

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

January 1 - December 31, 2013 • King County, Washington



King County

Finance and Business
Operations Division



CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Finance and Business Operations Division

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Chief Accountant/Manager

Financial Management Section

Pete Anthony

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year

January 1 through December 31, 2013

King County

State of Washington

Prepared by:

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

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Three Forks Natural Area, Snoqualmie River and
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Comprehensive Annual Financial Report

December 31, 2013

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King County

Finance and Business Operations Division

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

June 26, 2014

The Honorable Dow Constantine, King County Executive,
Honorable 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, 2013. 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 2013 Single Audit Report is expected to 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 ranks as the 14th most populous county in the nation. The County contains 39 incorporated cities which account for 83 percent of its population.

King County operates under a Home Rule Charter adopted by a vote of its citizens in 1968 and is organized under the Executive-Council form of county government. The Metropolitan King County Council is the legislative body. 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 2013, the reporting entity "King County" includes five component units: (1) the Harborview Medical Center (HMC); (2) the Cultural Development Authority of King County (CDA, dba 4Culture); (3) the King County Flood Control Zone District; (4) the King County Ferry District; and (5) three nonprofit property management corporations aggregated into a building development and management fund.

Harborview Medical Center, with a history dating back to 1877, is a comprehensive 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 Cultural Development Authority 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 which benefit the county. The King County Ferry District provides water taxi services to several destinations in the Puget Sound Region to supplement commuting options for residents. The nonprofit corporations of the building development and management fund were created under public-private partnership to facilitate the development and construction of public buildings used by King County and HMC.

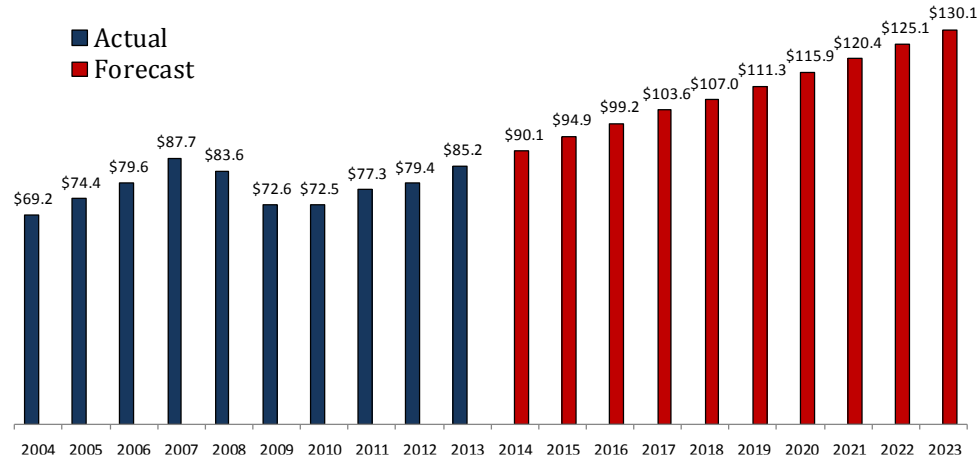
Most funds in this report pertain to the entity King County government. However, certain Agency Funds pertain to the County's custodianship of assets belonging to independent governments and special districts. Money received on behalf of the special purpose districts is deposited in a central bank account. The Director of the Finance and Business Operations Division disburses money according to state and local regulations and invests cash balances based on standard investment pool agreements with the respective special purpose district's governing body or administrative officer.

Economic outlook

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 (grants and other financial assistance). The largest single source is charges for services at 47.0 percent of total revenues, followed by taxes at 41.3 percent of total revenues. 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, plus property

tax on the value of new construction. Retail sales taxes, on the other hand, are more volatile because they are dependent on the level of retail sales which tend to track the business cycle. Taxable sales increased by seven percent in King County in 2013 with construction sales showing moderately strong growth at 16 percent. Retail, food service and accommodation sales also experienced solid gains.

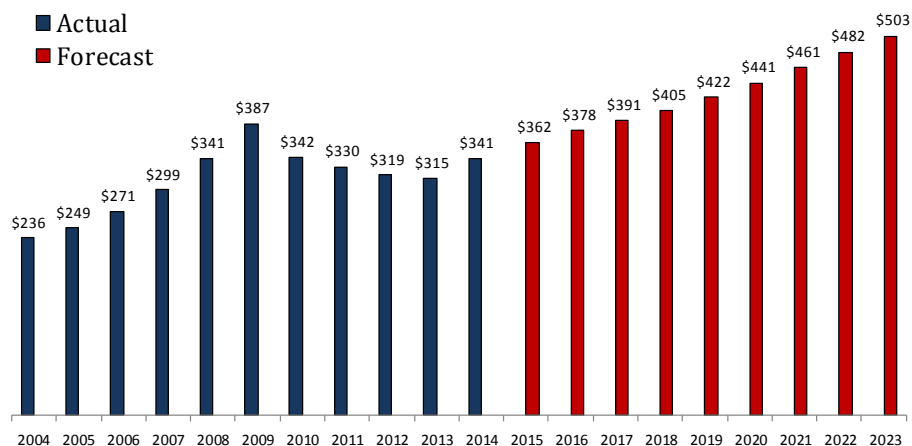
GENERAL FUND SALES TAX (In millions)



The County's economy is improving due to the continued recovery of the global and national economies and the unique and diverse composition of businesses in our region. Employment was up three percent in 2013 with growth in most industrial sectors, including construction which was up by more than six percent. The region's most prominent employers, namely Boeing, Microsoft, Starbucks, and Amazon.com, retain strong demand for their products.

There are positive signs for continued growth in 2015 and beyond. Real estate prices climbed throughout 2013 with the yearly index up approximately 12 percent. Total assessed valuation (TAV) was down slightly by 1.5 percent for tax year 2013 but is up eight percent for tax year 2014. New construction grew three percent in tax year 2013 with a dramatic increase of 72 percent for tax year 2014. The annual inflation rate in the area continues to be low at 1.2 percent for 2013 (CPI-W Seattle-Tacoma-Bremerton) and was driven by housing costs. Annual inflation excluding shelter was only 0.2 percent.

King County Assessed Value (In billions)



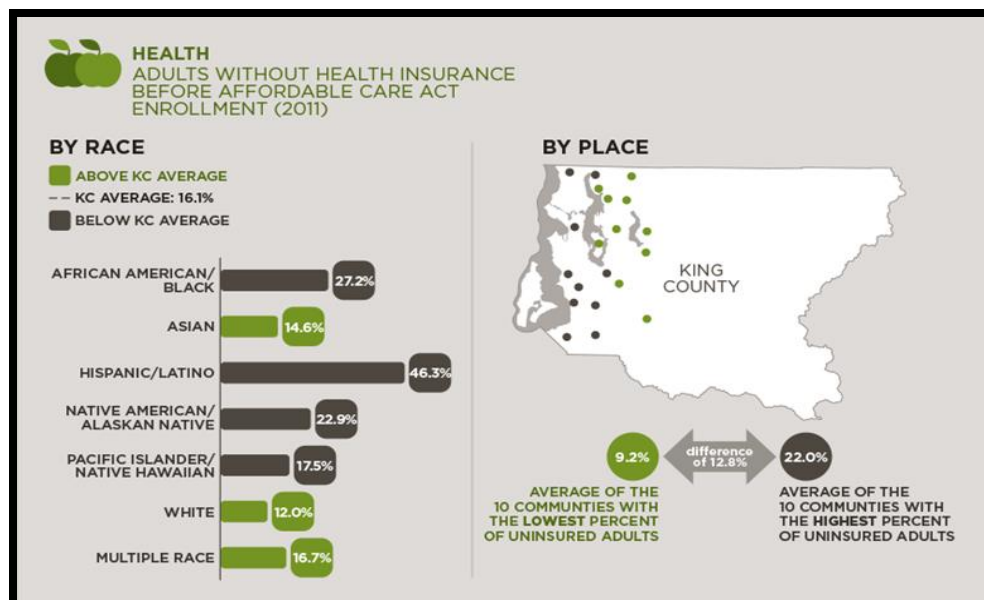
The County reaffirms its steadfast commitment to maintain at least a 6 percent undesignated reserve policy for the General Fund and also its willingness to manage gaps between expenditures and revenues while retaining prudent reserves. The County also maintains a rainy day reserve which was \$20.05 million at the end of 2013. The County has not used any portion of this reserve since its inception.

Equity and Social Justice

King County is mandated to purposely consider principles of equity and social justice and integrate them into its decisions and policies, practices and methods for engaging communities. The King County Strategic Plan developed by the Executive includes strategies to increase the opportunities for creating a more equitable and just economic, social and political environment within the County. According to the 2013 King County Equity and Social Justice Annual Report, found at <http://kingcounty.gov/equity>, critical inequities exist across race and ethnicity, incomes, and place of residence which contribute to various other societal ills, such as crime and violence, unemployment, homelessness and urban decay. The County is committed to addressing equity and social justice issues in the hopes that it will lead to a more inclusive, egalitarian society with a more prosperous economy and a better quality of life for its citizens.

The ESJ report documents the extent of diversity and where disparities exist in the County and across its communities. While three zip codes in the county are among the most racially diverse in the nation, there are areas which remain more or less homogenous. Of the ten zip codes with the greatest racial diversity, people of color make up 70 percent of the population. However, of the ten zip codes with the lowest racial diversity, only less than 1 percent make up people of color. The racial and ethnic disparity in most of these communities was observed to correlate to measured differences in income, opportunity, life expectancy and education among the population groups. These are the inequities which are being addressed by the integrated effort of the Equity and Social Justice Program in conjunction with the “fair and just” principles of the King County Strategic Plan. It aims to eliminate the long-standing barriers that limit the ability of certain groups or individuals to realize their full potential and thereby contribute to the County’s growth.

King County has organized the Equity and Social Justice Inter-Branch Team to coordinate all branches of County government regarding the implementation of the “fair and just” principle of the Strategic Plan. Information about the team is available at <http://www.kingcounty.gov/exec/equity/team.aspx>. The chart that follows reflects the relatively high inequities within the County for access to health insurance prior to the Affordable Care Act. To address this disparity, the County initiated a program for enrolling citizens in Washington State’s HealthPlanFinder program, with the result that 165,000 signed up for health insurance during the six-month period ending March 31, 2014. Other equity and social justice statistics are in the Statistical Section, starting on page 208.



Major Initiatives

The County completed or had underway many major initiatives in 2013. These initiatives were guided by the King County Strategic Plan (KCSP), which was adopted in 2010. Major initiatives included:

- The County embarked on an update to the KCSP by conducting targeted outreach to many groups, including organizations representing immigrants and other disadvantaged communities. An online discussion portal was also deployed, which generated hundreds of suggestions for County priorities and activities. This information will be used to prepare a revised version of the KCSP for adoption in 2014. It is expected that the new Plan will be similar to the original Plan, but with increased focus on the importance of mobility (transportation options) and housing.
- The County continued to identify financial benefits from various aspects of the “reform agenda.” For example, energy efficiency initiatives saved \$2.7 million in 2013 compared with baseline usage in 2010. Office space consolidations have saved about \$2.1 million annually in the same period.
- The County continued the deployment of the “Lean” process improvement methodology and expanded the Continuous Improvement Team that was created in 2012. A wide range of Lean activities were conducted in 2013, with the most notable being a joint effort by the Department of Adult and Juvenile Detention and the Jail Health Services division to identify improvements in treating prisoners with psychiatric disorders. New processes and information protocols were developed reducing costs by about \$2 million annually while improving treatment for inmates.
- The County won a Kennedy School “Innovations in Government” award for its “Healthy Incentives” program, which has encouraged employees to improve their health and become more thoughtful consumers of health care services. This program has significantly reduced the growth in employee health care costs and led to an agreement with most of the County’s labor unions to cap the County’s cost growth for health care programs at four percent per year through 2016.
- The County continued to move forward with the development of biennial budgets, with most funds included in the 2013/2014 budget process. Starting in 2015/2016, the entire budget will be on a biennial basis.
- King County voters approved a ballot measure renewing and expanding the County Parks Levy with a 70 percent “yes” vote on the August 2013 ballot. This measure will continue to provide money to operate and maintain County parks, to build regional trails, and to purchase open space. The levy also provides money for city parks and the Woodland Park Zoo in Seattle.
- Metro Transit continued the deployment of “RapidRide” service in 2013. These lines use specially designed buses to provide more frequent service on heavily traveled routes. Speed and efficiency improvements are part of the RapidRide service, including traffic signal priority and real-time rider information. Lines “A” through “D” have been deployed, with “E” and “F” scheduled for 2014.
- The County created a new Department of Public Defense on July 1, 2013, to take over the services previously provided by contractors. This should lead to greater consistency in standards and complies with the settlement of the Dolan case, which required public defenders and staff to receive full County benefits.
- The Solid Waste Division of the Department of Natural Resources and Parks completed its new Bow Lake Transfer Station. This facility handles solid waste and recycling in a safer, cleaner, and more cost-effective manner. It is the second of several new transfer stations being developed.
- King County District Court moved into its new courtrooms in the Maleng Regional Justice Center in Kent. This allows the Court to consolidate many of its operations in the southern part of the county, which improves efficiency and service to court users.

- King County Information Technology developed and implemented a new method for agencies to select technology services. This “service catalog” provides options for agencies to choose standard equipment with different configurations and costs. Through this approach, many excess or over-specified pieces of equipment were identified, which led to substantial cost savings for many agencies.
- The County is already committed to reducing its carbon footprint from its own operations through providing energy efficient buses, using LEED standards in office buildings and recycling waste energy from landfills and wastewater treatment plants. Efforts to control climate change regionally are guided by the Executive’s King County Strategic Climate Action Plan.

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, 2012. This was the 32nd consecutive year in which 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 Unit 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



Pete Anthony, CPA
Chief Accountant/Manager
Financial Management Section

ELECTED OFFICIALS
at time of publication

Office		Official
Councilmember	District 1	Rod Dembowski
Councilmember	District 2	Larry Gossett
Councilmember	District 3	Kathy Lambert
Council Chair	District 4	Larry Phillips
Councilmember	District 5	Dave Upthegrove
Council Vice-Chair	District 6	Jane Hague
Councilmember	District 7	Pete von Reichbauer
Council Vice-Chair	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	Susan Craighead
	Chief Presiding Judge King County District Court	Corinna Harn



**King County Executive
Dow Constantine**



Metropolitan King County Council

Standing (left to right): Rod Dembowski, District 1, Pete von Reichbauer, District 7, Kathy Lambert, District 3, Reagan Dunn, District 9, Dave Upthegrove, District 5.

Seated (left to right): Council Vice Chair Jane Hague, District 6, Council Chair Larry Phillips, District 4, Council Vice Chair Joe McDermott, District 8, Larry Gossett, District 2.



**King County
Assessor
Lloyd Hara**



**King County
Elections Director
Sherril Huff**



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



**King County
Sheriff
John Urquhart**



Government Finance Officers Association

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

Presented to

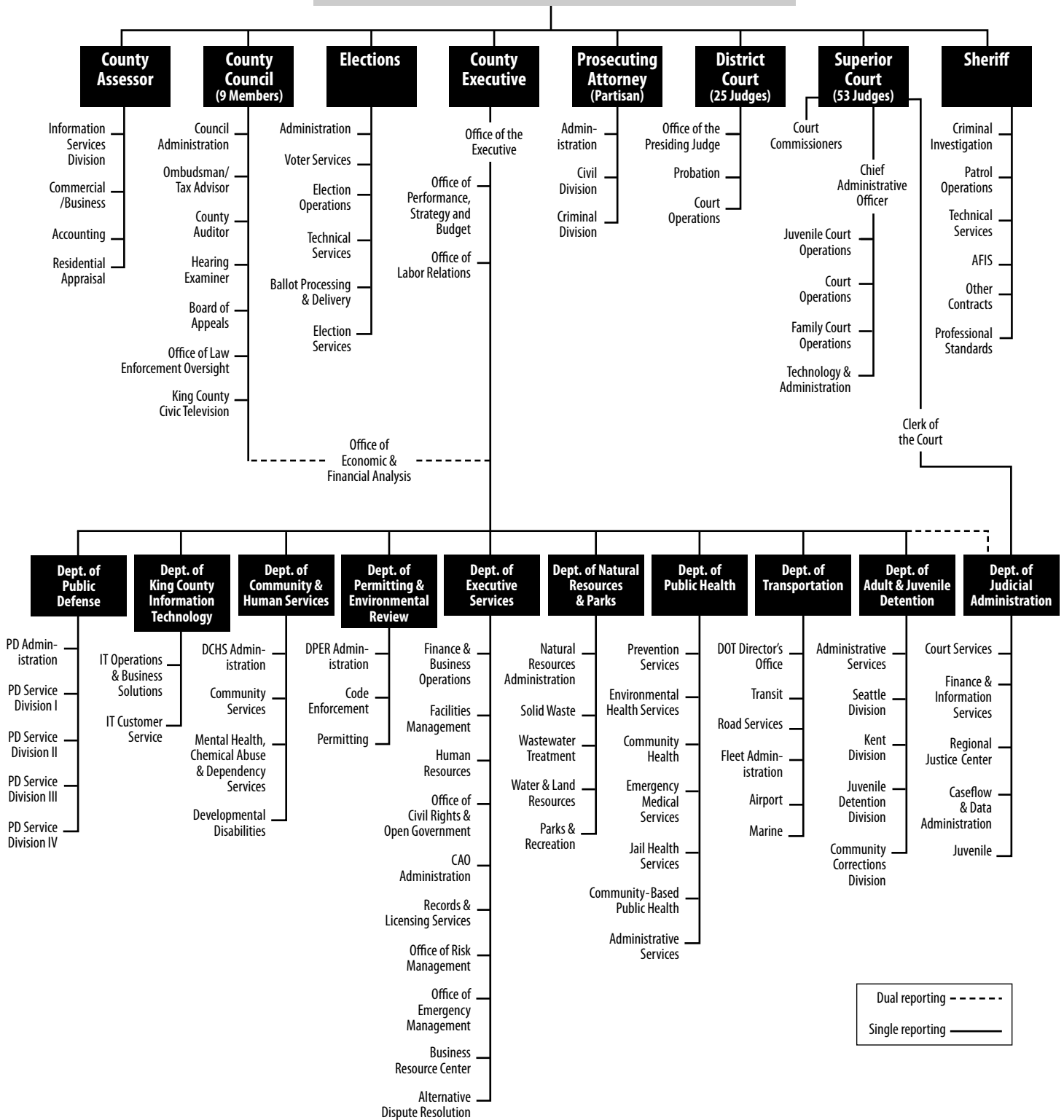
**King County
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

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 16, 2014

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, 2013, 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 7 percent, -0.6 percent and 2 percent, respectively, of the assets and deferred outflows, net position and revenues of the governmental activities, and 4 percent, -0.5 percent and 0.04 percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Water Quality Enterprise Fund, a major fund, which represents 66 percent, 21 percent and 30 percent, or the Public Transportation Fund, a major fund, which represents 27 percent, 67 percent and 56 percent, respectively, of the assets and deferred outflows, net position and revenues of the business-type activities. Those 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund and Public Health fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2013, the County has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities and Statement No. 70, Nonexchange Financial Guarantees. 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 4 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 and the other auditors 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

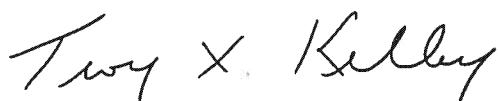
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements and Schedules and Supplementary Information on pages 123 through 176 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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 16, 2014, 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 cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name of the auditor.

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, 2013. 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. A significant change in the presentations of statements of net position and fund balance sheets is the recognition of deferred outflows and deferred inflows of resources as distinct elements, separate from assets or liabilities, under GASB Statement 65 – *Items Previously Reported as Assets and Liabilities*.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

As the economy of County continues to improve, the overall financial position has also improved as follows:

- As of December 31, 2013, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$5.1 billion (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 \$712.1 million at the end of the year.
- In 2013, the County's total net position increased by 5.5 percent (\$266.7 million). The governmental activities net position increased by 7.5 percent (\$177.6 million) and the business-type activities net position increased by 3.5 percent (\$89.1 million).
- As of December 31, 2013, the County's governmental funds reported combined ending fund balances of \$640.5 million. Approximately 11.2 percent (\$71.7 million) is unassigned fund balance.
- At the end of 2013 the unassigned fund balance for the General Fund was \$78.3

million, amounting to 10.9 percent of total General Fund expenditures. Total fund balance for the General Fund decreased 18.1 percent (\$25.3 million) for the year.

- The County's total bonded debt decreased by 2.1 percent (\$105.8 million) in 2013 as the County paid down debt principal in the amount of \$139.0 million and defeased or refunded other borrowing of \$134.2 million, which offset the increase from a new bond issuance of 367.9 million.

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 (RSI) 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, liabilities, deferred outflows of resources and deferred inflows of resources with the residual 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 basic services fall into this category; including general government; law, safety and justice; physical environment; transportation (roads and bridges maintenance); economic environment; mental and physical health; culture and recreation; and debt service. Also included within the governmental activities are the 2013 operations of the King County Flood Control Zone District. Although legally separate, this component unit is blended with the King County primary government because the County Council also serves as the district's governing board. Finally, three nonprofit property management corporations are collectively reported as a blended component unit called Building Development and Management Corporations which is blended with the County's other internal service funds.

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. Included are 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 2013 operations of the King County Ferry District. Although legally separate, this component unit is blended with the King County primary government because the County Council also serves as the district's governing board.

Discretely presented component units. The government-wide financial statements include King County as the primary government and two discretely presented component units, namely the Harborview Medical Center (HMC) and the Cultural Development Authority (CDