bonds 2004 and 2004B (HMC) with an effective interest rate of 4.89 percent. 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 position.

The reacquisition price exceeded the net carrying amount of the old debt by \$13.5 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2022, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$14.93 million over the life of the new bonds.

Limited Tax General Obligation (GO) (Public Transportation Sales Tax) Refunding Bonds, 2012 – On October 16, 2012, the County issued \$71.67 million in limited tax GO (Public Transportation Sales tax) bonds, with an effective interest cost of 2.59 percent to current and advance refund \$73.83 million of outstanding limited tax GO (Public Transportation Sales Tax) bonds, 2002 and 2004 with an effective interest rate of 5.27 percent. 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 position.

The reacquisition price exceeded the net carrying amount of the old debt by \$5 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2034, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$15.3 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 \$12.5 million.

Refunding and Defeasing Sewer Revenue Bond and Limited Tax General Obligation (GO) (Payable from Sewer Revenues) Bond Issues – 2012

Sewer Revenue Refunding Bonds and Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 2012A – On April 18, 2012, the County issued \$24.4 million in sewer revenue

bonds and \$68.4 in limited tax GO refunding bonds (Payable from Sewer Revenues), Series A with an effective interest cost of 2.7 percent to advance refund \$26.1 million of outstanding Sewer Revenue bonds, 2004A and \$71.7 million of limited tax GO bond (Sewer Revenues) bonds, 2005A, with an effective interest rate of 4.8 percent.

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 position.

The reacquisition price exceeded the net carrying amount of the old debt by \$12.1 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2025, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$8.2 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 \$6.8 million.

Sewer Revenue Refunding Bonds and Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 2012B – On August 8, 2012, the County issued \$64.3 million in sewer revenue bonds and \$41.7 in limited tax GO refunding bonds (Sewer Revenues), Series B with an effective interest cost of 3.7 percent to advance refund \$67.9 million of outstanding Sewer Revenue bonds, 2004A and \$43.8 million of limited tax GO bond (Sewer Revenues) bonds, 2005A, with an effective interest rate of 4.8 percent.

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 position.

The reacquisition price exceeded the net carrying amount of the old debt by \$9.7 million. This amount, reported in the statement of net position 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 \$10.2 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 \$7.0 million.

Sewer Revenue Refunding Bonds and Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 2012C – On September 19, 2012, the County issued \$65.4 million in sewer revenue bonds and \$53.4 in limited tax GO refunding bonds (Sewer Revenues), Series C with an effective interest cost of 3.6 percent to advance refund \$69.1 million of outstanding Sewer Revenue bonds, 2004A and 2006 and \$55.6 million of limited tax GO bond (Sewer Revenues) bonds, 2005A, with an effective interest rate of 4.8 percent.

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 position.

The reacquisition price exceeded the net carrying amount of the old debt by \$13.1 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2034, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$10.8 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 \$7.5 million.

Refunded Bonds

King County has ten refunded and defeased bond issues consisting of limited tax general obligation bonds (\$376.8 million) and sewer revenue bonds (\$171.0 million) that were originally reported in the Primary Government's statement of net position. 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 position.

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	\$ 7,305
	Public Transportation Enterprise	727
	All Others	772
Public Health Fund	General Fund	2,569
	All Others	195
Nonmajor Governmental Funds	General Fund	2,068
	Nonmajor Governmental Funds	17,886
	Public Health Fund	5,628
	All Others	583
Public Transportation Enterprise	General Fund	1,033
	Public Health Fund	4,490
	Nonmajor Governmental Funds	5,410
	Water Quality Enterprise	20,160
Water Quality Enterprise	General Fund	1,026
	Nonmajor Governmental Funds	1,186
	All Others	109
Nonmajor Enterprise Funds	General Fund	2,262
	Nonmajor Governmental Funds	1,207
	All Others	742
Internal Service Funds	Public Health Fund	537
	Nonmajor Governmental Funds	1,334
	Internal Service Funds	2,649
	All Others	1,047
Total		<u>\$ 80,925</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.

\$6,194 thousand due from Nonmajor Governmental Funds to the General Fund, \$4,490 thousand due

from Public Health Fund to the Public Transportation Enterprise, \$5,000 thousand due from Nonmajor Governmental Funds to the Public Transportation Enterprise, and \$20,158 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	4,000
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	2,025
	Nonmajor Enterprise Funds	1,214
Total		<u>\$ 11,039</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 2013.

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	\$ 25,042
	Nonmajor Governmental Funds	24,512
	All Others	100
Public Health Fund	Nonmajor Governmental Funds	2,877
Nonmajor Governmental Funds	Nonmajor Governmental Funds	84,598
	All Others	577
Public Transportation Enterprise	Nonmajor Governmental Funds	1,027
Water Quality Enterprise	All Others	275
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	2,005
	Nonmajor Enterprise Funds	5,250
Internal Service Funds	Nonmajor Governmental Funds	2,504
	All Others	149
Total transfers out		<u>\$ 148,916</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. The County became the legal owner of the Patricia Steel Memorial Building in December 2012 when it refinanced the original developer issued bonds and will continue to lease the property to HMC with rental revenues received accreting towards debt service on the new bonds. Rent is also paid by HMC to the County on the Ninth and Jefferson Building (NJB), owned by a nonprofit corporation that is part of the blended component unit of the County. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofit which funded construction of NJB. In both situations, HMC has agreed to include the annual rental payments in their operating budget for as long as they use the buildings. In 2012, the primary government received \$21.6 million in building lease revenues from HMC.

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 2012, the King County primary government transferred \$306 thousand to the CDA. The CDA spent \$1.6 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 2012, the County distributed \$11.3 million to the CDA for this purpose.

The Public Transportation Enterprise (Transit) entered into a ground lease agreement as lessor with King County Housing Authority (KCHA) for the development of affordable housing units and a parking garage in the City of Redmond. The land under the lease has a cost of \$1.3 million. KCHA is a related organization of King County. The lease provides for a set-aside of a minimum of 150 parking stalls for use by park and ride commuters.

Metro Transit provided loans to KCHA at an interest rate of 1.0 percent. At December 31, 2012, total loans receivable from KCHA, including principal and accrued interest, amounted to \$830 thousand.

The lease calls for an annual lease payment with a 3.0 percent increase each year, commencing with the year ended December 31, 2003. The lease payment is due within 90 days following the end of each calendar year. A portion of the annual lease payment is restricted for use on future Federal Transit Administration projects. The term of the lease is 50 years with one option to extend for 25 years. Metro Transit recorded lease revenue of \$39 thousand for 2012. The lease and loan payments are payable out of net cash flow in the order and priority established in the lease.

Note 18

Restrictions, Components of Fund Balance, and Changes in Equity

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is classified into three components:

Net investment in capital assets – 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 position – Results when constraints are placed on net position use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position – Consists of net position that do not meet the definition of the two preceding categories.

Restricted Net Position - Business-type Activities (in thousands)

Public Transportation Enterprise restricted for future construction projects (\$199), debt service (\$10,775) and other purposes (\$1,471).	\$ 12,445
Water Quality Enterprise restricted for debt service (\$221,825) and regulatory assets and environmental liabilities (\$32,992).	<u>254,817</u>
Total Business-type Restricted Net Position	<u>\$ 267,262</u>

Restricted Net Position - Internal Service Funds (in thousands)

Building Development & Management Corporations Fund restricted for future construction projects (\$278) and debt service (\$1,616).	\$ 1,894
King County Information Technology Services Fund restricted for future construction projects (\$5,061).	<u>5,061</u>
Total Internal Service Funds Restricted Net Position	<u>\$ 6,955</u>

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. A

Council ordinance or motion is required to establish, modify or rescind a commitment of fund balance.

• **Assigned.** Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed. Assignments are authorized by chief officers of executive departments and administrative offices.

• **Unassigned.** Residual balances that are not contained in the other classifications.

A summary of governmental fund balances at December 31, 2012, is as follows (in thousands)(page 1 of 2):

	General Fund	Public Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Advances	\$ 3,800	\$ -	\$ -	\$ 3,800
Youth Sports Facilities				
Grant Endowment			2,620	2,620
Inventories		579	-	579
Flood Control Zone District			4,000	4,000
Prepayments			7,449	7,449
Total Nonspendable Fund Balance	3,800	579	14,069	18,448
Restricted for:				
Crime Victim Compensation Progr	51			51
Criminal Justice	442			442
Dispute Resolution	133			133
Drug Enforcement	2,051			2,051
Real Property Title Assurance	25			25
Public Health		4,050		4,050
Alcoholism and Substance Abuse Services			4,235	4,235
Animal Services			238	238
Automated Fingerprint ID System			10,159	10,159
Building Construction and Improvement			1,459	1,459
Community Development Block Grant			1,323	1,323
Conservation Futures			20,867	20,867
County Road			30,338	30,338
Department of Permitting and Environmental Review			2,926	2,926
Developmental Disabilities			11,651	11,651
Emergency Medical Services			39,955	39,955
Enhanced 911 Emergency Telephone System			20,572	20,572
Environmental Resources			334	334
Flood Control Zone District			45,524	45,524
Historical Preservation and Programs			173	173
Information Resource Management			2	2
Intercounty River			3	3
King Marine Division			(2)	(2)
King County Flood Control contract			(83)	(83)
Mental Health			35,670	35,670
Mental Illness and Drug Dependency			23,962	23,962
Miscellaneous Grants			2,032	2,032
Noxious Weed Control			984	984
Critical Area Mitigation			2,899	2,899
Parks and Recreation			6,640	6,640
Real Estate Excise Tax Capital			11,962	11,962
Recorder's Operations And Management			1,875	1,875
Risk Abatement			8,772	8,772
Surface Water Management			1,857	1,857
Veterans and Human Services			6,446	6,446
Veterans' Relief			961	961
Green River Flood Mitigation			2,590	2,590
Housing Opportunity Acquisition			29,617	29,617
Major Maintenance Reserve			22,988	22,988
SWM CIP Non-bond subfund			3,192	3,192
Title III Forestry			74	74
Transfer of Development Credit Program			276	276
Tech Systems			38,078	38,078
PFD Stadium Bond Debt Service			12,290	12,290
Total Restricted Fund Balance	2,702	4,050	402,840	409,592

A summary of governmental fund balances at December 31, 2012, is as follows (in thousands) (page 2 of 2):

	General Fund	Public Health Fund	Nonmajor Governmental Funds	Total
Committed for:				
Antiprofitteering Program	\$ 69	\$	\$	\$ 69
Capital Project	5,573			5,573
Rainy Day Fund	16,119			16,119
Building Repair and Replacement			7,703	7,703
Community Development Block Grant			431	431
Debt Service			53,270	53,270
Farmland and Open Space Acquisition			1,433	1,433
Parks Expansion and Construction			22,050	22,050
OS Trails and Zoo Levy subfund			844	844
Urban Restore Habitat Restoration			708	708
Total Committed Fund Balance	21,761	-	86,439	108,200
Assigned for:				
Inmate Welfare	\$ 4,083			4,083
Environmental Health Services		3,750		3,750
Animal Services			478	478
Children and Families Services			1,281	1,281
Citizen Councilor Revolving			2	2
Flood Control Zone District			5,103	5,103
Local Hazardous Waste			10,351	10,351
Road Improvement Districts Construction			9	9
Road Improvement Districts Maintenance			10	10
Treasurer's Operations and Management			75	75
Youth Employment Programs			977	977
Youth Sports Facilities Grant			231	231
Arts and Historic Preservation Capital			906	906
Long-term Leases			2,206	2,206
Regional Justice Center Construction			1,377	1,377
Encumbrances	1,935		-	1,935
Reappropriation	2,809			2,809
Total Assigned Fund Balance	8,827	3,750	23,007	35,584
Unassigned Fund Balance	102,554		(8,917)	93,637
Total Fund Balance	\$ 139,644	\$ 8,379	\$ 517,438	\$ 665,461

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 implementation of GASB 54, it was

reported as part of the General fund. As of December 31, 2012, the Rainy Day Reserve had a committed fund balance of \$16.1 million.

Entity Change – Special Item

In November 2012, the County exercised its option to refinance the revenue bonds held by Broadway Office Properties (BOP), a non-profit corporation reported as a blended component unit, and owner-developer of the Patricia Steel Building. In accordance with BOP's project lease agreement with the County, title to the property transfers to the County upon the County's voluntary redemption of the bonds. BOP as of December 1, 2012, therefore, ceased to be a blended component

unit and its residual assets and liabilities were eliminated from the King County reporting entity. The corresponding change in net position of \$1.2 million is reported as a special item in the Internal Service Funds Combining Statement of Revenues, Expenses, and Changes in Fund Net Position and the related change in net position of \$3,8 million is reported as a special item in the governmental activities statement of activities.

Restatements of Beginning Balances

Detailed information regarding restatements of beginning balances (in thousands):

	Governmental Activities	Governmental Funds	Nonmajor Special Revenue Funds
Fund Balance - December 31, 2011	\$ 2,273,680	\$ 645,731	\$ 336,297
Reclassification of King County Ferry District from Special Revenue to Nonmajor Enterprise	(23,656)	(23,568)	(23,568)
Flood District expenditure correction	(52)	(52)	(52)
Flood District work-in-progress correction	(6,193)		
Capitalized prior year expenditures	9,708		
Adjust general ledger to fixed asset system	(8,408)		
Net Position/Fund Balance - January 1, 2012 (Restated)	<u>\$ 2,245,079</u>	<u>\$ 622,111</u>	<u>\$ 312,677</u>
	Business-type Activities	Nonmajor Enterprise Funds	King County Ferry District
Net Position – December 31, 2011	\$ 2,422,836	\$ 219,815	\$ -
Reclassification of King County Ferry District from Special Revenue to Nonmajor Enterprise	26,809	26,809	26,809
Net Position – January 1, 2012 (Restated)	<u>\$ 2,449,645</u>	<u>\$ 246,624</u>	<u>\$ 26,809</u>

Governmental activities –

The King County Ferry District was reclassified from a special revenue fund to a nonmajor enterprise. In 2011, the balances reported in governmental activities for the Ferry District did not include capital assets.

The beginning balances of the Flood District (a special revenue fund) were adjusted for prior year expenditures and a correction to capital assets.

The governmental activities capital asset balances were adjusted to capitalize costs that had been treated as expenses in prior years and to adjust the general ledger capital asset balance to the balance reported by the capital asset system.

Business-type Activities –

The King County Ferry District was reclassified from a special revenue fund to a nonmajor enterprise.

Component Unit – Harborview Medical Center (HMC)

Restricted Net Assets

Restricted expendable net assets – The \$20.2 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 \$3.4 million consists of permanent endowments by donors.

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

Restricted Net Assets

Restricted expendable net assets – \$56.2 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 was the defendant in a lawsuit by public defenders claiming that they should have been enrolled in the State retirement system. The Supreme Court affirmed that claim and the case was remanded to Superior Court for further proceedings. King County reached a settlement with the attorneys for the class, which would require a payment of approximately \$31 million by King County for retroactive PERS contributions. The settlement must also be approved by the Pierce County Superior Court to be effective.

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. The feasibility study has been issued in final form by EPA. The proposed plan is subject to public comment and may be changed by EPA as a result. EPA has stated that it will issue a Record of Decision (ROD) in the first quarter of 2014. 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 over a ten year monitoring period.
- 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. Oral arguments were heard by the Supreme Court in January 2013 and a decision by the court is expected sometime in late 2013.
- 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 issued counterclaims in the amount of over \$11.0 million. Prior to the December 2012 trial, the contractor

settled with the County in the amount of \$4.8 million, which was paid in 2013.

- 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 vigorously defended against the claims and filed suit alleging contract default by the contractor for failure to complete the contract work within time limits. The contractor asserted damages of approximately \$66 million. The County estimated its damages at \$158 million. The County received a jury verdict of \$155 million on December 21, 2012. The contractor received a verdict of \$26.2 million. The County is now awaiting rulings on post-trial motions that may modify the verdict amounts. After Judgement is entered, it may be appealed.
- The Wastewater Treatment Division approved a consent decree with EPA and the Department of Ecology which requires the County to pay a civil penalty of \$400,000 and to complete the EPA approved CSO long-term control plan by the end of 2030.
- 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.
- A new \$192 million South Park Bridge is being built over the Duwamish River to replace the old, failing structure. The project has several funding sources, including the Federal Highway Administration, the City of Seattle, and King County. The contractor is seeking \$6.8 million in additional compensation for what it asserts are differing soil

conditions encountered during excavation of a caisson than what was represented in the plans and specifications. The County disputes this claim and has retained outside council to assist in defense of the claim. The County and the contractor are scheduled to present their positions on June 10, 2013 before a dispute resolutions board for a nonbinding opinion.

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 \$152.9 million at the end of 2012. 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 \$8.9 million for rent on the Cedar Hills landfill site in 2012. 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 2013

In February 2013, the County issued \$77.1 million of Limited Tax General Obligation Bonds to retire the 2012A Bond Anticipation Notes and to provide financing for the County's Solid Waste capital improvement program and the Solid Waste Transfer and Waste Management Plan.

In April 2013, the County issued \$122.9 million of Sewer Revenue Refunding Bonds. The proceeds from these bonds were used to refund all of the Sewer Revenue Bonds, Series 2003A, and a portion of Sewer Revenue Bonds, Series 2006, and all of the outstanding Limited Tax General Obligation Bonds (payable from Sewer Revenues), 2005.

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 condition assessments of the County's roads are shown below for the last three completed cycles. The next assessment cycle will be completed in 2013 and is not included in these tables.

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 established condition level for Modified Approach. The accelerated condition deterioration observed between the 2007 and 2010 reports are primarily the result of weather and system age. The extreme ranges of weather experienced between 2007 and 2012 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 2008 to 2012. The budgeted amount is equivalent to the anticipated amount needed to maintain roads up to the required condition level (in thousands).

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Budgeted	\$52,658	\$62,947	\$78,844	\$64,615	\$69,349
Expended	45,082	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 182 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:

Bridge Sufficiency Rating	Number of Bridges		
	2012	2011	2010
0 - 20	8	5	6
21 - 30	1	1	1
31 - 49	17	13	13
50 - 100	149	158	160
Totals	175	177	180

Note: Co-owned and pedestrian bridges are not rated and not included in the table.

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):

	2012	2011	2010	2009	2008
Budgeted	\$9,337	\$10,635	\$19,866	\$13,465	\$18,855
Expended	6,375	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)
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%
2012	12/31/2011	\$ -	\$ 178,502	\$ 178,502	0.0%	\$ 961,982	18.6%

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Governmental Funds

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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.

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. This fund was closed in 2012.

Unlimited General Obligation Bond Redemption Fund – Accounts for the accumulation of resources for, and the payment of those bonds which have been issued with a 3/5-approval vote of the people.

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, 2012
(IN THOUSANDS)**

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 320,043	\$ 66,197	\$ 125,748	\$ 511,988
Taxes receivable – delinquent	7,075	1,392	233	8,700
Accounts receivable, net	40,353	-	5,044	45,397
Due from other funds	22,424	420	3,321	26,165
Due from other governments, net	42,231	2,840	4,764	49,835
Prepayments	7,146	-	-	7,146
Advances to other funds	4,000	-	-	4,000
TOTAL ASSETS	<u>\$ 443,272</u>	<u>\$ 70,849</u>	<u>\$ 139,110</u>	<u>\$ 653,231</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 26,381	\$ 72	\$ 4,062	\$ 30,515
Due to other funds	21,696	-	1,633	23,329
Interfund short-term loans payable	5,891	-	5,303	11,194
Due to other governments	6,009	-	24	6,033
Due to component unit	1,372	-	-	1,372
Interest payable	-	270	-	270
Wages payable	9,424	-	489	9,913
Taxes payable	14	-	18	32
Bonds payable	-	3,555	-	3,555
Unearned revenues	31,074	1,392	1,766	34,232
Custodial accounts	9,023	-	-	9,023
Advances from other funds	6,325	-	-	6,325
Total Liabilities	<u>117,209</u>	<u>5,289</u>	<u>13,295</u>	<u>135,793</u>
Fund Balances				
Nonspendable	14,069	-	-	14,069
Restricted	289,469	12,290	101,081	402,840
Committed	1,983	53,270	31,186	86,439
Assigned	23,007	-	-	23,007
Unassigned	(2,465)	-	(6,452)	(8,917)
Total fund balances	<u>326,063</u>	<u>65,560</u>	<u>125,815</u>	<u>517,438</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 443,272</u>	<u>\$ 70,849</u>	<u>\$ 139,110</u>	<u>\$ 653,231</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
REVENUES				
Taxes	\$ 331,042	\$ 68,721	\$ 17,257	\$ 417,020
Licenses and permits	3,018	-	-	3,018
Intergovernmental revenues	312,529	1,496	45,147	359,172
Charges for services	113,426	1,094	1,044	115,564
Fines and forfeits	237	-	-	237
Interest earnings	2,121	267	550	2,938
Miscellaneous revenues	58,366	412	2,501	61,279
TOTAL REVENUES	820,739	71,990	66,499	959,228
EXPENDITURES				
Current				
General government	71,743	-	8,856	80,599
Law, safety and justice	111,061	-	158	111,219
Physical environment	94,808	-	4,154	98,962
Transportation	70,748	-	19,989	90,737
Economic environment	103,038	-	1,310	104,348
Mental and physical health	261,264	-	-	261,264
Culture and recreation	50,165	-	6,902	57,067
Debt service				
Redemption of long-term debt	-	56,913	-	56,913
Interest and other debt service costs	135	25,403	785	26,323
Refunding bond issuance costs	-	1,560	-	1,560
Capital outlay				
Capital projects	5,120	-	-	5,120
Capitalized expenditures	21,187	-	110,642	131,829
TOTAL EXPENDITURES	789,269	83,876	152,796	1,025,941
Excess (deficiency) of revenues over (under) expenditures	31,470	(11,886)	(86,297)	(66,713)
OTHER FINANCING SOURCES (USES)				
Transfers in	42,313	17,799	57,563	117,675
Transfers out	(63,867)	(3,222)	(18,086)	(85,175)
General government debt issued	3,010	-	48,970	51,980
Premium on bonds sold	27	41,267	17,852	59,146
Refunding bonds issued	-	256,615	-	256,615
Sale of capital assets	433	17	3	453
Payment to refunded bond escrow agent	-	(296,322)	-	(296,322)
TOTAL OTHER FINANCING SOURCES (USES)	(18,084)	16,154	106,302	104,372
Excess of revenues and other sources over expenditures and other uses	13,386	4,268	20,005	37,659
Fund balances - January 1, 2012 (Restated)	312,677	61,292	105,810	479,779
Fund balances - December 31, 2012	<u>\$ 326,063</u>	<u>\$ 65,560</u>	<u>\$ 125,815</u>	<u>\$ 517,438</u>

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012
(IN THOUSANDS)**

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HEALTH</u>	<u>HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH</u>
ASSETS					
Cash and cash equivalents	\$ 320,043	\$ 72,759	\$ 39,527	\$ 73,207	\$ 11,290
Taxes receivable - delinquent	7,075	1,809	71	519	953
Accounts receivable	42,524	3,993	(159)	2,779	17,551
Estimated uncollectible accounts receivable	(2,171)	-	-	-	-
Due from other funds	22,424	76	690	1,422	632
Due from other governments	42,231	25	919	30,513	2,917
Prepayments	7,146	-	-	-	-
Advances to other funds	4,000	-	-	-	-
TOTAL ASSETS	<u>\$ 443,272</u>	<u>\$ 78,662</u>	<u>\$ 41,048</u>	<u>\$ 108,440</u>	<u>\$ 33,343</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 25,412	\$ 3,551	\$ 4,417	\$ 12,716	\$ 2,138
Retainage payable	969	-	-	-	122
Due to other funds	21,696	92	119	1,856	315
Due to other governments	6,009	-	356	5,653	-
Interfund loans payable	5,891	-	-	1,483	-
Due to component unit	1,372	-	-	-	-
Wages payable	9,424	1,146	416	1,578	1,118
Taxes payable	14	-	-	-	-
Unearned revenues	31,074	1,809	71	832	18,408
Custodial accounts	9,023	-	-	8	(42)
Advances from other funds	6,325	-	-	300	2,025
Total liabilities	<u>117,209</u>	<u>6,598</u>	<u>5,379</u>	<u>24,426</u>	<u>24,084</u>
Fund balances					
Nonspendable	14,069	-	-	2,620	-
Restricted	289,469	70,687	35,669	78,904	7,965
Committed	1,983	-	-	-	1,275
Assigned	23,007	1,377	-	2,490	19
Unassigned	(2,465)	-	-	-	-
Total fund balances	<u>326,063</u>	<u>72,064</u>	<u>35,669</u>	<u>84,014</u>	<u>9,259</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 443,272</u>	<u>\$ 78,662</u>	<u>\$ 41,048</u>	<u>\$ 108,440</u>	<u>\$ 33,343</u>

King County, Washington

<u>BUILT ENVIRONMENT</u>	<u>ENVIRONMENTAL SUSTAINABILITY</u>	<u>SERVICE EXCELLENCE</u>	<u>FINANCIAL STEWARDSHIP</u>	<u>PUBLIC ENGAGEMENT</u>	<u>FLOOD CONTROL ZONE DISTRICT</u>
\$ 11,609	\$ 11,579	\$ 1,994	\$ 38,375	\$ 844	\$ 58,859
2,836	2	-	-	-	885
7,943	9,946	-	129	294	48
				-	
(2,128)	(19)	-	(1)	(23)	-
158	16,275	1	15	1	3,154
4,234	3,503	-	-	120	-
3,832	-	-	3,314	-	-
-	-	-	-	-	4,000
<u>\$ 28,484</u>	<u>\$ 41,286</u>	<u>\$ 1,995</u>	<u>\$ 41,832</u>	<u>\$ 1,236</u>	<u>\$ 66,946</u>
\$ 451	\$ 1,955	\$ 2	\$ 32	\$ 66	\$ 86
-	44	-	803	-	-
3,173	4,750	23	-	20	11,348
-	-	-	-	-	-
-	4,408	-	-	-	-
1,372	-	-	-	-	-
3,095	1,815	24	29	203	-
20	(2)	-	(4)	-	-
5,793	3,036	-	9	231	885
5,059	619	-	3,381	(2)	-
-	4,000	-	-	-	-
<u>18,963</u>	<u>20,625</u>	<u>47</u>	<u>4,250</u>	<u>518</u>	<u>12,319</u>
3,832	-	-	3,617	-	4,000
6,540	10,310	1,873	31,759	238	45,524
708	-	-	-	-	-
906	10,351	75	2,206	480	5,103
(2,465)	-	-	-	-	-
<u>9,521</u>	<u>20,661</u>	<u>1,948</u>	<u>37,582</u>	<u>718</u>	<u>54,627</u>
<u>\$ 28,484</u>	<u>\$ 41,286</u>	<u>\$ 1,995</u>	<u>\$ 41,832</u>	<u>\$ 1,236</u>	<u>\$ 66,946</u>

**NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012
(IN THOUSANDS)**

	TOTAL	LIMITED GO BOND REDEMPTION	ROAD IMPROVEMENT DISTRICTS SA DEBT REDEMPTION	ROAD IMPROVEMENT GUARANTY
ASSETS				
Cash and cash equivalents	\$ 66,197	\$ 60,030	\$ 12	\$ 20
Taxes receivable - delinquent	1,392	804	-	-
Due from other funds	420	420	-	-
Due from other governments	2,840	2,840	-	-
TOTAL ASSETS	\$ 70,849	\$ 64,094	\$ 12	\$ 20
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 72	\$ 72	\$ -	\$ -
Deferred revenues	1,392	804	-	-
Bonds payable - current	3,555	3,555	-	-
Interest payable - current	270	270	-	-
Total liabilities	5,289	4,701	-	-
Fund balances				
Restricted	12,290	12,290	-	-
Committed	53,270	47,103	12	20
Total fund balances	65,560	59,393	12	20
TOTAL LIABILITIES AND FUND BALANCES	\$ 70,849	\$ 64,094	\$ 12	\$ 20

<u>STADIUM GO BOND REDEMPTION</u>	<u>UNLIMITED GO BOND REDEMPTION</u>
\$ -	\$ 6,135
-	588
-	-
-	-
<u>\$ -</u>	<u>\$ 6,723</u>
\$ -	\$ -
-	588
-	-
-	-
<u>-</u>	<u>588</u>
-	-
<u>-</u>	<u>6,135</u>
<u>-</u>	<u>6,135</u>
<u>-</u>	<u>\$ 6,723</u>

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012
 (IN THOUSANDS)

	<u>TOTAL</u>	<u>ECONOMIC GROWTH AND BUILT ENVIRONMENT</u>	<u>ENVIRONMENTAL SUSTAINABILITY</u>	<u>SERVICE EXCELLENCE</u>
ASSETS				
Cash and cash equivalents	\$ 125,748	\$ 34,704	\$ 44,680	\$ 36,700
Taxes receivable - delinquent	233	-	233	-
Accounts receivable	5,044	4,751	291	-
Due from other funds	3,321	629	116	2,573
Due from other governments	4,764	4,384	380	-
TOTAL ASSETS	<u>\$ 139,110</u>	<u>\$ 44,468</u>	<u>\$ 45,700</u>	<u>\$ 39,273</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,705	\$ 2,533	\$ 21	\$ 825
Retainage payable	357	24	206	-
Due to other funds	1,633	1,388	1	244
Interfund short-term loans payable	5,303	5,303	-	-
Due to other governments	24	24	-	-
Wages payable	489	245	34	156
Taxes payable	18	18	-	-
Unearned revenues	1,766	1,533	233	-
Custodial accounts	-	-	-	-
Total liabilities	<u>13,295</u>	<u>11,068</u>	<u>495</u>	<u>1,225</u>
Fund balances				
Restricted	101,081	38,859	22,682	38,081
Committed	31,186	-	23,483	-
Unassigned	(6,452)	(5,459)	(960)	(33)
Total fund balances	<u>125,815</u>	<u>33,400</u>	<u>45,205</u>	<u>38,048</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 139,110</u>	<u>\$ 44,468</u>	<u>\$ 45,700</u>	<u>\$ 39,273</u>

**FINANCIAL
STEWARDSHIP**

\$	9,664
	-
	2
	3
	-
<u>\$</u>	<u>9,669</u>

\$	326
	127
	-
	-
	-
	54
	-
	-
	-
<u></u>	<u>507</u>

	1,459
	7,703
	-
<u></u>	<u>9,162</u>

<u>\$</u>	<u>9,669</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, 2012
(IN THOUSANDS)

	TOTAL	JUSTICE AND SAFETY	HEALTH	HUMAN POTENTIAL
REVENUES				
Taxes	\$ 331,042	\$ 94,781	\$ 2,922	\$ 70,321
Licenses and Permits	3,018	-	-	-
Intergovernmental revenues	312,529	74	153,700	51,958
Charges for services	113,426	876	2,477	44,838
Fines and forfeits	237	-	-	-
Interest earnings	2,121	467	237	408
Rent income and reimbursement	50,207	1	-	1,056
Miscellaneous revenues	8,159	477	4,104	1,634
TOTAL REVENUES	820,739	96,676	163,440	170,215
EXPENDITURES				
Current				
General government services	71,743	5	-	5,238
Law, safety and justice	111,061	97,415	-	13,646
Physical environment	94,808	-	-	12
Transportation	70,748	-	-	-
Economic environment	103,038	-	-	68,700
Mental and physical health	261,264	15	154,485	89,216
Culture and recreation	50,165	-	-	1,126
Total current	762,827	97,435	154,485	177,938
Debt service				
Interest and other debt service costs	135	-	-	1
Total debt service	135	-	-	1
Capital outlay				
Capitalized projects	5,120	-	-	-
Capitalized expenditures	21,187	1,599	8	20
Total capital outlay	26,307	1,599	8	20
TOTAL EXPENDITURES	789,269	99,034	154,493	177,959
Excess (deficiency) of revenues over (under) expenditures	31,470	(2,358)	8,947	(7,744)
OTHER FINANCING SOURCES (USES)				
Transfers in	42,313	2,186	-	12,776
Transfers out	(63,867)	(545)	(20)	(10,318)
General government debit issued	3,010	-	-	-
Premium on bonds sold	27	-	-	-
Sale of capital assets	433	32	1	6
TOTAL OTHER FINANCING SOURCES (USES)	(18,084)	1,673	(19)	2,464
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	13,386	(685)	8,928	(5,280)
Fund balances - January 1, 2012 Restated	312,677	72,749	26,741	89,294
Fund balances - December 31, 2012	\$ 326,063	\$ 72,064	\$ 35,669	\$ 84,014

King County, Washington

ECONOMIC GROWTH	BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP	PUBLIC ENGAGEMENT	FLOOD CONTROL ZONE DISTRICT
\$ 40,094	\$ 84,449	\$ 1,564	\$ -	\$ -	\$ -	\$ 36,911
82	(14)	-	-	-	2,950	-
30,309	23,781	50,872	475	63	1,251	46
4,790	12,917	45,563	1,522	44	399	-
25	153	-	-	-	59	-
90	218	95	13	176	3	414
1,911	318	3	-	46,918	-	-
748	596	374	30	123	73	-
78,049	122,418	98,471	2,040	47,324	4,735	37,371
1	9,266	598	1,717	54,029	889	-
-	-	-	-	-	-	-
-	30	62,741	-	-	5,414	26,611
10,752	59,996	-	-	-	-	-
19,280	15,058	-	-	-	-	-
-	-	17,548	-	-	-	-
37,180	11,859	-	-	-	-	-
67,213	96,209	80,887	1,717	54,029	6,303	26,611
4	18	59	-	33	-	20
4	18	59	-	33	-	20
-	-	-	-	-	-	5,120
93	-	14,056	-	5,402	9	-
93	-	14,056	-	5,402	9	5,120
67,310	96,227	95,002	1,717	59,464	6,312	31,751
10,739	26,191	3,469	323	(12,140)	(1,577)	5,620
915	2,390	13,457	-	8,637	1,952	-
(12,515)	(24,512)	(15,031)	(349)	(563)	(14)	-
-	-	-	-	3,010	-	-
-	-	-	-	27	-	-
138	241	1	-	-	14	-
(11,462)	(21,881)	(1,573)	(349)	11,111	1,952	-
(723)	4,310	1,896	(26)	(1,029)	375	5,620
9,982	5,211	18,765	1,974	38,611	343	49,007
\$ 9,259	\$ 9,521	\$ 20,661	\$ 1,948	\$ 37,582	\$ 718	\$ 54,627

NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)

	TOTAL	LIMITED GO BOND REDEMPTION	ROAD IMPROVEMENT DISTRICTS SA DEBT REDEMPTION	ROAD IMPROVEMENT GUARANTY
REVENUES				
Taxes	\$ 68,721	\$ 46,322	\$ -	\$ -
Intergovernmental revenues	1,496	1,492	-	-
Charges for services	1,094	1,094	-	-
Interest earnings	267	267	-	-
Miscellaneous revenues	412	394	8	10
TOTAL REVENUES	71,990	49,569	8	10
EXPENDITURES				
Debt service				
Redemption of long-term debt	56,913	39,573	-	-
Interest and other debt service costs	25,403	18,682	-	-
Refunding bond issuance costs	1,560	1,161	-	-
TOTAL EXPENDITURES	83,876	59,416	-	-
Excess (deficiency) of revenues over (under) expenditures	(11,886)	(9,847)	8	10
OTHER FINANCING SOURCES (USES)				
Transfers in	17,799	17,799	-	-
Transfers out	(3,222)	(121)	-	-
Premium on bonds sold	41,267	19,329	-	-
Refunding bonds issued	256,615	162,005	-	-
Sale of capital assets	17	10	-	-
Payment to refunded bond escrow agent	(296,322)	(180,173)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	16,154	18,849	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	4,268	9,002	8	10
Fund balances - January 1, 2012	61,292	50,391	4	10
Fund balances - December 31, 2012	<u>\$ 65,560</u>	<u>\$ 59,393</u>	<u>\$ 12</u>	<u>\$ 20</u>

STADIUM GO BOND REDEMPTION	UNLIMITED GO BOND REDEMPTION
\$ -	\$ 22,399
-	4
-	-
-	-
-	-
-	22,403
1,790	15,550
45	6,676
-	399
1,835	22,625
(1,835)	(222)
-	-
(3,101)	-
-	21,938
-	94,610
-	7
-	(116,149)
(3,101)	406
(4,936)	184
4,936	5,951
\$ -	\$ 6,135

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)

	TOTAL	ECONOMIC GROWTH AND BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY
REVENUES			
Taxes	\$ 17,257	\$ 8,003	\$ 9,254
Intergovernmental revenues	45,147	40,722	3,299
Charges for services	1,044	824	124
Interest earnings	550	126	292
Miscellaneous revenues			
Rent and maintenance reimbursement	40	22	18
Other miscellaneous revenues	2,461	796	729
TOTAL REVENUES	<u>66,499</u>	<u>50,493</u>	<u>13,716</u>
EXPENDITURES			
Current			
General government services	8,856	14	319
Law, safety and justice	158	-	-
Physical environment	4,154	-	4,154
Transportation	19,989	19,989	-
Economic environment	1,310	-	-
Culture and recreation	6,902	-	6,902
Total current	<u>41,369</u>	<u>20,003</u>	<u>11,375</u>
Debt service			
Interest and other debt service costs	785	555	46
Total debt service	<u>785</u>	<u>555</u>	<u>46</u>
Capital outlay			
Capitalized expenditures	110,642	60,576	15,095
Total capital outlay	<u>110,642</u>	<u>60,576</u>	<u>15,095</u>
TOTAL EXPENDITURES	<u>152,796</u>	<u>81,134</u>	<u>26,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,297)</u>	<u>(30,641)</u>	<u>(12,800)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	57,563	22,988	16,136
Transfers out	(18,086)	(15,415)	(142)
General government debt issued	48,970	28,065	-
Premium on bonds sold	17,852	2,474	-
Sale of capital assets	3	-	3
TOTAL OTHER FINANCING SOURCES	<u>106,302</u>	<u>38,112</u>	<u>15,997</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	20,005	7,471	3,197
Fund balances (deficit) - January 1, 2012 (RESTATED)	105,810	25,929	42,008
Fund balances - December 31, 2012	<u>\$ 125,815</u>	<u>\$ 33,400</u>	<u>\$ 45,205</u>

SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP
\$ -	\$ -
1,126	-
87	9
83	49
-	-
700	236
<u>1,996</u>	<u>294</u>
81	8,442
158	-
-	-
-	-
1,310	-
-	-
<u>1,549</u>	<u>8,442</u>
157	27
<u>157</u>	<u>27</u>
33,712	1,259
<u>33,712</u>	<u>1,259</u>
<u>35,418</u>	<u>9,728</u>
<u>(33,422)</u>	<u>(9,434)</u>
12,572	5,867
(2,187)	(342)
18,109	2,796
14,946	432
-	-
<u>43,440</u>	<u>8,753</u>
10,018	(681)
28,030	9,843
<u>\$ 38,048</u>	<u>\$ 9,162</u>

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) & ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)
 (PAGE 1 OF 3 - CONTINUED)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
MAJOR FUNDS			
General Fund			
County Council	\$ 1,587	\$ -	\$ 1,587
Council Administration	12,782	-	12,782
Hearing Examiner	549	-	549
County Auditor	1,865	25	1,890
Ombudsman/Tax Advisor	1,141	-	1,141
King County Civic Television	607	-	607
Board of Appeals	709	-	709
Office of Law Enforcement Oversight	479	(25)	454
Districting Committee	25	-	25
Office of Economic and Financial Analysis	359	-	359
County Executive	244	-	244
Office of the Executive	4,312	-	4,312
Office of Performance, Strategy and Budget	7,438	146	7,584
Office of Labor Relations	2,261	-	2,261
Sheriff	144,483	(1,638)	142,845
Drug Enforcement Forfeits	1,138	-	1,138
Office of Emergency Management	1,935	(8)	1,927
Executive Services Administration	3,519	-	3,519
Human Resources Management	5,740	-	5,740
Cable Communications	371	-	371
Real Estate Services	3,805	121	3,926
Records and Licensing Services	8,369	(109)	8,260
Elections	20,255	383	20,638
Prosecuting Attorney	58,718	-	58,718
Prosecuting Attorney - Antiprofitteering	120	-	120
Superior Court	44,528	600	45,128
District Courts	27,564	1,456	29,020
Judicial Administration	19,470	443	19,913
State Auditor	872	-	872
Boundary Review Board	353	-	353
Federal Lobbying	488	-	488
Special Programs	-	-	-
Memberships and Dues	622	47	669
Internal Support	15,253	3,769	19,022
Assessments	21,828	610	22,438
Fund Transfers	-	-	-
Human Services GF Transfers	2,106	44	2,150
General Government GF Transfers	3,285	244	3,529
Public Health GF Transfers	25,042	-	25,042
Physical Environment GF Transfers	2,221	296	2,517
CIP GF Transfers	10,726	10,911	21,637
Jail Health Services	25,410	-	25,410
Adult and Juvenile Detention	130,294	143	130,437
Office of the Public Defender	43,127	1,377	44,504
Inmate Welfare - Adult	1,207	-	1,207
Inmate Welfare - Juvenile	5	-	5
Total of General Fund	657,212	18,835	676,047

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	2012 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 51	\$ 1,536	\$ -	\$ 1,536
885	11,897	260	11,637
111	438		438
37	1,853	2	1,851
77	1,064	-	1,064
14	593	15	578
7	702	-	702
83	371	15	356
21	4	-	4
73	286	-	286
-	244	-	244
222	4,090	-	4,090
312	7,272	493	6,779
96	2,165	-	2,165
1,709	141,136	849	140,287
311	827	-	827
34	1,892	-	1,892
185	3,334	-	3,334
246	5,494	-	5,494
108	263	-	263
474	3,452	-	3,452
664	7,596	1	7,595
2,661	17,976	-	17,976
818	57,900	-	57,900
120	-	-	-
1,260	43,868	-	43,868
1,624	27,396	-	27,396
876	19,037	222	18,815
-	872	-	872
49	303	-	303
168	320	-	320
46	623	-	623
970	18,052	-	18,052
357	22,081	5	22,076
-	2,150	-	2,150
2	3,526	-	3,526
-	25,042	-	25,042
-	2,517	-	2,517
5,573	16,064	-	16,064
646	24,764	-	24,764
2,858	127,578	73	127,505
3,979	40,526	-	40,526
257	950	34	916
1	4	-	4
27,989	648,058	1,969	646,089

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)
 (PAGE 2 OF 3 - CONTINUED)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
Public Health			
Public Health	\$ 198,655	\$ -	\$ 198,655
Medical Examiner	4,720	-	4,720
Total Public Health	203,375	-	203,375
Total for Major Funds	860,587	18,835	879,422
NONMAJOR FUNDS			
Special Revenue Funds			
JUSTICE AND SAFETY			
Automated Fingerprint Identification System	16,826	-	16,826
Emergency Medical Services	71,347	1,440	72,787
Enhanced 911 Emergency Telephone System	28,680	-	28,680
TOTAL JUSTICE AND SAFETY	116,853	1,440	118,293
HEALTH			
Mental Health	168,760	86	168,846
HUMAN POTENTIAL			
Alcoholism and Substance Abuse	28,591	-	28,591
Children and Family Services - DCHS	3,714	-	3,714
Children and Family Services - Operating	5,561	43	5,604
Community and Human Services Administration	3,376	-	3,376
Developmental Disabilities Division	29,581	(2,152)	27,429
Judicial Administration MIDD	1,526	-	1,526
Prosecuting Attorney MIDD	1,156	-	1,156
Superior Court MIDD	1,564	-	1,564
Sheriff MIDD	168	-	168
Office of Public Defender MIDD	1,817	-	1,817
District Court MIDD	964	-	964
Adult and Juvenile Detention MIDD	329	-	329
Jail Health Services MIDD	3,314	-	3,314
Mental Health and Substance Abuse MIDD	5,013	-	5,013
Mental Illness and Drug Dependency	41,371	-	41,371
Human Services Levy	7,872	649	8,521
Veterans and Family Levy	8,406	2,810	11,216
Veterans' Relief	3,064	-	3,064
Youth Sports Facilities Grant	1,366	-	1,366
Youth Employment Programs	11,771	-	11,771
TOTAL HUMAN POTENTIAL	160,524	1,350	161,874
ECONOMIC GROWTH			
Parks and Recreation	31,071	18	31,089
Expansion Levy	19,493	-	19,493
TOTAL ECONOMIC GROWTH	50,564	18	50,582

VARIANCE	ACTUAL		
	TOTAL	2012 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 4,007	\$ 194,648	\$ -	\$ 194,648
568	4,152	-	4,152
4,575	198,800	-	198,800
32,564	846,858	1,969	844,889
908	15,918	63	15,855
8,799	63,988	-	63,988
9,332	19,348	-	19,348
19,039	99,254	63	99,191
14,343	154,503	-	154,503
10,140	18,451	-	18,451
-	3,714	-	3,714
589	5,015	-	5,015
602	2,774	35	2,739
1,489	25,940	-	25,940
56	1,470	-	1,470
6	1,150	-	1,150
38	1,526	-	1,526
94	74	-	74
-	1,817	-	1,817
5	959	-	959
33	296	-	296
215	3,099	-	3,099
375	4,638	-	4,638
4,940	36,431	-	36,431
64	8,457	-	8,457
410	10,806	-	10,806
460	2,604	-	2,604
239	1,127	-	1,127
546	11,225	-	11,225
20,301	141,573	35	141,538
1,877	29,212	-	29,212
72	19,421	-	19,421
1,949	48,633	-	48,633

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)
 (PAGE 3 OF 3 - CONCLUDED)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
Special Revenue Funds-continued			
BUILT ENVIRONMENT			
Arts and Cultural Development	\$ 13,050	\$ -	\$ 13,050
Permitting and Environmental Review	29,897	(14,056)	15,841
DPER Abatement	1,134	(428)	706
Historical Preservation Programs	462	-	462
TOTAL BUILT ENVIRONMENT	44,543	(14,484)	30,059
ENVIRONMENTAL SUSTAINABILITY			
Intercounty River Improvement	50	-	50
King County Flood Control Contract	39,053	45,998	85,051
Local Hazardous Waste	15,130	-	15,130
Noxious Weed Control	1,877	-	1,877
Water and Land Resources Shared Services	29,091	296	29,387
Surface Water Management			
Local Drainage Services	22,170	705	22,875
TOTAL ENVIRONMENTAL SUSTAINABILITY	107,371	46,999	154,370
SERVICE EXCELLENCE			
Recorder's Operation and Maintenance	2,360	-	2,360
PUBLIC ENGAGEMENT			
Animal Bequest	200	-	200
Regional Animal Services	6,813	-	6,813
Citizen Counselor Network	138	-	138
TOTAL PUBLIC ENGAGEMENT	7,151	-	7,151
Total Nonmajor Special Revenue Funds with annual budgets	658,126	35,409	693,535
Debt Service Funds			
Limited GO Bond Redemption	252,677	(550)	252,127
Stadium GO Bond Redemption	1,835	3,100	4,935
Unlimited GO Bond Redemption	22,240	-	22,240
Total of Debt Service Funds with annual budgets	276,752	2,550	279,302
Total of Governmental Funds with annual budgets	\$ 1,795,465	\$ 56,794	\$ 1,852,259

King County, Washington

VARIANCE	TOTAL	ACTUAL	
		2012 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 1,145	\$ 11,905	\$ -	\$ 11,905
468	15,373	-	15,373
229	477	-	477
-	462	-	462
1,842	28,217	-	28,217
-	50	-	50
50,727	34,324	31	34,293
2,214	12,916	-	12,916
258	1,619	-	1,619
1,161	28,226	25	28,201
1,194	21,681	49	21,632
55,554	98,816	105	98,711
689	1,671	-	1,671
52	148	57	91
593	6,220	-	6,220
124	14	-	14
769	6,382	57	6,325
114,486	579,049	260	578,789
169,782	82,345	-	82,345
(1)	4,936	-	4,936
14	22,226	-	22,226
169,795	109,507	-	109,507
\$ 316,845	\$ 1,535,414	\$ 2,229	\$ 1,533,185

GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)

APPROPRIATION UNIT	BUDGET – 2012-13 BIENNIUM		
	ORIGINAL	ADJUSTMENTS	FINAL
NONMAJOR FUNDS			
Special Revenue Funds			
BUILT ENVIRONMENT			
Stormwater Decant Program	\$ 725	\$ (725)	\$ -
Roads	156,461	(78,487)	77,974
Roads Construction Transfer	59,397	(30,392)	29,005
ECONOMIC GROWTH			
Marine Division	30,762	(12,080)	18,682
Debt Service Funds			
Road Improvement Guaranty	17	(8)	9
Total of Governmental Funds with biennial budgets	<u>\$ 247,362</u>	<u>\$ (121,692)</u>	<u>\$ 125,670</u>

VARIANCE	ACTUAL – 2012-13 BIENNIUM		
	TOTAL	2012 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ -	\$ -	\$ -	\$ -
8,732	69,242	-	69,242
6,017	22,988	-	22,988
7,920	10,762	-	10,762
9	-	-	-
<u>\$ 22,678</u>	<u>\$ 102,992</u>	<u>\$ -</u>	<u>\$ 102,992</u>

**GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(IN THOUSANDS)**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 106,168	\$ 90,164
Taxes receivable - delinquent	7,264	7,192
Accounts receivable	80,328	83,690
Estimated uncollectible accounts receivable	(66,973)	(71,924)
Interest receivable	9,003	9,885
Due from other funds	2,610	6,835
Interfund short-term loans receivable	6,194	3,978
Due from other governments	44,675	43,198
Estimated uncollectible due from other governments	(283)	(320)
Advances to other funds	<u>3,800</u>	<u>3,800</u>
TOTAL ASSETS	<u><u>\$ 192,786</u></u>	<u><u>\$ 176,498</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,304	\$ 2,810
Due to other funds	9,300	5,097
Due to other governments	621	936
Wages payable	20,613	14,915
Taxes payable	204	19
Deferred revenues	15,166	15,535
Custodial accounts	<u>2,934</u>	<u>2,418</u>
Total liabilities	<u>53,142</u>	<u>41,730</u>
Fund balance		
Nonspendable	3,800	3,800
Restricted	2,702	3,309
Committed	21,761	23,694
Assigned	8,827	7,420
Unassigned	<u>102,554</u>	<u>96,545</u>
Total fund balance	<u>139,644</u>	<u>134,768</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 192,786</u></u>	<u><u>\$ 176,498</u></u>

Proprietary Funds

CAFR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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 five 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 Ferry District – Accounts for revenues derived from taxes levied for a special taxing district to expand transportation options for County residents through passenger-only ferry services.

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 POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2012
(IN THOUSANDS)

	TOTAL	I-NET	KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
ASSETS						
Current assets						
Cash and cash equivalents	\$ 100,648	\$ 1,548	\$ 17,448	\$ 25,823	\$ 9,991	\$ 45,838
Restricted cash and cash equivalents	170	-	-	91	44	35
Accounts receivable	10,159	362	5	2,306	577	6,909
Estimated uncollectible accounts receivable	(128)	-	-	(8)	-	(120)
Due from other funds	3,900	5	4	40	4	3,847
Interfund short-term loans receivable	311	-	-	-	311	-
Property tax receivable-delinquent	43	-	43	-	-	-
Due from other governments	2,786	186	1,558	756	-	286
Inventory of supplies	1,548	-	-	345	172	1,031
Total current assets	119,437	2,101	19,058	29,353	11,099	57,826
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	48,701	-	-	474	-	48,227
Total restricted assets	48,701	-	-	474	-	48,227
Capital assets						
Capital assets not being depreciated	159,741	-	6,622	40,454	71	112,594
Capital assets, net of accumulated depreciation	148,538	1,491	1,207	58,159	6,456	81,225
Total capital assets	308,279	1,491	7,829	98,613	6,527	193,819
Other noncurrent						
Advances to other funds	3,239	-	2,025	-	1,214	-
Deferred charges	26	-	-	26	-	-
Total noncurrent assets	360,245	1,491	9,854	99,113	7,741	242,046
TOTAL ASSETS	479,682	3,592	28,912	128,466	18,840	299,872
LIABILITIES						
Current liabilities						
Accounts payable	10,170	1	2,358	2,322	422	5,067
Retainage payable	171	-	-	58	44	69
Due to other funds	762	-	-	6	-	756
Notes and contracts payable	325	325	-	-	-	-
Interest payable	1,714	42	-	16	-	1,656
Interfund short-term loans payable	311	311	-	-	-	-
Wages payable	2,717	54	-	245	100	2,318
Compensated absences payable	155	5	-	17	5	128
Taxes payable	214	-	-	214	-	-
Unearned revenue	3,407	-	-	3,400	-	7
Customer deposits	33	-	-	33	-	-
General obligation bonds payable	3,930	620	-	445	-	2,865
Landfill closure and post-closure care	4,061	-	-	-	-	4,061
Total current liabilities	27,970	1,358	2,358	6,756	571	16,927
Noncurrent liabilities						
Customer deposits	474	-	-	474	-	-
Compensated absences payable	5,740	197	-	628	165	4,750
Other postemployment benefits	865	14	-	79	25	747
Advances from other funds	1,214	1,214	-	-	-	-
General obligation bonds payable (net of unamortized premiums and deferred amount on refunding)	111,406	1,320	-	4,278	-	105,808
Environmental remediation	3,295	-	-	3,295	-	-
Landfill closure and post-closure care	88,078	-	-	-	-	88,078
Total noncurrent liabilities	211,072	2,745	-	8,754	190	199,383
TOTAL LIABILITIES	239,042	4,103	2,358	15,510	761	216,310
NET POSITION						
Net investment in capital assets	192,943	(449)	7,829	93,890	6,527	85,146
Unrestricted	47,697	(62)	18,725	19,066	11,552	(1,584)
TOTAL NET POSITION	\$ 240,640	\$ (511)	\$ 26,554	\$ 112,956	\$ 18,079	\$ 83,562

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)

	TOTAL	I-NET	KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
OPERATING REVENUES						
I-Net fees	\$ 2,604	\$ 2,604	\$ -	\$ -	\$ -	\$ -
Passenger fares	1,421	-	1,421	-	-	-
Radio services	4,542	-	-	-	4,542	-
Solid waste disposal charges	91,081	-	-	-	-	91,081
Airfield fees	3,054	-	-	3,054	-	-
Hangar, building, and site rentals and leases	13,918	-	-	13,918	-	-
Reimbursement for services to tenants	242	-	-	242	-	-
Miscellaneous	732	135	-	565	32	-
Total operating revenues	117,594	2,739	1,421	17,779	4,574	91,081
OPERATING EXPENSES						
Personal services	46,991	1,043	540	5,030	1,649	38,729
Materials and supplies	8,265	31	699	597	322	6,616
Contract services and other charges	37,252	185	2,865	12,982	598	20,622
Utilities	4,064	-	-	1,649	259	2,156
Purchased transportation	2,335	-	2,335	-	-	-
Internal services	15,613	336	-	5,441	962	8,874
Depreciation and amortization	16,970	1,462	182	4,105	367	10,854
Total operating expenses	131,490	3,057	6,621	29,804	4,157	87,851
OPERATING INCOME (LOSS)	(13,896)	(318)	(5,200)	(12,025)	417	3,230
NONOPERATING REVENUES (EXPENSES)						
Interest earnings	952	8	93	175	67	609
Interest expense	(1,498)	(92)	-	(170)	-	(1,236)
Property tax	1,385	-	1,385	-	-	-
Rental income	261	-	-	-	-	261
DNR administration revenue	4,747	-	-	-	-	4,747
DNR administration expense	(5,643)	-	-	-	-	(5,643)
Gain (loss) on disposal of capital assets	(273)	-	-	21	-	(294)
Landfill closure and post-closure care	(14,101)	-	-	-	-	(14,101)
Miscellaneous revenue	2,783	-	-	33	12	2,738
Miscellaneous expense	(1,124)	-	-	-	-	(1,124)
Total nonoperating revenues (expenses)	(12,511)	(84)	1,478	59	79	(14,043)
Income (loss) before contributions and transfers	(26,407)	(402)	(3,722)	(11,966)	496	(10,813)
Capital grants and contributions	21,866	-	3,467	17,628	141	630
Transfers in	5,812	-	-	4,000	1,250	562
Transfers out	(7,255)	(1,860)	-	(4,012)	(1,254)	(129)
CHANGE IN NET POSITION	(5,984)	(2,262)	(255)	5,650	633	(9,750)
NET POSITION - JANUARY 1, 2012 (RESTATED)	246,624	1,751	26,809	107,306	17,446	93,312
NET POSITION - DECEMBER 31, 2012	\$ 240,640	\$ (511)	\$ 26,554	\$ 112,956	\$ 18,079	\$ 83,562

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 1 OF 2)

	TOTAL	I-NET	KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 113,960	\$ 2,628	\$ 1,510	\$ 16,283	\$ 4,442	\$ 89,097
Cash payments to suppliers for goods and services	(68,247)	(247)	(6,210)	(20,988)	(2,035)	(38,767)
Cash payments for employee services	(45,550)	(1,009)	-	(4,907)	(1,643)	(37,991)
Other receipts	666	-	-	-	-	666
Net cash provided (used) by operating activities	829	1,372	(4,700)	(9,612)	764	13,005
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating grants and contributions	3,756	-	3,711	33	12	-
Interfund loan principal amounts loaned to other funds	(303)	-	-	-	(303)	-
Advance to other funds	(1,214)	-	-	-	(1,214)	-
Transfers in	562	-	-	-	-	562
Transfers out	(2,005)	(1,860)	-	(12)	(4)	(129)
Net cash provided (used) by noncapital financing activities	796	(1,860)	3,711	21	(1,509)	433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(44,801)	(25)	(4,667)	(14,073)	(260)	(25,776)
Proceeds from capital debt	71,815	-	-	-	-	71,815
Principal paid on capital debt	(42,812)	(590)	-	(425)	-	(41,797)
Interest paid on capital debt	(780)	(99)	-	(198)	-	(483)
Proceeds from short term interfund loan	303	303	-	-	-	-
Advances from other funds	1,214	1,214	-	-	-	-
Capital grants received	20,796	-	-	20,057	141	598
Proceeds from disposal of capital assets	22	-	-	22	-	-
Landfill closure and post-closure care	(4,273)	-	-	-	-	(4,273)
Net cash provided (used) by capital and related financing activities	1,484	803	(4,667)	5,383	(119)	84
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments (including unrealized gains and losses reported as cash and cash equivalents)	957	8	106	175	59	609
Net cash provided by investing activities	957	8	106	175	59	609
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,066	323	(5,550)	(4,033)	(805)	14,131
CASH AND CASH EQUIVALENTS - JANUARY 1, 2012	145,453	1,225	22,998	30,421	10,840	79,969
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2012	<u>\$ 149,519</u>	<u>\$ 1,548</u>	<u>\$ 17,448</u>	<u>\$ 26,388</u>	<u>\$ 10,035</u>	<u>\$ 94,100</u>

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 2 OF 2)

	<u>TOTAL</u>	<u>I-NET</u>	<u>KING COUNTY FERRY DISTRICT</u>	<u>KING COUNTY INTER- NATIONAL AIRPORT</u>	<u>RADIO COMMUNI- CATIONS SERVICES</u>	<u>SOLID WASTE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (13,896)	\$ (318)	\$ (5,200)	\$ (12,025)	\$ 417	\$ 3,230
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Depreciation and amortization	16,970	1,462	182	4,105	367	10,854
Other nonoperating revenue/expense	669	-	-	-	-	669
Changes in assets - (increase) decrease						
Accounts receivable, net	(3,579)	14	90	(1,604)	(95)	(1,984)
Due from other funds	(395)	-	-	58	45	(498)
Due from other governments	(23)	(23)	-	-	-	-
Inventory of supplies	(25)	-	-	35	(60)	-
Prepayments and other assets	109	-	109	-	-	-
Changes in liabilities - increase (decrease)						
Accounts payable	926	-	119	(555)	143	1,219
Retainage payable	(322)	-	-	(94)	44	(272)
Due to other funds	(3,966)	(19)	-	(2,988)	(11)	(948)
Wages payable	939	(1)	-	86	4	850
Taxes payable	35	-	-	49	(11)	(3)
Unearned revenues	(109)	(102)	-	(7)	-	-
Compensated absences	(185)	33	-	23	(3)	(238)
Other postemployment benefits	148	2	-	14	6	126
Customer deposits and other liabilities	3,533	324	-	3,291	(82)	-
Total Adjustments	<u>14,725</u>	<u>1,690</u>	<u>500</u>	<u>2,413</u>	<u>347</u>	<u>9,775</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 829</u>	<u>\$ 1,372</u>	<u>\$ (4,700)</u>	<u>\$ (9,612)</u>	<u>\$ 764</u>	<u>\$ 13,005</u>

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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.

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.

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.

King County Information Technology Services Fund – Accounts for Information Technology services provided to King County and other contracting agencies. The services include, but are not limited to, Business Solutions services, Workstation support, e-Government services, Voice services, Business Analysis, and IT Project Management Services. The fund is also responsible for maintenance and support of technology infrastructure to enable the services mentioned above. They include network administration, data center operations, database and server maintenance, server hosting, active directory and messaging support, web infrastructure support, and IT service desk operations.

Motor Pool Equipment Rental Fund – Accounts for the purchase and maintenance of a fleet of vehicles for use by County agencies.

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.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 1 OF 3 - CONTINUED)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
ASSETS				
Current assets				
Cash and cash equivalents	\$ 303,641	\$ 4,615	\$ 5,552	\$ 3,766
Restricted cash and cash equivalents	301	278	-	23
Accounts receivable	1,678	225	-	20
Estimated uncollectible accounts receivable	(1)	-	-	-
Due from other funds	5,567	-	2	14
Due from other governments, net	822	-	-	4
Inventory of supplies	1,635	-	-	287
Prepayments	4,786	64	-	25
Total current assets	318,429	5,182	5,554	4,139
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	3,315	3,315	-	-
Accounts receivable	32	32	-	-
Total restricted assets	3,347	3,347	-	-
Capital assets				
Capital assets not being depreciated	8,048	8,048	-	-
Capital assets, net of accumulated depreciation	332,115	289,145	-	740
Total capital assets	340,163	297,193	-	740
Deferred charges	3,258	3,258	-	-
Total noncurrent assets	346,768	303,798	-	740
TOTAL ASSETS	665,197	308,980	5,554	4,879
LIABILITIES				
Current liabilities				
Accounts payable	10,408	1,057	594	265
Retainage payable	23	-	-	23
Estimated claim settlements	104,071	-	-	-
Due to other funds	3,002	-	-	80
Interest payable	1,354	1,311	-	-
Wages payable	6,227	-	290	1,357
Compensated absences payable	660	-	30	136
Taxes payable	1	-	-	-
Unearned revenues	2,547	2,134	-	-
General obligation bonds payable	2,055	-	-	-
Revenue bonds payable	9,800	9,800	-	-
Custodial accounts	2,237	-	-	-
Total current liabilities	142,385	14,302	914	1,861
Long-term liabilities				
Compensated absences payable	15,235	-	685	3,140
Other postemployment benefits	1,595	-	19	591
General obligation bonds payable	12,035	-	-	-
Revenue bonds payable	311,980	311,980	-	-
Estimated claim settlements	65,492	-	-	-
Total long-term liabilities	406,337	311,980	704	3,731
TOTAL LIABILITIES	548,722	326,282	1,618	5,592
NET POSITION				
Net investment in capital assets	7,551	(21,329)	-	740
Restricted for:				
Capital projects	5,339	278	-	-
Debt Service	1,616	1,616	-	-
Unrestricted	101,969	2,133	3,936	(1,453)
TOTAL NET POSITION	\$ 116,475	\$ (17,302)	\$ 3,936	\$ (713)

King County, Washington

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 2 OF 3 - CONTINUED)

DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	KING COUNTY INFORMATION TECHNOLOGY SERVICES
\$ 347	\$ 65,745	\$ 4,653	\$ 1,797	\$ 85,155	\$ 2,116	\$ 10,832
-	-	-	-	-	-	-
-	301	-	-	1,075	3	54
-	-	-	-	-	-	(1)
-	31	879	1	49	-	4,004
-	-	732	-	-	-	86
-	-	-	-	-	-	-
-	-	-	-	3,028	-	1,666
347	66,077	6,264	1,798	89,307	2,119	16,641
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
28	1,728	107	8	10	69	7,899
28	1,728	107	8	10	69	7,899
-	-	-	-	-	-	-
28	1,728	107	8	10	69	7,899
375	67,805	6,371	1,806	89,317	2,188	24,540
-	3,338	457	70	57	266	1,287
-	-	-	-	-	-	-
-	19,721	-	-	68,537	-	-
-	-	260	-	345	2	2,007
-	-	-	-	-	-	43
-	324	1,032	210	117	193	2,186
-	12	106	43	12	19	243
-	-	-	-	-	-	-
-	413	-	-	-	-	-
-	-	-	-	-	-	2,055
-	-	-	-	-	-	-
-	481	-	-	1,019	-	731
-	24,289	1,855	323	70,087	480	8,552
-	262	2,450	984	281	449	5,613
-	22	351	44	37	51	294
-	-	-	-	-	-	12,035
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	284	2,801	1,028	318	500	17,942
-	24,573	4,656	1,351	70,405	980	26,494
28	1,728	107	8	10	69	(6,191)
-	-	-	-	-	-	5,061
-	-	-	-	-	-	-
347	41,504	1,608	447	18,902	1,139	(824)
\$ 375	\$ 43,232	\$ 1,715	\$ 455	\$ 18,912	\$ 1,208	\$ (1,954)

King County, Washington

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 3 OF 3 - CONCLUDED)

	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,805	\$ 5,732	\$ 99,411	\$ 5,115
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable	-	-	-	-
Estimated uncollectible accounts receivable	-	-	-	-
Due from other funds	102	424	59	2
Due from other governments, net	-	-	-	-
Inventory of supplies	99	1,241	-	8
Prepayments	3	-	-	-
Total current assets	9,009	7,397	99,470	5,125
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	11,264	11,629	-	9,488
Total capital assets	11,264	11,629	-	9,488
Deferred charges	-	-	-	-
Total noncurrent assets	11,264	11,629	-	9,488
TOTAL ASSETS	20,273	19,026	99,470	14,613
LIABILITIES				
Current liabilities				
Accounts payable	470	374	1,983	190
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	15,813	-
Due to other funds	139	25	-	144
Interest payable	-	-	-	-
Wages payable	109	226	169	14
Compensated absences payable	9	34	16	-
Taxes payable	1	-	-	-
Unearned revenues	-	-	-	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Custodial accounts	-	6	-	-
Total current liabilities	728	665	17,981	348
Long-term liabilities				
Compensated absences payable	205	784	382	-
Other postemployment benefits	38	99	49	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Estimated claim settlements	-	-	65,492	-
Total long-term liabilities	243	883	65,923	-
TOTAL LIABILITIES	971	1,548	83,904	348
NET POSITION				
Net investment in capital assets	11,264	11,629	-	9,488
Restricted for:				
Capital projects	-	-	-	-
Debt Service	-	-	-	-
Unrestricted	8,038	5,849	15,566	4,777
TOTAL NET POSITION	\$ 19,302	\$ 17,478	\$ 15,566	\$ 14,265

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 1 OF 3 - CONTINUED)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT
OPERATING REVENUES					
Profit (loss) on inventory sales					
Sales of inventory	\$ 9,167	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	(8,783)	-	-	-	-
Gross profit (loss) on inventory	384	-	-	-	-
Data processing services - intracounty	54,260	-	-	-	-
Data processing services - other	206	-	-	-	-
Telecommunication services	1,897	-	-	-	-
Information resources management fees	6,160	-	-	-	-
Geographic information systems fees	5,337	-	-	-	-
Building management fees	36,832	36,832	-	-	-
Building operation and maintenance service fees	35,676	-	-	35,676	-
Architect/engineering/renovation service fees	8,776	-	-	8,776	-
Benefit program employer contributions	204,531	-	-	-	-
Benefit program employee fees	12,593	-	-	-	-
Business resources management fees	12,504	-	12,504	-	-
Financial services	25,346	-	-	-	-
Insurance services	31,526	-	-	-	-
Equipment rental fees	23,417	-	-	-	-
Fixed asset data management services	506	-	-	-	-
Garage shop services	591	-	-	-	-
Printing and duplication	814	-	-	814	-
Workers' compensation employer contributions	34,083	-	-	-	-
Miscellaneous	3,619	1,468	-	134	6
Total operating revenues	499,058	38,300	12,504	45,400	6
OPERATING EXPENSES					
Personal services	117,713	-	4,966	28,777	-
Materials and supplies	12,930	81	15	1,610	218
Contract services and other charges	277,315	9,943	2,023	8,201	-
Lease and maintenance of equipment	5,838	-	259	1,819	-
Internal services	25,556	-	1,567	5,619	-
Depreciation and amortization	18,082	9,693	-	182	-
Total operating expenses	457,434	19,717	8,830	46,208	218
OPERATING INCOME (LOSS)	41,624	18,583	3,674	(808)	(212)
NONOPERATING REVENUES					
Intergovernmental	24	-	-	12	-
Interest	1,822	229	26	33	4
Total nonoperating revenues	1,846	229	26	45	4
NONOPERATING EXPENSES					
Interest	19,063	18,624	1	-	-
(Gain) loss on disposal of capital assets	(1,038)	-	-	17	-
Miscellaneous	380	317	-	32	-
Total nonoperating expenses	18,405	18,941	1	49	-
Income (loss) before contributions and transfers	25,065	(129)	3,699	(812)	(208)
Capital grants and contributions	1,527	-	-	10	-
Transfers in	149	-	-	-	-
Transfers out	(2,653)	-	(11)	(81)	(621)
Special Items	1,182	1,182	-	-	-
CHANGE IN NET POSITION	25,270	1,053	3,688	(883)	(829)
NET POSITION - JANUARY 1, 2012	91,205	(18,355)	248	170	1,204
NET POSITION - DECEMBER 31, 2012	\$ 116,475	\$ (17,302)	\$ 3,936	\$ (713)	\$ 375

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 2 OF 3 - CONTINUED)

	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS
OPERATING REVENUES					
Profit (loss) on inventory sales					
Sales of inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-	-
Gross profit (loss) on inventory	-	-	-	-	-
Data processing services - intracounty	-	-	-	-	-
Data processing services - other	-	-	-	-	-
Telecommunication services	-	-	-	-	-
Information resources management fees	-	-	6,160	-	-
Geographic information systems fees	-	-	-	-	5,337
Building management fees	-	-	-	-	-
Building operation and maintenance service fees	-	-	-	-	-
Architect/engineering/renovation service fees	-	-	-	-	-
Benefit program employer contributions	204,531	-	-	-	-
Benefit program employee fees	12,593	-	-	-	-
Business resources management fees	-	-	-	-	-
Financial services	-	25,346	-	-	-
Insurance services	-	-	-	31,526	-
Equipment rental fees	-	-	-	-	-
Fixed asset data management services	-	-	-	-	-
Garage shop services	-	-	-	-	-
Printing and duplication	-	-	-	-	-
Workers' compensation employer contributions	-	-	-	-	-
Miscellaneous	190	312	21	951	-
Total operating revenues	217,314	25,658	6,181	32,477	5,337
OPERATING EXPENSES					
Personal services	1,632	18,624	3,990	2,158	3,664
Materials and supplies	7	252	77	33	111
Contract services and other charges	200,925	1,445	344	33,684	653
Lease and maintenance of equipment	10	369	34	1	-
Internal services	452	4,447	1,985	1,850	412
Depreciation and amortization	346	155	1	-	33
Total operating expenses	203,372	25,292	6,431	37,726	4,873
OPERATING INCOME (LOSS)	13,942	366	(250)	(5,249)	464
NONOPERATING REVENUES					
Intergovernmental	-	2	-	-	6
Interest	261	126	12	432	-
Total nonoperating revenues	261	128	12	432	6
NONOPERATING EXPENSES					
Interest	-	-	-	-	-
(Gain) loss on disposal of capital assets	-	-	-	(3)	6
Miscellaneous	-	-	-	-	24
Total nonoperating expenses	-	-	-	(3)	30
Income (loss) before contributions and transfers	14,203	494	(238)	(4,814)	440
Capital grants and contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(3)	(46)	(7)	(5)	(7)
Special Items	-	-	-	-	-
CHANGE IN NET POSITION	14,200	448	(245)	(4,819)	433
NET POSITION - JANUARY 1, 2012	29,032	1,267	700	23,731	775
NET POSITION - DECEMBER 31, 2012	\$ 43,232	\$ 1,715	\$ 455	\$ 18,912	\$ 1,208

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 3 OF 3 - CONCLUDED)

KING COUNTY INFORMATION TECHNOLOGY SERVICES	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
\$ -	\$ 3,381	\$ 5,487	\$ -	\$ 299
-	(3,178)	(5,327)	-	(278)
-	203	160	-	21
54,260	-	-	-	-
206	-	-	-	-
1,897	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	10,390	9,865	-	3,162
-	-	506	-	-
-	266	325	-	-
-	-	-	-	-
-	-	-	34,083	-
87	69	124	221	36
56,450	10,928	10,980	34,304	3,219
44,457	1,812	4,367	2,895	371
2,531	4,747	2,770	85	393
2,593	118	305	17,074	7
2,833	319	35	94	65
5,235	1,204	1,086	1,553	146
620	3,555	2,330	-	1,167
58,269	11,755	10,893	21,701	2,149
(1,819)	(827)	87	12,603	1,070
4	-	-	-	-
-	54	31	598	16
4	54	31	598	16
438	-	-	-	-
-	(426)	(548)	-	(84)
7	-	-	-	-
445	(426)	(548)	-	(84)
(2,260)	(347)	666	13,201	1,170
-	477	-	-	1,040
-	149	-	-	-
(1,697)	(5)	(53)	(7)	(110)
-	-	-	-	-
(3,957)	274	613	13,194	2,100
2,003	19,028	16,865	2,372	12,165
\$ (1,954)	\$ 19,302	\$ 17,478	\$ 15,566	\$ 14,265

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 1 OF 3 - CONTINUED)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from users	\$ 501,390	\$ 36,562	\$ 12,504	\$ 46,094
Cash payments to suppliers for goods and services	(320,390)	(9,943)	(3,705)	(17,955)
Cash payments for employee services	(111,732)	-	(4,629)	(28,541)
Other operating revenues	3,619	1,468	-	134
Net cash provided (used) by operating activities	72,887	28,087	4,170	(268)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies received	1,434	1,409	-	12
Transfers in	149	-	-	-
Transfers out	(2,653)	-	(11)	(81)
Net cash provided (used) by noncapital financing activities	(1,070)	1,409	(11)	(69)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(8,344)	(614)	-	(137)
Principal paid on general obligation bonds	(1,145)	-	-	-
Interest paid on general obligation bonds	(462)	-	-	(23)
Principal paid on revenue bonds	(9,360)	(9,360)	-	-
Interest paid on revenue bonds	(18,891)	(18,891)	-	-
Funds held in Escrow for refunded revenue bonds	(9,846)	(9,846)	-	-
Capital grants and contributions	43	-	-	-
Proceeds from capital debt	4,500	-	-	-
Proceeds from disposal of capital assets	1,447	-	-	-
Net cash provided (used) by capital and related financing activities	(42,058)	(38,711)	-	(160)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	1,823	230	26	33
Net cash provided by investing activities	1,823	230	26	33
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,582	(8,985)	4,185	(464)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2012	275,675	17,193	1,367	4,253
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2012	\$ 307,257	\$ 8,208	\$ 5,552	\$ 3,789
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 41,624	\$ 18,583	\$ 3,674	\$ (808)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation and amortization	18,082	9,693	-	182
Change in assets - (increase) decrease				
Accounts receivable, net	(983)	82	-	(20)
Due from other funds	(1,505)	-	-	825
Due from other governments, net	80	-	-	34
Inventory of supplies	(124)	-	-	(12)
Prepayments	580	2	-	(25)
Change in liabilities - increase (decrease)				
Accounts payable	4,303	79	594	(71)
Retainage payable	(102)	-	-	(102)
Estimated claim settlements	5,444	-	-	-
Due to other funds	(65)	-	(435)	(496)
Wages payable	2,340	-	138	349
Taxes payable	(4)	-	-	-
Custodial accounts and other liabilities	242	-	-	(11)
Unearned revenues	(666)	(352)	-	-
Compensated absences payable	3,302	-	186	(215)
Other postemployment benefits	339	-	13	102
Total adjustments	31,263	9,504	496	540
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 72,887	\$ 28,087	\$ 4,170	\$ (268)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ 1,527	\$ -	\$ -	\$ 10
Contributions of capital assets to government	63	-	-	32

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 2 OF 3 - CONTINUED)

DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	KING COUNTY INFORMATION TECHNOLOGY SERVICES
\$ 146	\$ 217,351	\$ 24,769	\$ 6,729	\$ 30,417	\$ 5,443	\$ 53,437
(218)	(199,792)	(6,805)	(3,047)	(26,426)	(908)	(10,074)
-	(1,358)	(19,080)	(3,505)	(2,130)	(3,631)	(39,511)
6	190	312	21	951	-	87
(66)	16,391	(804)	198	2,812	904	3,939
-	-	2	-	-	7	4
-	-	-	-	-	-	-
(521)	(3)	(46)	(7)	(5)	(7)	(1,697)
(521)	(3)	(44)	(7)	(5)	-	(1,693)
(28)	-	-	-	(10)	(23)	(753)
-	-	-	-	-	-	(1,145)
-	-	-	-	-	-	(439)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	4,500
-	-	-	-	3	-	-
(28)	-	-	-	(7)	(23)	2,163
4	261	125	12	432	-	-
4	261	125	12	432	-	-
(711)	16,649	(723)	203	3,232	881	4,409
1,058	49,096	5,376	1,594	81,923	1,235	6,423
\$ 347	\$ 65,745	\$ 4,653	\$ 1,797	\$ 85,155	\$ 2,116	\$ 10,832
\$ (212)	\$ 13,942	\$ 366	\$ (250)	\$ (5,249)	\$ 464	\$ (1,819)
-	346	155	1	-	33	620
-	20	-	-	(1,075)	(1)	11
146	25	(452)	569	(29)	108	(2,865)
-	244	(125)	-	-	(1)	(72)
-	-	-	-	-	-	-
-	-	-	-	(29)	-	632
-	1,415	161	(184)	57	266	747
-	-	-	-	-	-	-
-	196	-	-	8,769	-	-
-	(9)	(450)	(423)	345	2	1,740
-	256	13	18	37	13	1,389
-	-	(3)	-	-	-	(1)
-	252	-	-	(5)	-	-
-	(314)	-	-	-	-	-
-	14	(526)	459	(15)	11	3,454
-	4	57	8	6	9	103
146	2,449	(1,170)	448	8,061	440	5,758
\$ (66)	\$ 16,391	\$ (804)	\$ 198	\$ 2,812	\$ 904	\$ 3,939
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	24	7

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 3 OF 3 - CONCLUDED)

	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from users	\$ 14,241	\$ 16,176	\$ 34,059	\$ 3,462
Cash payments to suppliers for goods and services	(9,346)	(9,521)	(21,914)	(736)
Cash payments for employee services	(1,730)	(4,410)	(2,850)	(357)
Other operating revenues	69	124	221	36
Net cash provided (used) by operating activities	3,234	2,369	9,516	2,405
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies received	-	-	-	-
Transfers in	149	-	-	-
Transfers out	(5)	(53)	(7)	(110)
Net cash provided (used) by noncapital financing activities	144	(53)	(7)	(110)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(2,720)	(1,555)	-	(2,504)
Principal paid on general obligation bonds	-	-	-	-
Interest paid on general obligation bonds	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Interest paid on revenue bonds	-	-	-	-
Funds held in Escrow for refunded revenue bonds	-	-	-	-
Capital grants and contributions	-	43	-	-
Proceeds from capital debt	-	-	-	-
Proceeds from disposal of capital assets	463	886	-	95
Net cash provided (used) by capital and related financing activities	(2,257)	(626)	-	(2,409)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	55	31	598	16
Net cash provided by investing activities	55	31	598	16
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,176	1,721	10,107	(98)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2012	7,629	4,011	89,304	5,213
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2012	\$ 8,805	\$ 5,732	\$ 99,411	\$ 5,115
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (827)	\$ 87	\$ 12,603	\$ 1,070
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation and amortization	3,555	2,330	-	1,167
Change in assets - (increase) decrease				
Accounts receivable, net	-	-	-	-
Due from other funds	204	(13)	(24)	1
Due from other governments, net	-	-	-	-
Inventory of supplies	(7)	(100)	-	(5)
Prepayments	-	-	-	-
Change in liabilities - increase (decrease)				
Accounts payable	272	223	566	178
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	(3,521)	-
Due to other funds	(45)	(121)	(153)	(20)
Wages payable	53	41	19	14
Taxes payable	-	-	-	-
Custodial accounts and other liabilities	-	6	-	-
Unearned revenues	-	-	-	-
Compensated absences payable	19	(102)	17	-
Other postemployment benefits	10	18	9	-
Total adjustments	4,061	2,282	(3,087)	1,335
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,234	\$ 2,369	\$ 9,516	\$ 2,405
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ 477	\$ -	\$ -	\$ 1,040
Contributions of capital assets to government	-	-	-	-

Fiduciary Funds

CAFR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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 POSITION
DECEMBER 31, 2012
(IN THOUSANDS)

	TOTAL	EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
ASSETS				
Investments at fair value				
Certificates of deposit	\$ 111	\$ -	\$ -	\$ 111
Commercial paper	6,591	-	6,591	-
Repurchase agreements	80,674	80,674	-	-
U.S. Treasury notes	906,426	906,426	-	-
U.S. Agency notes	872,911	872,911	-	-
U.S. Agency discount notes	213,228	213,228	-	-
U.S. Agency collateralized mortgage obligations	9,468	9,468	-	-
State Treasurer's investment pool	428,146	428,146	-	-
Total investments	2,517,555	2,510,853	6,591	111
Interest receivable	1,109	1,109	-	-
TOTAL ASSETS	2,518,664	2,511,962	6,591	111
NET POSITION				
Held in trust for pool participants	2,511,962	2,511,962	-	-
Held in trust for pool participants - impaired	6,591	-	6,591	-
Held in trust for individual investment account participants	111	-	-	111
TOTAL NET POSITION	\$ 2,518,664	\$ 2,511,962	\$ 6,591	\$ 111

INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)

	TOTAL	EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
ADDITIONS				
Contributions	\$ 8,243,958	\$ 8,243,848	\$ -	\$ 110
Net investment earnings				
Interest	13,589	13,589	-	-
Increase in the fair value of investments	2,238	1,210	1,027	1
TOTAL ADDITIONS	8,259,785	8,258,647	1,027	111
DEDUCTIONS				
Distributions	8,363,728	8,359,703	3,922	103
Change in net position	(103,943)	(101,056)	(2,895)	8
Net position - January 1, 2012	2,622,607	2,613,018	9,486	103
Net position - December 31, 2012	\$ 2,518,664	\$ 2,511,962	\$ 6,591	\$ 111

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 2012 to account for the resources of 162 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 20 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.

Sewer and Water Districts – There are 13 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 – There are 21 water districts in King County. 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, 2012
 (IN THOUSANDS)
 (PAGE 1 OF 9 - CONTINUED)

	TOTAL AGENCY FUNDS			
	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
ASSETS				
Cash and cash equivalents	\$ 128,469	\$ 22,255,477	\$ 22,234,617	\$ 149,329
Assets held in trust - external investment pool	2,613,018	2,511,962	2,613,018	2,511,962
Assets held in trust - external impaired investment pool	9,486	10,283	13,178	6,591
Investments	500	690	-	1,190
Assets held in trust - individual investment accounts	103	111	103	111
Taxes receivable - delinquent	77,549	3,116,087	3,119,832	73,804
Accounts receivable	7,581	115,103	117,867	4,817
Assessments receivable	6,171	6,924	7,214	5,881
Notes and contracts receivable	51	-	-	51
TOTAL ASSETS	\$ 2,842,928	\$ 28,016,637	\$ 28,105,829	\$ 2,753,736
LIABILITIES				
Warrants payable	\$ 83,329	\$ 4,144,282	\$ 4,127,141	\$ 100,470
Accounts payable	-	717,983	713,108	4,875
Wages payable	4,933	1,622,339	1,625,872	1,400
Custodial accounts - County agencies	61,209	5,697,842	5,690,605	68,446
Due to special districts/other governments	2,693,457	30,077,861	30,192,773	2,578,545
TOTAL LIABILITIES	\$ 2,842,928	\$ 42,260,307	\$ 42,349,499	\$ 2,753,736

ASSETS

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

TOTAL ASSETS**LIABILITIES**

Warrants payable
 Accounts payable
 Wages payable
 Custodial accounts - County agencies
 Due to special districts/other governments

TOTAL LIABILITIES

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 2 OF 9 - CONTINUED)

ENHANCED 911 PSAP ESCROW				KING COUNTY FISCAL AGENT / DEBT SERVICE			
BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
\$ 14,930	\$ 11,127	\$ 10,857	\$ 15,200	\$ -	\$ 1,010,559	\$ 1,010,559	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 14,930</u>	<u>\$ 11,127</u>	<u>\$ 10,857</u>	<u>\$ 15,200</u>	<u>\$ -</u>	<u>\$ 1,010,559</u>	<u>\$ 1,010,559</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	8,671	8,671	-	-	-	-	-
-	-	-	-	-	-	-	-
14,930	11,296	11,026	15,200	-	1,010,581	1,010,581	-
-	-	-	-	-	-	-	-
<u>\$ 14,930</u>	<u>\$ 19,967</u>	<u>\$ 19,697</u>	<u>\$ 15,200</u>	<u>\$ -</u>	<u>\$ 1,010,581</u>	<u>\$ 1,010,581</u>	<u>\$ -</u>

JUDICIAL ADMINISTRATION AGENCY				MISCELLANEOUS AGENCY FUNDS			
BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
\$ 21,980	\$ 203,977	\$ 203,319	\$ 22,638	\$ 8,443	\$ 63,123	\$ 62,061	\$ 9,505
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	51	-	-	51
<u>\$ 21,980</u>	<u>\$ 203,977</u>	<u>\$ 203,319</u>	<u>\$ 22,638</u>	<u>\$ 8,494</u>	<u>\$ 63,123</u>	<u>\$ 62,061</u>	<u>\$ 9,556</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	2,093	2,090	3
-	-	-	-	-	-	-	-
21,980	207,409	206,751	22,638	8,494	64,340	63,281	9,553
-	-	-	-	-	-	-	-
<u>\$ 21,980</u>	<u>\$ 207,409</u>	<u>\$ 206,751</u>	<u>\$ 22,638</u>	<u>\$ 8,494</u>	<u>\$ 66,433</u>	<u>\$ 65,371</u>	<u>\$ 9,556</u>

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)
 (PAGE 3 OF 9 - CONTINUED)

MISCELLANEOUS PROPERTY TAX FUNDS				
	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
ASSETS				
Cash and cash equivalents	\$ 11,351	\$ 3,950,128	\$ 3,949,063	\$ 12,416
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	(2)	4	2	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 11,349</u>	<u>\$ 3,950,132</u>	<u>\$ 3,949,065</u>	<u>\$ 12,416</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	21,509	21,241	268
Wages payable	-	-	-	-
Custodial accounts - County agencies	11,349	3,950,591	3,949,792	12,148
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 11,349</u>	<u>\$ 3,972,100</u>	<u>\$ 3,971,033</u>	<u>\$ 12,416</u>

MISCELLANEOUS TAX DISTRIBUTION				
	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
ASSETS				
Cash and cash equivalents	\$ 2,244	\$ 433,985	\$ 429,888	\$ 6,341
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	-	-	-	-
TOTAL ASSETS	<u>\$ 2,244</u>	<u>\$ 433,985</u>	<u>\$ 429,888</u>	<u>\$ 6,341</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	2,244	437,837	433,740	6,341
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 2,244</u>	<u>\$ 437,837</u>	<u>\$ 433,740</u>	<u>\$ 6,341</u>

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 4 OF 9 - CONTINUED)

PAYROLL AND ACCOUNTS PAYABLE CLEARING				WARRANT REDEMPTION			
BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
\$ 47,467	\$ 3,879,994	\$ 3,870,161	\$ 57,300	\$ -	\$ 66	\$ 66	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
912	1,823	2,326	409	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 48,379</u>	<u>\$ 3,881,817</u>	<u>\$ 3,872,487</u>	<u>\$ 57,709</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 66</u>	<u>\$ -</u>
\$ 43,417	\$ 2,510,879	\$ 2,501,066	\$ 53,230	\$ -	\$ 66	\$ 66	\$ -
-	287,227	284,478	2,749	-	-	-	-
4,933	1,622,339	1,625,872	1,400	-	-	-	-
29	14,729	14,428	330	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 48,379</u>	<u>\$ 4,435,174</u>	<u>\$ 4,425,844</u>	<u>\$ 57,709</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 66</u>	<u>\$ -</u>
SCHOOL DISTRICT IMPACT FEE				CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY			
BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
\$ 2,183	\$ 985	\$ 932	\$ 2,236	\$ -	\$ 423,319	\$ 423,317	\$ 2
-	-	-	-	301,104	272,896	301,104	272,896
-	-	-	-	29	21	31	19
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,183</u>	<u>\$ 985</u>	<u>\$ 932</u>	<u>\$ 2,236</u>	<u>\$ 301,133</u>	<u>\$ 696,236</u>	<u>\$ 724,452</u>	<u>\$ 272,917</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,183	1,059	1,006	2,236	-	-	-	-
-	-	-	-	301,133	333,581	361,797	272,917
<u>\$ 2,183</u>	<u>\$ 1,059</u>	<u>\$ 1,006</u>	<u>\$ 2,236</u>	<u>\$ 301,133</u>	<u>\$ 333,581</u>	<u>\$ 361,797</u>	<u>\$ 272,917</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)
 (PAGE 5 OF 9 - CONTINUED)

	CITIES AND TOWNS		
	BALANCE 01/01/12	INCREASES	DECREASES
ASSETS			
Cash and cash equivalents	\$ 6,677	\$ 943,208	\$ 933,223
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	17,058	727,634	728,956
Accounts receivable	6,671	113,276	115,539
Assessments receivable	8	66	66
Notes and contracts receivable	-	-	-
TOTAL ASSETS	\$ 30,414	\$ 1,784,184	\$ 1,777,784
LIABILITIES			
Warrants payable	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Wages payable	-	-	-
Custodial accounts - County agencies	-	-	-
Due to special districts/other governments	30,414	1,799,833	1,793,433
TOTAL LIABILITIES	\$ 30,414	\$ 1,799,833	\$ 1,793,433

	FIRE DISTRICTS		
	BALANCE 01/01/12	INCREASES	DECREASES
ASSETS			
Cash and cash equivalents	\$ -	\$ 407,696	\$ 407,696
Assets held in trust - external investment pool	135,703	131,972	135,703
Assets held in trust - external impaired investment pool	356	377	484
Investments	-	-	-
Assets held in trust - individual investment accounts	-	-	-
Taxes receivable - delinquent	4,749	155,265	155,483
Accounts receivable	-	-	-
Assessments receivable	-	-	-
Notes and contracts receivable	-	-	-
TOTAL ASSETS	\$ 140,808	\$ 695,310	\$ 699,366
LIABILITIES			
Warrants payable	\$ 536	\$ 7,567	\$ 7,734
Accounts payable	-	78,040	78,016
Wages payable	-	-	-
Custodial accounts - County agencies	-	-	-
Due to special districts/other governments	140,272	1,018,766	1,022,679
TOTAL LIABILITIES	\$ 140,808	\$ 1,104,373	\$ 1,108,429

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 6 OF 9 - CONTINUED)

HOSPITAL DISTRICTS				KING COUNTY LIBRARY SYSTEM			
BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
\$ -	\$ 79,762	\$ 79,762	\$ -	\$ -	\$ 239,367	\$ 239,367	\$ -
14,295	19,648	14,295	19,648	81,594	101,534	81,594	101,534
200	197	256	141	342	342	448	236
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,242	45,106	45,286	1,062	2,866	117,212	117,398	2,680
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 15,737</u>	<u>\$ 144,713</u>	<u>\$ 139,599</u>	<u>\$ 20,851</u>	<u>\$ 84,802</u>	<u>\$ 458,455</u>	<u>\$ 438,807</u>	<u>\$ 104,450</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,737	781,830	776,716	20,851	84,802	755,502	735,854	104,450
<u>\$ 15,737</u>	<u>\$ 781,830</u>	<u>\$ 776,716</u>	<u>\$ 20,851</u>	<u>\$ 84,802</u>	<u>\$ 755,502</u>	<u>\$ 735,854</u>	<u>\$ 104,450</u>

KING COUNTY DIRECTORS' ASSOCIATION				LIBRARY CAPITAL FACILITY DISTRICTS			
BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
\$ -	\$ 102,254	\$ 102,254	\$ -	\$ -	\$ 1,418	\$ 1,418	\$ -
356	804	356	804	102	85	102	85
13	16	19	10	2	3	3	2
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	28	1,351	1,351	28
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 369</u>	<u>\$ 103,074</u>	<u>\$ 102,629</u>	<u>\$ 814</u>	<u>\$ 132</u>	<u>\$ 2,857</u>	<u>\$ 2,874</u>	<u>\$ 115</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	85,866	85,866	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
369	109,042	108,597	814	132	17,563	17,580	115
<u>\$ 369</u>	<u>\$ 194,908</u>	<u>\$ 194,463</u>	<u>\$ 814</u>	<u>\$ 132</u>	<u>\$ 17,563</u>	<u>\$ 17,580</u>	<u>\$ 115</u>

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)
 (PAGE 7 OF 9 - CONTINUED)

MISCELLANEOUS SPECIAL DISTRICTS				
	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
ASSETS				
Cash and cash equivalents	\$ -	\$ 68,844	\$ 68,824	\$ 20
Assets held in trust - external investment pool	22,575	21,566	22,575	21,566
Assets held in trust - external impaired investment pool	51	50	70	31
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	439	11,479	11,388	530
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 23,065	\$ 101,939	\$ 102,857	\$ 22,147
LIABILITIES				
Warrants payable	\$ 298	\$ 6,210	\$ 6,361	\$ 147
Accounts payable	-	10,950	10,944	6
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	22,767	93,327	94,100	21,994
TOTAL LIABILITIES	\$ 23,065	\$ 110,487	\$ 111,405	\$ 22,147

NORTHSHORE PARK AND RECREATION SERVICE AREA				
	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
ASSETS				
Cash and cash equivalents	\$ -	\$ 484	\$ 484	\$ -
Assets held in trust - external investment pool	173	179	173	179
Assets held in trust - external impaired investment pool	2	2	2	2
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	5	202	202	5
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 180	\$ 867	\$ 861	\$ 186
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	5	5	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	180	5,585	5,579	186
TOTAL LIABILITIES	\$ 180	\$ 5,590	\$ 5,584	\$ 186

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(IN THOUSANDS)
(PAGE 8 OF 9 - CONTINUED)

PORT OF SEATTLE				SEWER AND WATER DISTRICTS			
BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
\$ 38	\$ 73,600	\$ 73,604	\$ 34	\$ -	\$ 366,105	\$ 366,105	\$ -
-	-	-	-	159,429	166,795	159,429	166,795
-	-	-	-	672	632	840	464
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,923	75,054	75,180	1,797	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,654	4,349	4,269	3,734
-	-	-	-	-	-	-	-
<u>\$ 1,961</u>	<u>\$ 148,654</u>	<u>\$ 148,784</u>	<u>\$ 1,831</u>	<u>\$ 163,755</u>	<u>\$ 537,881</u>	<u>\$ 530,643</u>	<u>\$ 170,993</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	130,910	130,738	172
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,961	147,558	147,688	1,831	163,755	583,402	576,336	170,821
<u>\$ 1,961</u>	<u>\$ 147,558</u>	<u>\$ 147,688</u>	<u>\$ 1,831</u>	<u>\$ 163,755</u>	<u>\$ 714,312</u>	<u>\$ 707,074</u>	<u>\$ 170,993</u>

SCHOOL DISTRICTS				STATE OF WASHINGTON			
BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12	BALANCE 01/01/12	INCREASES	DECREASES	BALANCE 12/31/12
\$ 7,241	\$ 8,381,700	\$ 8,387,958	\$ 983	\$ 5,915	\$ 1,134,268	\$ 1,134,191	\$ 5,992
1,728,639	1,571,357	1,728,639	1,571,357	-	-	-	-
7,104	7,968	10,129	4,943	-	-	-	-
500	690	-	1,190	-	-	-	-
103	111	103	111	-	-	-	-
29,625	1,191,535	1,192,464	28,696	19,614	791,249	792,124	18,739
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,773,212</u>	<u>\$ 11,153,361</u>	<u>\$ 11,319,293</u>	<u>\$ 1,607,280</u>	<u>\$ 25,529</u>	<u>\$ 1,925,517</u>	<u>\$ 1,926,315</u>	<u>\$ 24,731</u>
\$ 39,005	\$ 1,603,913	\$ 1,602,595	\$ 40,323	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	107	107	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,734,207	21,546,068	21,713,318	1,566,957	25,529	1,921,726	1,922,524	24,731
<u>\$ 1,773,212</u>	<u>\$ 23,149,981</u>	<u>\$ 23,315,913</u>	<u>\$ 1,607,280</u>	<u>\$ 25,529</u>	<u>\$ 1,921,833</u>	<u>\$ 1,922,631</u>	<u>\$ 24,731</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
 (IN THOUSANDS)
 (PAGE 9 OF 9 - CONCLUDED)

	WA STATE PUBLIC STADIUM AUTHORITY			
	BALANCE			BALANCE
	01/01/12	INCREASES	DECREASES	12/31/12
ASSETS				
Cash and cash equivalents	\$ -	\$ 10,206	\$ 10,206	\$ -
Assets held in trust - external investment pool	6,072	8,359	6,072	8,359
Assets held in trust - external impaired investment pool	34	32	43	23
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 6,106	\$ 18,597	\$ 16,321	\$ 8,382
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	6,106	10,227	7,951	8,382
TOTAL LIABILITIES	\$ 6,106	\$ 10,227	\$ 7,951	\$ 8,382

	WATER DISTRICTS			
	BALANCE			BALANCE
	01/01/12	INCREASES	DECREASES	12/31/12
ASSETS				
Cash and cash equivalents	\$ -	\$ 469,302	\$ 469,302	\$ -
Assets held in trust - external investment pool	162,976	216,767	162,976	216,767
Assets held in trust - external impaired investment pool	681	643	853	471
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	2,509	2,509	2,879	2,139
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 166,166	\$ 689,221	\$ 636,010	\$ 219,377
LIABILITIES				
Warrants payable	\$ 73	\$ 15,647	\$ 9,319	\$ 6,401
Accounts payable	-	92,605	90,952	1,653
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	166,093	953,851	908,621	211,323
TOTAL LIABILITIES	\$ 166,166	\$ 1,062,103	\$ 1,008,892	\$ 219,377

Statistical Section

CAFR
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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.

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Information to help the reader understand how the County's financial performance and well-being have changed over time.	
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Information to help the reader assess the County's most significant local revenue source, the property tax.	
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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.	
Demographic and Economic Information	204-206
Demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	
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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.

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (IN THOUSANDS)
 (PAGE 1 OF 2)

	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 53,635	\$ 79,723	\$ 85,516	\$ 88,278
Law, safety and justice	491,834	474,808	476,101	509,234
Physical environment	52,386	58,092	51,897	56,322
Transportation	64,722	71,487	90,803	96,401
Economic environment	80,360	76,519	87,420	92,460
Mental and physical health	327,212	504,252	346,672	361,817
Culture and recreation	36,432	38,888	36,902	40,974
Interest and other debt service costs	45,980	49,383	54,538	52,361
Total governmental activities expenses	<u>1,152,561</u>	<u>1,353,152</u>	<u>1,229,849</u>	<u>1,297,847</u>
Business-type activities:				
Airport	11,590	12,356	15,537	15,392
Public Transportation	463,219	508,290	529,679	535,471
Solid Waste	79,105	78,074	95,457	102,127
Water Quality	212,355	222,238	228,438	243,496
Other	6,165	6,155	5,788	6,687
Total business-type activities expenses	<u>772,434</u>	<u>827,113</u>	<u>874,899</u>	<u>903,173</u>
Total primary government expenses	<u>\$ 1,924,995</u>	<u>\$ 2,180,265</u>	<u>\$ 2,104,748</u>	<u>\$ 2,201,020</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 43,181	\$ 53,612	\$ 58,896	\$ 48,625
Law, safety and justice	95,084	108,617	106,315	118,722
Physical environment	50,836	53,744	43,231	42,517
Transportation	18,474	17,641	19,157	16,725
Economic environment	35,521	31,791	34,830	39,424
Mental and physical health	193,893	175,296	183,590	206,589
Culture and recreation	7,294	5,838	5,700	6,538
Interest and other debt service costs	3,334	4,651	4,049	8,339
Operating grants and contributions:				
General government	3,807	3,888	3,166	3,020
Law, safety and justice	26,192	25,931	34,230	27,595
Physical environment	1,564	2,560	3,016	2,075
Transportation	15,587	15,287	15,540	16,351
Economic environment	34,758	30,683	29,123	23,353
Mental and physical health	96,143	100,133	102,909	106,272
Culture and recreation	1,706	91	908	343
Interest and other debt service costs	4,127	3,760	4,407	4,554
Capital grants and contributions:				
General government	1,164	2,357	1,558	5,868
Physical environment	5,112	1,997	5,386	8,014
Transportation	94,254	91,813	147,870	87,979
Economic environment	-	-	-	-
Culture and recreation	3,151	941	1,799	-
Total governmental activities program revenues	<u>735,182</u>	<u>730,631</u>	<u>805,680</u>	<u>772,903</u>

The years 2008-2011 have been restated for the transfer of the King County Ferry District from governmental activities to business-type activities.

King County, Washington

2007	2008	2009	2010	2011	2012
\$ 95,864	\$ 168,271	\$ 106,076	\$ 193,521	\$ 153,910	\$ 147,395
544,838	580,105	607,191	605,396	594,366	629,924
63,326	67,498	76,404	79,897	78,823	77,111
107,471	112,666	111,562	101,338	100,724	78,937
94,555	99,839	105,515	103,153	112,081	104,707
381,286	421,355	458,184	456,678	457,507	469,234
50,100	56,285	53,313	54,071	56,917	60,273
53,299	51,455	54,010	49,979	51,670	38,509
1,390,739	1,557,474	1,572,255	1,644,033	1,605,998	1,606,090
14,620	15,842	24,725	22,296	28,101	29,909
588,234	667,651	673,436	697,611	716,949	740,384
116,252	110,348	91,347	101,210	96,871	108,837
242,808	257,249	287,792	290,873	321,057	396,260
8,025	10,660	12,649	13,262	13,183	13,912
969,939	1,061,750	1,089,949	1,125,252	1,176,161	1,289,302
\$ 2,360,678	\$ 2,619,224	\$ 2,662,204	\$ 2,769,285	\$ 2,782,159	\$ 2,895,392
\$ 65,440	\$ 57,139	\$ 66,962	\$ 54,187	\$ 65,478	\$ 72,711
125,103	128,424	148,236	155,182	155,857	143,737
44,564	48,286	42,878	47,598	43,607	55,526
17,003	18,716	15,976	13,814	16,571	13,656
48,586	29,148	26,955	27,836	35,276	29,958
226,341	248,617	262,928	266,270	266,583	300,604
7,264	7,710	6,688	6,799	6,487	8,163
4,864	911	881	706	1,695	1,783
4,010	5,457	6,863	4,863	3,446	4,459
33,675	32,147	32,327	30,128	24,815	30,981
2,033	4,290	4,629	3,826	8,595	9,389
18,100	17,593	23,472	17,091	18,406	17,305
21,635	22,347	29,218	29,459	39,314	35,842
95,420	101,541	104,254	106,618	105,483	107,108
608	133	430	195	230	143
4,734	4,961	5,238	5,406	5,524	8
1,010	284	162	112	1,464	-
5,406	4,125	6,091	22,006	1,210	1,358
76,403	73,749	68,870	88,710	70,392	63,814
-	-	461	1,626	-	-
89	101	8	76	116	1,941
802,288	805,679	853,527	882,508	870,549	898,486

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (IN THOUSANDS)
 (PAGE 2 OF 2)

	2003	2004	2005	2006
Business-type activities:				
Charges for services:				
Airport	\$ 9,398	\$ 11,496	\$ 11,308	\$ 12,481
Public Transportation	104,348	113,335	131,321	143,831
Solid Waste	84,764	90,595	91,207	94,316
Water Quality	218,862	222,415	224,595	242,852
Other	5,158	4,607	5,913	6,685
Operating grants and contributions:				
Public Transportation	24,287	35,715	14,141	56,400
Other	-	-	-	-
Capital grants and contributions:				
Airport	469	1,305	6,352	21,248
Public Transportation	40,951	73,557	73,230	12,780
Solid Waste	929	537	529	988
Water Quality	11,438	15,942	3,264	2,242
Other	-	40	612	108
Total business-type activities program revenues	<u>500,604</u>	<u>569,544</u>	<u>562,472</u>	<u>593,931</u>
Total primary government program revenues	<u>\$ 1,235,786</u>	<u>\$ 1,300,175</u>	<u>\$ 1,368,152</u>	<u>\$ 1,366,834</u>
Net (Expenses)/Revenue				
Governmental activities	\$ (417,379)	\$ (622,521)	\$ (424,169)	\$ (524,944)
Business-type activities	<u>(271,830)</u>	<u>(257,569)</u>	<u>(312,427)</u>	<u>(309,242)</u>
Total primary government net expenses	<u>\$ (689,209)</u>	<u>\$ (880,090)</u>	<u>\$ (736,596)</u>	<u>\$ (834,186)</u>
General revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 394,903	\$ 433,593	\$ 447,041	\$ 468,740
Retail sales and use taxes	121,217	128,610	138,572	150,111
Business and other taxes	42,493	50,165	52,716	56,801
Penalties and interest - delinquent taxes	17,064	16,790	14,901	15,322
Interest earnings	20,227	18,395	28,352	46,009
Transfers	2,509	486	992	(2,531)
Special item	-	-	-	-
Total governmental activities	<u>598,413</u>	<u>648,039</u>	<u>682,574</u>	<u>734,452</u>
Business-type activities:				
Property taxes	-	-	-	-
Retail sales and use taxes	296,748	314,192	341,149	367,264
Interest earnings	10,875	9,737	16,397	28,833
Transfers	<u>(2,509)</u>	<u>(486)</u>	<u>(992)</u>	<u>2,531</u>
Total business-type activities	<u>305,114</u>	<u>323,443</u>	<u>356,554</u>	<u>398,628</u>
Total primary government	<u>\$ 903,527</u>	<u>\$ 971,482</u>	<u>\$ 1,039,128</u>	<u>\$ 1,133,080</u>
Change in Net Position				
Governmental activities	\$ 181,034	\$ 25,518	\$ 258,405	\$ 209,508
Business-type activities	<u>33,284</u>	<u>65,874</u>	<u>44,127</u>	<u>89,386</u>
Total Primary government	<u>\$ 214,318</u>	<u>\$ 91,392</u>	<u>\$ 302,532</u>	<u>\$ 298,894</u>

The years 2008-2011 have been restated for the transfer of the King County Ferry District from governmental activities to business-type activities.

King County, Washington

2007	2008	2009	2010	2011	2012
\$ 13,921	\$ 18,075	\$ 20,774	\$ 20,766	\$ 19,204	\$ 17,812
160,231	173,011	205,170	223,278	244,511	278,143
93,376	98,821	92,343	109,949	88,961	98,827
264,440	284,995	307,556	305,738	338,226	390,705
6,823	7,535	7,418	7,639	7,664	8,746
55,771	72,458	90,570	57,514	61,374	58,347
-	-	-	-	-	190
2,533	11,513	6,490	5,300	15,558	17,628
11,431	28,474	27,035	17,635	127,892	59,846
690	857	603	650	533	630
1,164	2,311	1,843	2,431	7,325	-
28	-	2,320	1,175	1,691	3,608
610,408	698,050	762,122	752,075	912,939	934,482
<u>\$ 1,412,696</u>	<u>\$ 1,503,729</u>	<u>\$ 1,615,649</u>	<u>\$ 1,634,583</u>	<u>\$ 1,783,488</u>	<u>\$ 1,832,968</u>
\$ (588,451)	\$ (751,795)	\$ (718,728)	\$ (761,525)	\$ (735,449)	\$ (707,604)
(359,531)	(363,700)	(327,827)	(373,177)	(263,222)	(354,820)
<u>\$ (947,982)</u>	<u>\$ (1,115,495)</u>	<u>\$ (1,046,555)</u>	<u>\$ (1,134,702)</u>	<u>\$ (998,671)</u>	<u>\$ (1,062,424)</u>
\$ 499,339	\$ 580,958	\$ 605,207	\$ 592,081	\$ 594,130	\$ 593,654
164,804	193,827	179,077	180,914	180,948	161,467
53,745	41,557	36,555	32,432	40,498	42,332
15,611	15,740	17,679	21,328	21,889	21,476
36,348	34,714	19,524	10,063	8,050	8,356
1,200	2,858	896	2,423	505	2,856
					3,809
771,047	869,654	858,938	839,241	846,020	833,950
-	18,626	19,255	23,301	23,792	25,217
442,042	432,934	376,968	375,943	399,812	413,047
22,718	23,071	14,056	9,024	7,033	5,700
(1,200)	(2,858)	(896)	(2,423)	(505)	(2,857)
463,560	471,773	409,383	405,845	430,132	441,107
<u>\$ 1,234,607</u>	<u>\$ 1,341,427</u>	<u>\$ 1,268,321</u>	<u>\$ 1,245,086</u>	<u>\$ 1,276,152</u>	<u>\$ 1,275,057</u>
\$ 182,596	\$ 117,859	\$ 140,210	\$ 77,716	\$ 110,571	\$ 126,346
104,029	108,073	81,556	32,668	166,910	86,287
<u>\$ 286,625</u>	<u>\$ 225,932</u>	<u>\$ 221,766</u>	<u>\$ 110,384</u>	<u>\$ 277,481</u>	<u>\$ 212,633</u>

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (IN THOUSANDS)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Net investment in capital assets	\$ 1,316,216	\$ 1,448,891	\$ 1,525,984	\$ 1,642,456
Restricted	263,818	261,656	289,894	338,188
Unrestricted	<u>(360,725)</u>	<u>(465,720)</u>	<u>(408,832)</u>	<u>(364,090)</u>
Total governmental activities net position	<u>\$ 1,219,309</u>	<u>\$ 1,244,827</u>	<u>\$ 1,407,046</u>	<u>\$ 1,616,554</u>
Business-type activities				
Net investment in capital assets	\$ 1,357,467	\$ 1,516,280	\$ 1,524,744	\$ 1,566,302
Restricted	360,660	283,104	311,665	329,262
Unrestricted	<u>102,540</u>	<u>87,157</u>	<u>94,259</u>	<u>124,490</u>
Total business-type activities net position	<u>\$ 1,820,667</u>	<u>\$ 1,886,541</u>	<u>\$ 1,930,668</u>	<u>\$ 2,020,054</u>
Primary government				
Net investment in capital assets	\$ 2,673,683	\$ 2,965,171	\$ 3,050,728	\$ 3,208,758
Restricted	624,478	544,760	601,559	667,450
Unrestricted	<u>(258,185)</u>	<u>(378,563)</u>	<u>(314,573)</u>	<u>(239,600)</u>
Total primary government net position	<u>\$ 3,039,976</u>	<u>\$ 3,131,368</u>	<u>\$ 3,337,714</u>	<u>\$ 3,636,608</u>

The years 2008-2011 have been restated for the transfer of the King County Ferry District from governmental activities to business-type activities.

King County, Washington

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 1,762,158	\$ 1,814,117	\$ 1,889,721	\$ 1,922,455	\$ 1,920,793	\$ 1,905,722
394,932	437,707	443,686	441,052	440,959	452,529
<u>(357,940)</u>	<u>(334,815)</u>	<u>(276,188)</u>	<u>(228,572)</u>	<u>(116,673)</u>	<u>13,174</u>
<u>\$ 1,799,150</u>	<u>\$ 1,917,009</u>	<u>\$ 2,057,219</u>	<u>\$ 2,134,935</u>	<u>\$ 2,245,079</u>	<u>\$ 2,371,425</u>
\$ 1,551,017	\$ 1,698,018	\$ 1,604,179	\$ 1,580,093	\$ 1,622,274	\$ 1,627,435
419,118	564,854	649,948	259,357	311,596	267,262
<u>153,948</u>	<u>(94,361)</u>	<u>(4,060)</u>	<u>443,285</u>	<u>515,775</u>	<u>641,235</u>
<u>\$ 2,124,083</u>	<u>\$ 2,168,511</u>	<u>\$ 2,250,067</u>	<u>\$ 2,282,735</u>	<u>\$ 2,449,645</u>	<u>\$ 2,535,932</u>
\$ 3,313,175	\$ 3,512,135	\$ 3,493,900	\$ 3,502,548	\$ 3,543,067	\$ 3,533,157
814,050	1,002,561	1,093,634	700,409	752,555	719,791
<u>(203,992)</u>	<u>(429,176)</u>	<u>(280,248)</u>	<u>214,713</u>	<u>399,102</u>	<u>654,409</u>
<u>\$ 3,923,233</u>	<u>\$ 4,085,520</u>	<u>\$ 4,307,286</u>	<u>\$ 4,417,670</u>	<u>\$ 4,694,724</u>	<u>\$ 4,907,357</u>

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(IN THOUSANDS)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
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	\$ 8,502	\$ 7,815	\$ 18,693	\$ 24,219
Unreserved				
Designated	19,826	21,422	28,681	23,230
Undesignated	67,920	93,721	96,617	96,315
Total General Fund	<u>\$ 96,248</u>	<u>\$ 122,958</u>	<u>\$ 143,991</u>	<u>\$ 143,764</u>
All Other Governmental Funds				
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	\$ 121,678	\$ 110,956	\$ 103,513	\$ 108,317
Unreserved				
Designated				
Special revenue funds	7,584	15,949	25,141	26,951
Debt service funds	176	-	-	-
Capital project funds	-	-	-	-
Undesignated				
Special revenue funds	70,325	73,948	58,618	67,268
Debt service funds	22,234	34,029	28,635	30,413
Capital project funds	14,205	49,758	57,069	43,678
Total all other governmental funds	<u>\$ 236,202</u>	<u>\$ 284,640</u>	<u>\$ 272,976</u>	<u>\$ 276,627</u>

The years 2008-2011 have been restated for the reclassification of the King County Ferry District from a governmental fund to an enterprise fund.

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
N/A	N/A	N/A	N/A	\$ 3,800	\$ 3,800
N/A	N/A	N/A	N/A	3,309	2,702
N/A	N/A	N/A	N/A	23,694	21,761
N/A	N/A	N/A	N/A	7,420	8,827
N/A	N/A	N/A	N/A	96,545	102,554
\$ 27,346	\$ 16,064	\$ 14,915	\$ 16,632	N/A	N/A
23,319	7,396	3,207	4,001	N/A	N/A
89,983	73,765	64,304	67,610	N/A	N/A
<u>\$ 140,648</u>	<u>\$ 97,225</u>	<u>\$ 82,426</u>	<u>\$ 88,243</u>	<u>\$ 134,768</u>	<u>\$ 139,644</u>
N/A	N/A	N/A	N/A	\$ 12,333	\$ 14,648
N/A	N/A	N/A	N/A	392,138	406,890
N/A	N/A	N/A	N/A	77,227	86,439
N/A	N/A	N/A	N/A	16,105	33,157
N/A	N/A	N/A	N/A	(10,460)	(8,917)
\$ 101,045	\$ 93,564	\$ 120,349	\$ 94,384	N/A	N/A
37,129	43,682	42,170	71,036	N/A	N/A
-	-	-	-	N/A	N/A
-	-	-	-	N/A	N/A
84,541	138,512	183,034	165,317	N/A	N/A
27,666	32,762	36,704	42,694	N/A	N/A
80,946	94,692	26,694	77,148	N/A	N/A
<u>\$ 331,327</u>	<u>\$ 403,212</u>	<u>\$ 408,951</u>	<u>\$ 450,579</u>	<u>\$ 487,343</u>	<u>\$ 532,217</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(IN THOUSANDS)

	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 575,590	\$ 630,440	\$ 653,194	\$ 690,873	\$ 733,432
Licenses and permits	15,595	19,720	17,059	18,226	19,576
Intergovernmental revenues	390,702	418,362	417,407	442,094	453,577
Charges for services	256,769	222,836	228,126	229,734	255,194
Fines and forfeits	8,145	7,350	6,362	8,084	9,616
Interest earnings	17,106	15,845	24,274	38,072	29,065
Miscellaneous revenues	35,011	42,289	46,189	51,081	57,504
Total revenues	<u>1,298,918</u>	<u>1,356,842</u>	<u>1,392,611</u>	<u>1,478,164</u>	<u>1,557,964</u>
Expenditures					
General government services	120,059	118,763	137,416	141,318	157,751
Law, safety and justice	440,151	423,737	429,541	467,053	496,376
Physical environment	50,947	55,760	51,408	56,601	63,924
Transportation	59,957	66,937	88,473	95,758	106,396
Economic environment	78,408	75,940	87,080	91,955	94,187
Mental and physical health	318,161	501,582	344,036	361,334	381,817
Culture and recreation	33,596	36,974	34,744	38,981	47,512
Debt service					
Redemption of long-term debt	65,150	65,252	78,160	80,192	87,195
Interest	47,200	51,985	55,248	53,427	41,638
Other debt service costs	6,561	15,087	557	11,623	12,837
Capital outlay	150,708	201,397	83,936	86,746	74,135
Total expenditures	<u>1,370,898</u>	<u>1,613,414</u>	<u>1,390,599</u>	<u>1,484,988</u>	<u>1,563,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(71,980)</u>	<u>(256,572)</u>	<u>2,012</u>	<u>(6,824)</u>	<u>(5,804)</u>
Other Financing Sources (Uses)					
Transfers in	158,856	154,901	146,014	169,156	178,186
Transfers out	(154,547)	(153,989)	(144,458)	(166,282)	(175,063)
General government debt issued	37,838	246,435	2,134	4,716	48,395
Premium on bonds sold	-	17,807	2,112	1,633	3,890
Refunding bonds issued	138,124	102,315	22,510	38,330	54,565
General long-term debt - capital leases	48	62,805	184	-	-
Sale of capital assets	4,407	5,504	4,307	2,274	4,548
Payment to refunded bonds escrow agent	(137,377)	(107,317)	(24,360)	(39,579)	(57,133)
Total other financing sources (uses)	<u>47,349</u>	<u>328,461</u>	<u>8,443</u>	<u>10,248</u>	<u>57,388</u>
Net change in fund balances	<u>\$ (24,631)</u>	<u>\$ 71,889</u>	<u>\$ 10,455</u>	<u>\$ 3,424</u>	<u>\$ 51,584</u>
Debt service as a percentage of noncapital expenditures	9.21%	8.30%	10.21%	9.56%	8.65%

The years 2008-2011 have been restated for the reclassification of the King County Ferry District from a governmental fund to an enterprise fund.

King County, Washington

2008	2009	2010	2011	2012
\$ 831,135	\$ 836,073	\$ 826,408	\$ 837,350	\$ 818,822
19,601	19,628	20,936	20,576	21,652
493,554	543,951	560,068	570,794	597,549
234,883	247,083	232,227	249,612	249,755
9,536	10,142	9,001	8,635	8,499
27,794	15,219	7,340	6,005	6,550
56,071	55,496	60,202	58,373	88,590
1,672,574	1,727,592	1,716,182	1,751,345	1,791,417
147,633	163,615	145,108	157,215	191,558
534,238	560,059	556,471	553,127	570,926
91,301	107,804	107,297	101,516	98,962
113,898	118,817	107,388	106,888	90,737
99,465	105,145	102,804	111,682	104,787
420,053	460,206	460,584	467,409	481,747
53,194	49,168	51,069	53,260	57,067
79,071	117,736	62,901	50,772	56,913
40,614	36,227	30,805	29,835	25,186
15,096	22,261	15,990	42,791	2,720
105,673	85,161	115,399	122,310	138,279
1,700,236	1,826,199	1,755,816	1,796,805	1,818,882
(27,662)	(98,607)	(39,634)	(45,460)	(27,465)
218,146	171,100	142,569	157,027	142,955
(213,003)	(171,715)	(139,773)	(155,565)	(137,706)
48,755	84,810	82,465	109,085	51,980
170	5,831	6,521	5,793	59,146
-	42,869	41,250	25,700	256,615
-	-	-	-	-
2,080	2,719	(392)	17,141	547
-	(46,067)	(45,561)	(28,242)	(296,322)
56,148	89,547	87,079	130,939	77,215
\$ 28,486	\$ (9,060)	\$ 47,445	\$ 85,479	\$ 49,750
7.51%	8.84%	5.71%	4.81%	4.89%

**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
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	10,797,671	8,950,510	8,689,920
2012	227,449,614	54,172,019	8,712,532	11,044,708	8,601,970	9,480,094

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		
\$ 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
330,414,999	365,786,645	90.3%	1.67
319,460,937	346,131,439	92.3%	1.32

King County, Washington

**DIRECT AND OVERLAPPING GOVERNMENTS
PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

	2003	2004	2005	2006	2007	2008
County Direct Rates						
General	\$ 1.35	\$ 1.43	\$ 1.38	\$ 1.33	\$ 1.29	\$ 1.21
Emergency Medical Services	.16	.15	.15	.14	.13	.19
Road District	.27	.28	.28	.28	.27	.24
Total County Direct Rates	1.78	1.86	1.81	1.75	1.69	1.64
State School Fund Rates	2.90	2.76	2.69	2.50	2.33	2.13
Port of Seattle Rates	.26	.25	.25	.23	.23	.22
Ferry District Rates	-	-	-	-	-	.06
King County Library System Rates	.55	.54	.53	.53	.50	.45
Cities and Towns Rates	.39-3.28	.39-3.36	.37-3.35	.36-3.16	.35-3.22	.33-2.77
School Districts Rates	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	.20	.20	.18	.18	-	-
Fire Districts Rates	.79-2.33	.78-1.69	.76-1.66	.72-1.68	.69-1.67	.77-1.68
Hospital Districts Rates	.09-.65	.09-.70	.09-.70	.47-.59	.46-.56	.43-.59
Flood Zone Districts Rates	.05	.05	.05	.05	.04	.10
Park & Recreation Districts Rates	.05-.45	.05-.44	.04-.42	.04-.47	.04-.45	.03-.49
Miscellaneous Districts Rates	.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.

King County, Washington

2009	2010	2011	2012
\$ 1.10	\$ 1.28	\$ 1.34	\$ 0.90
.18	0.19	0.19	0.19
.22	0.25	0.15	0.23
1.50	1.72	1.68	1.32
1.96	2.22	2.28	2.42
.20	.22	0.22	0.23
.05	-	0.004	0.004
.42	.49	0.57	0.50
.30-2.58	.33-2.92	.39-3.06	.39-3.28
1.18-4.54	1.74-5.28	1.80-6.00	1.81-6.14
-	-	-	-
.74-1.65	.83-1.90	.88-1.90	.14-1.94
.40-.53	.46-.63	.48-.56	.31-.50
.09	0.10	0.11	0.12
.01-.44	.01-.52	.02-.80	.02-.74
.04-.44	.04-.47	.04-.50	.05-.50

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(IN THOUSANDS)**

TAXES LEVIED FOR THE YEAR				COLLECTED WITHIN THE YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS
YEAR	(ORIGINAL LEVY)	ADJUSTMENTS	TOTAL ADJUSTED TAX LEVY	AMOUNT	PERCENTAGE OF ORIGINAL LEVY	
2003	\$ 397,352	\$ (2,124)	\$ 395,228	\$ 386,775	97.34%	\$ 8,420
2004	437,227	(1,988)	435,239	427,447	97.76%	7,754
2005	450,736	(2,937)	447,799	440,109	97.64%	7,657
2006	472,475	(2,299)	470,176	462,851	97.96%	7,267
2007	501,255	(1,110)	500,145	492,120	98.18%	7,977
2008	590,373	(3,764)	586,609	575,431	97.47%	11,066
2009	609,355	(3,052)	606,303	594,263	97.52%	11,669
2010	622,795	(6,529)	616,266	604,359	97.04%	10,076
2011	624,564	(7,270)	617,294	606,573	97.12%	7,281
2012	620,502	(2,131)	618,371	607,960	97.98%	

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 ADJUSTED LEVY	AMOUNT	PERCENTAGE OF ADJUSTED LEVY
\$ 395,195	99.99%	33	0.01%
435,201	99.99%	38	0.01%
447,766	99.99%	33	0.01%
470,118	99.99%	58	0.01%
500,097	99.99%	48	0.01%
586,497	99.98%	112	0.02%
605,932	99.94%	371	0.06%
614,435	99.70%	1,831	0.30%
613,854	99.44%	3,440	0.56%
607,960	98.32%	10,411	1.68%

King County, Washington

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(IN THOUSANDS)

TAXPAYER	2012			2003		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Boeing	2,946,451	1	0.92 %	\$ 2,929,076	1	1.30 %
Microsoft	2,826,189	2	0.88	1,230,971	4	0.55
Puget Sound Energy	1,793,515	3	0.56	1,306,201	2	0.58
Alaska Airlines	813,750	4	0.25	360,995	7	0.16
AT&T Mobility LLC	771,005	5	0.24	-	-	-
CenturyLink (a)	695,292	6	0.22	1,260,376	3	0.56
Kemper Development (b)	558,829	7	0.17	-	-	-
T-Mobile	506,575	8	0.16	-	-	-
Union Square LLC	487,184	9	0.15	350,415	8	0.16
W2007 Seattle (c)	392,475	10	0.12	-	-	-
EOP Northwest Properties	-	-	-	487,011	5	0.22
Bank of America	-	-	-	460,649	6	0.20
McElroy George & Associates, Inc.	-	-	-	349,018	9	0.16
Spieker Properties	-	-	-	335,710	10	0.15
Total	11,791,265		3.67	9,070,423		4.04
Total Assessed Valuation of other taxpayers	307,669,673		96.33	215,924,175		95.96
Total 2011 Assessed Valuation for taxes due in 2012	\$ 319,460,937		100.00 %			
Total 2002 Assessed Valuation for taxes due in 2003				\$ 224,994,598		100.00 %

Source: King County Department of Assessments.

(a) Formerly known as Qwest Corporation

(b) Formerly known as Bellevue Square Managers Inc.

(c) 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 ^(a) OF PROPERTY	PER CAPITA ^(b)
	GENERAL OBLIGATION BONDS	GENERAL OBLI- GATION BOND ANTICIPATION NOTES	LEASE REVENUE BONDS	GENERAL OBLIGATION CAPITAL LEASES	SPECIAL ASSESSMENT BONDS	TOTAL		
2003	\$ 1,399,045	\$ 80,000	\$ 138,770	\$ 5,447	\$ 135	\$ 1,623,397	0.66%	921
2004	1,604,240	46,370	136,925	5,334	15	1,792,884	0.72%	1,010
2005	1,707,415	60,000	236,025	7,256	15	2,010,711	0.77%	1,120
2006	1,512,828	83,990	422,505	4,695	15	2,024,033	0.69%	1,110
2007	1,482,642	43,975	414,535	4,324	15	1,945,491	0.57%	1,053
2008	1,363,764	48,755	408,640	4,000	-	1,825,159	0.45%	973
2009	1,643,976	27,095	402,455	-	-	2,073,526	0.48%	1,084
2010	1,759,620	84,290	395,990	-	-	2,239,900	0.55%	1,156
2011	1,698,189	82,295	385,525	-	-	2,166,009	0.59%	1,100
2012	1,763,614	73,395	321,780	-	-	2,158,789	0.62%	1,075

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, 2012 (IN THOUSANDS)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED ^(a) PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT	ESTIMATED SHARE OF OVERLAPPING DEBT
DEBT REPAYED WITH PROPERTY TAXES			
King County – net overlapping debt:			
Port of Seattle	\$ 312,005	100.00%	\$ 312,005
School Districts:			
Belleue SD	525,858	100.00%	525,858
Lake Washington SD	491,748	100.00%	491,748
Northshore SD	329,384	65.79%	216,696
Renton SD	324,491	100.00%	324,491
Issaquah SD	297,153	100.00%	297,153
Highline SD	273,411	100.00%	273,411
Shoreline SD	210,155	100.00%	210,155
Federal Way SD	184,673	100.00%	184,673
Kent SD	183,427	100.00%	183,427
Seattle SD	128,742	100.00%	128,742
Other school districts	367,975	92.30%	339,645
Total school districts	3,317,016		3,175,998
Cities and towns: ^(b)			
City of Seattle	927,486	100.00%	927,486
City of Bellevue	172,632	100.00%	172,632
City of Kent	78,695	100.00%	78,695
City of Renton	74,302	100.00%	74,302
City of Redmond	68,640	100.00%	68,640
City of Auburn	62,483	100.00%	62,483
City of Kirkland	42,742	100.00%	42,742
City of Bothell	37,833	100.00%	37,833
Other cities and towns	195,380	90.65%	177,117
Total cities and towns	1,660,192		1,641,930
Hospital districts	246,460	100.00%	246,460
King County Library System	136,748	98.06%	134,096
Fire districts	80,062	100.00%	80,062
Library capital facility districts	6,360	100.00%	6,360
Parks and recreation service area district	2,093	65.78%	1,377
Vashon Maury Park	3,378	100.00%	3,378
TOTAL KING COUNTY – NET OVERLAPPING DEBT	5,764,315		5,601,665
KING COUNTY – NET DIRECT DEBT	845,529 ^(c)	100.00%	845,529
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 6,609,844		\$ 6,447,194

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) \$ 1,190,973 General long-term debt – general obligation bonds, lease revenue bonds, and compensated absences

- General short-term debt – general obligation bond anticipation notes

(66,860) Hotel/motel tax financed – Stadium Limited Tax GO bonds

(229,810) General obligation debt financed by Component Unit

(48,774) Funds available in GO Debt Service Funds

\$ 845,529 NET DIRECT DEBT

King County, Washington

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(IN THOUSANDS, EXCEPT PER CAPITA AMOUNT)**

GOVERNMENTAL ACTIVITIES				
YEAR	GENERAL OBLIGATION BONDS	LEASE REVENUE BONDS	GENERAL OBLIGATION CAPITAL LEASES	SPECIAL ASSESSMENT BONDS
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	-	-
2012	772,439	321,780	-	-

BUSINESS-TYPE ACTIVITIES							
YEAR	GENERAL OBLIGATION BONDS	SEWER REVENUE BONDS	CAPITAL LEASES	STATE OF WASHINGTON REVOLVING LOANS	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2003	\$ 528,774	\$ 1,038,056	\$ 29,147	\$ 86,391	\$ 2,696,991	3.37%	1,529
2004	560,938	1,210,341	13,101	93,465	3,063,421	3.43%	1,726
2005	741,117	1,189,756	3,685	111,483	3,255,635	3.64%	1,813
2006	642,383	1,499,105	3,611	118,622	3,561,381	3.58%	1,954
2007	663,421	1,724,220	3,534	118,524	3,747,794	3.51%	2,028
2008	638,066	1,947,905	3,453	129,186	3,856,948	3.51%	2,057
2009	919,681	2,167,365	3,368	141,165	4,358,329	4.23%	2,279
2010	1,031,211	2,433,350	3,279	135,995	4,728,234	4.44%	2,441
2011	1,015,642	2,709,714	3,186	129,276	4,991,825	4.38%	2,534
2012	1,064,570	2,841,755	3,087	136,002	5,139,633	4.51%	2,560

Note: Details regarding the County's outstanding debt can be found in Note 15 - "Debt."

Because personal income data is not available for 2012, the percentages use the personal income amount for 2011.

King County, Washington

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(IN THOUSANDS)

	2003	2004	2005	2006	2007
Assessed Valuation ^(a)	\$ 235,834,254	\$ 248,911,783	\$ 270,571,111	\$ 298,755,199	\$ 340,995,440
Limited Tax General Obligations for Metropolitan Functions					
Debt Limit - 0.75% of Assessed Value	\$ 1,768,757	\$ 1,866,838	\$ 2,029,283	\$ 2,240,664	\$ 2,557,466
Debt applicable to limit	535,960	574,074	790,025	696,657	718,376
Less: Amounts set aside to repay LTGO debts	(17,914)	(18,779)	(18,173)	(20,126)	(20,482)
Total net debt applicable to the limit	518,046	555,295	771,852	676,531	697,894
Legal Debt Margin ^(b) of LTGO	\$ 1,250,711	\$ 1,311,543	\$ 1,257,431	\$ 1,564,133	\$ 1,859,572
Total net debt applicable to the limit as a percentage of the debt	29.29%	29.75%	38.04%	30.19%	27.29%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit - 1.5% of Assessed Value	\$ 3,537,514	\$ 3,733,677	\$ 4,058,567	\$ 4,481,328	\$ 5,114,932
Debt applicable to limit ^(c)	1,519,339	1,547,231	1,801,177	1,858,302	1,817,183
Less: Amounts set aside to repay LTGO debts	(50,483)	(45,646)	(50,758)	(47,664)	(51,449)
Total net debt applicable to the limit	1,468,856	1,501,585	1,750,419	1,810,638	1,765,734
Legal Debt Margin ^(b) of LTGO	\$ 2,068,658	\$ 2,232,092	\$ 2,308,148	\$ 2,670,690	\$ 3,349,198
Total net debt applicable to the limit as a percentage of the debt limit	41.52%	40.22%	43.13%	40.40%	34.52%
Total General Obligations (GO) for Metropolitan Functions					
Debt Limit - 2.5% of Assessed Value	\$ 5,895,856	\$ 6,222,795	\$ 6,764,278	\$ 7,468,880	\$ 8,524,886
Debt applicable to limit	535,960	574,074	790,025	696,657	718,376
Less: Amounts set aside to repay GO debts	(17,914)	(18,779)	(18,173)	(20,126)	(20,482)
Total net debt applicable to the limit	518,046	555,295	771,852	676,531	697,894
Legal Debt Margin ^(b) of total GO	\$ 5,377,810	\$ 5,667,500	\$ 5,992,426	\$ 6,792,349	\$ 7,826,992
Total net debt applicable to the limit as a percentage of the debt	8.79%	8.92%	11.41%	9.06%	8.19%
Total General Obligations (GO) for County Purposes					
Debt Limit - 2.5% of Assessed Value	\$ 5,895,856	\$ 6,222,795	\$ 6,764,278	\$ 7,468,880	\$ 8,524,886
Debt applicable to limit ^(c)	1,211,664	1,338,709	1,345,162	1,461,755	1,363,072
Less: Amounts set aside to repay GO debts	(40,987)	(47,317)	(47,303)	(41,515)	(41,597)
Total net debt applicable to the limit	1,170,677	1,291,392	1,297,859	1,420,240	1,321,475
Legal Debt Margin ^(b) of total GO	\$ 4,725,179	\$ 4,931,403	\$ 5,466,419	\$ 6,048,640	\$ 7,203,411
Total net debt applicable to the limit as a percentage of the debt limit	19.86%	20.75%	19.19%	19.02%	15.50%

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

	2008	2009	2010	2011	2012
Assessed Valuation ^(a)	\$ 386,889,728	\$ 341,971,517	\$ 330,414,999	\$ 319,460,937	\$ 314,746,207
Limited Tax General Obligations for Metropolitan Functions					
Debt Limit – 3/4% of Assessed Value	\$ 2,901,673	\$ 2,564,786	\$ 2,478,112	\$ 2,395,957	\$ 2,360,597
Debt applicable to limit	699,144	985,702	1,099,943	1,059,464	1,132,185
Less: Amounts set aside to repay LTGO debts	(16,541)	(21,904)	(20,829)	(19,310)	(20,128)
Total net debt applicable to the limit	682,603	963,798	1,079,114	1,040,154	1,112,057
Legal Debt Margin ^(b) of LTGO	\$ 2,219,070	\$ 1,600,988	\$ 1,398,998	\$ 1,355,803	\$ 1,248,540
Total net debt applicable to the limit as a percentage of the debt	23.52%	37.58%	43.55%	43.41%	47.11%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit – 1½% of Assessed Value	\$ 5,803,346	\$ 5,129,573	\$ 4,956,225	\$ 4,791,914	\$ 4,721,193
Debt applicable to limit ^(c)	1,734,629	1,998,947	2,106,580	2,211,173	2,181,468
Less: Amounts set aside to repay LTGO debts	(46,110)	(53,730)	(64,177)	(64,943)	(62,179)
Total net debt applicable to the limit	1,688,519	1,945,217	2,042,403	2,146,230	2,119,289
Legal Debt Margin ^(b) of LTGO	\$ 4,114,827	\$ 3,184,356	\$ 2,913,822	\$ 2,645,684	\$ 2,601,904
Total net debt applicable to the limit as a percentage of the debt limit	29.10%	37.92%	41.21%	44.79%	44.89%
Total General Obligations (GO) for Metropolitan Functions					
Debt Limit – 2½% of Assessed Value	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523	\$ 7,868,655
Debt applicable to limit	699,144	985,702	1,099,943	1,059,464	1,132,185
Less: Amounts set aside to repay GO debts	(16,541)	(21,904)	(20,829)	(19,310)	(20,128)
Total net debt applicable to the limit	682,603	963,798	1,079,114	1,040,154	1,112,057
Legal Debt Margin ^(b) of total GO	\$ 8,989,640	\$ 7,585,490	\$ 7,181,261	\$ 6,946,369	\$ 6,756,598
Total net debt applicable to the limit as a percentage of the debt	7.06%	11.27%	13.06%	13.02%	14.13%
Total General Obligations (GO) for County Purposes					
Debt Limit – 2½% of Assessed Value	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523	\$ 7,868,655
Debt applicable to limit ^(c)	1,270,260	1,217,955	1,193,132	1,303,129	1,190,973
Less: Amounts set aside to repay GO debts	(39,206)	(41,554)	(53,891)	(52,267)	(48,774)
Total net debt applicable to the limit	1,231,054	1,176,401	1,139,241	1,250,862	1,142,199
Legal Debt Margin ^(b) of total GO	\$ 8,441,189	\$ 7,372,887	\$ 7,121,134	\$ 6,735,661	\$ 6,726,456
Total net debt applicable to the limit as a percentage of the debt limit	12.73%	13.76%	13.79%	15.66%	14.52%

**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>	
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%
2012	381,875	1,697	114,939	268,633	42,725	154,079	136%

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, 2012**

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)	1.36
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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)	1.28
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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)	1.22
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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 2012, the Enterprise issued Series 2012 Variable Rate Revenue Demand Bonds which incorporate the same requirements as the Junior Lien obligations.

Coverage (1.10 required by covenant)	22.60
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**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

CALENDAR YEAR	POPULATION	PERSONAL INCOME	PER CAPITA PERSONAL INCOME	AVERAGE EARNINGS PER JOB	UNEMPLOYMENT RATE	
		(1,000s)			COUNTY	STATE
2003	1,763,440	\$ 80,128,451	\$ 45,439	\$ 57,339	6.4%	7.4%
2004	1,775,297	89,382,811	50,348	58,267	5.3%	6.2%
2005	1,795,268	89,432,163	49,815	59,391	4.8%	5.5%
2006	1,822,987	99,609,451	54,641	62,550	4.3%	4.9%
2007	1,847,986	106,693,888	57,735	64,480	3.7%	4.6%
2008	1,875,020	109,927,858	58,628	65,742	4.6%	5.4%
2009	1,912,012	103,120,593	53,933	66,204	9.0%	9.4%
2010	1,937,157	106,401,739	54,927	68,569	9.5%	9.9%
2011	1,969,722	113,922,436	57,837	71,192	8.5%	9.2%
2012	2,007,440 *	N/A	N/A	N/A	7.1%	8.2%

CALENDAR YEAR	MEDIAN HOUSEHOLD INCOME ESTIMATES	POPULATION 65 YEARS OLD AND OVER	BIRTHS	DEATHS	STUDENTS ENROLLED IN PUBLIC SCHOOLS	STUDENTS ENROLLED IN PRIVATE SCHOOLS
2003	\$ 56,952	185,497	21,909	11,395	254,699	35,988
2004	61,565	186,700	22,508	11,632	255,475	37,088
2005	61,225	188,330	22,877	11,373	257,928	38,835
2006	63,745	190,337	22,890	11,346	261,101	39,797
2007	65,489	192,673	24,491	11,506	257,078	39,781
2008	67,027	195,715	25,051	11,960	259,269	40,957
2009	65,877	198,679	25,108	11,647	259,298	40,136
2010	65,383	201,552	24,994	11,426	259,827	39,429
2011	66,294	216,949	24,355	11,746	262,963	40,276
2012	68,313	N/A	24,150	11,964	267,655	40,428

N/A = Not yet available

Population*, personal income, per capita personal income and average earnings per job are from Washington Regional Economic Analysis Project - King County, Washington.

* Estimate for 2012 Population from the United States Census Bureau, State & County QuickFacts.

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 the Washington State Office of Financial Management, Forecasting Division.

Student enrollment data are from Washington State Office of Superintendent of Public Instruction.

**PRINCIPAL EMPLOYERS OF KING COUNTY BY MAJOR INDUSTRY
CURRENT YEAR AND NINE YEARS AGO**

TYPE OF INDUSTRY	2012			2003		
	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Trade, transportation and utilities	216,933	1	18.37%	221,292	1	19.90%
Professional and business services	192,100	2	16.27%	159,092	3	14.31%
Government	165,308	3	14.00%	162,450	2	14.61%
Educational and health services	144,858	4	12.27%	115,108	4	10.35%
Leisure and hospitality	114,392	5	9.69%	100,958	6	9.08%
Manufacturing	103,383	6	8.76%	105,900	5	9.53%
Information	80,900	7	6.85%	68,200	8	6.13%
Financial activities	68,333	8	5.79%	80,492	7	7.24%
Construction	50,433	9	4.27%	57,633	9	5.18%
Total	1,136,640		96.27%	1,071,125		96.33%
Total Employment	1,180,607			1,111,742		

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, 2012**

	<u>PERCENT OF REVENUE</u>
City of Seattle	40.2%
City of Bellevue	8.7%
Alderwood Water & Wastewater District	5.3%
Soos Creek Water & Sewer District	4.9%
City of Kent	4.9%
City of Renton	4.2%
City of Redmond	4.0%
Northshore Utility District	4.0%
City of Auburn	3.9%
Ronald Wastewater District	<u>2.8%</u>
Total	<u><u>82.9%</u></u>

**FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN YEARS**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
FUNCTION/PROGRAM										
General government	1,551	1,548	1,560	1,506	1,568	1,585	1,657	1,597	1,558	1,497
Law, safety & justice	3,409	3,585	3,556	3,683	3,730	3,857	3,905	3,801	3,619	3,871
Physical environment	1,517	1,497	1,488	1,652	1,670	1,692	1,394	1,363	1,345	1,275
Transportation	4,383	4,322	4,373	4,509	4,589	4,931	4,918	4,851	4,850	4,554
Economic environment	413	431	409	316	311	303	376	294	288	186
Mental and physical health	1,619	1,446	1,512	1,397	1,336	1,455	1,461	1,474	1,416	1,406
Culture and recreation	158	161	156	151	157	176	210	207	209	204
Total	<u>13,050</u>	<u>12,990</u>	<u>13,054</u>	<u>13,214</u>	<u>13,361</u>	<u>13,999</u>	<u>13,921</u>	<u>13,587</u>	<u>13,285</u>	<u>12,993</u>

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.

**OPERATING AND CAPITAL INDICATORS BY FUNCTION
LAST TEN YEARS**

	2003	2004	2005	2006	2007
Public Works					
Miles of Paved Roads	1,798	1,804	1,801	1,795	1,803
Miles of Unpaved Roads	84	55	55	54	51
Bridges	187	187	187	187	184
Building Permits					
Permits	3,980	3,725	3,359	2,982	2,900
Value of Buildings (in thousands)	\$ 754,803	\$ 831,500	\$ 716,076	\$ 575,524	\$ 562,836
Justice and Law Enforcement					
Sheriff's Office					
Number of Employees - Commission	730	717	704	734	714
Number of Employees - Civilian	365	366	355	305	312
Motor Pool Fleet - Vehicles	695	690	651	703	670
Motor Pool Fleet - Boats	8	6	5	8	8
Motor Pool Fleet - Helicopters	4	5	5	5	6
Adult Detention					
Average Daily Adult Custodial Population	2,394	2,456	2,603	2,667	2,727
Average Length of Stay (in days)	17	18	19	19	19
Bookings	53,361	49,616	50,628	53,433	53,697
Parks and Land Use					
Number of Parks	204	204	222	225	220
Acres of Parks	29,094	121,218	121,597	120,788	120,745
Public Transportation					
Size of Fleet - Buses	1,332	1,391	1,536	1,545	1,519
Size of Fleet - Active Commuter Vans	663	662	732	934	1,024
Annual Bus Trips	99,325,901	101,915,207	104,461,689	109,386,798	117,492,162
Annual Commuter Van Trips	1,793,748	1,688,996	1,795,611	2,173,189	2,605,018
Wastewater Treatment					
Total Sewer Customers (Residences & Residential Customer Equivalents)	685,133	687,909	689,817	690,934	702,946
New Sewer Connections Equivalents	11,900	11,000	9,600	10,900	12,200
Monthly Sewer Rate	\$23.40	\$23.40	\$25.60	\$25.60	\$27.95
Residential Connection Charge (Monthly for 15 years)	\$17.60	\$18.00	\$34.05	\$34.05	\$42.00
Total Sewer Revenues (in thousands)	\$191,919	\$192,912	\$212,069	\$212,117	\$227,665
Number of Treatment Plants	3	3	3	3	3
Total Treatment Capacity					
Million of Gallons per Day (MGD)	766	766	766	766	767
Average Daily Flow (MGD)	183	175	170	198	178
Peak Daily Flow (MGD)	559	507	483	542	636

Source: Various King County Agencies.

King County, Washington

2008	2009	2010	2011	2012
1,710	1,694	1,581	1,479	1,451
51	51	51	51	53
183	182	180	181	182
1,867	1,324	1,341	1,123	2,021
\$ 327,942	\$ 233,635	\$ 245,912	\$ 235,562	\$ 366,207
743	729	683	645	637
313	290	346	376	287
662	638	642	632	632
8	8	8	8	8
7	7	7	5	4
2,575	2,402	2,352	2,201	1,946
20	21	20	21	22
48,234	44,797	43,018	38,089	33,506
228	223	218	215	219
164,676	168,842	169,719	170,273	170,574
1,508	1,560	1,465	1,505	1,503
1,207	1,088	1,075	1,228	1,283
126,941,510	119,936,267	117,522,583	120,500,000	123,900,000
3,148,550	3,187,454	2,851,000	3,118,006	3,450,656
706,800	703,800	704,400	707,300	708,900
11,331	8,949	6,974	5,855	7,915
\$27.95	\$31.90	\$31.90	\$36.10	\$36.10
\$46.25	\$47.64	\$49.07	\$50.45	\$53.50
\$240,001	\$256,160	\$253,684	\$285,607	\$321,066 **
4	4	4	5	5
767	767	767	767*	895 *
162	169	178	173*	188 *
444	525	639	472*	523 *

* Brightwater numbers are included for 2012.

** Includes rate stabilization of \$ 13.9 million

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT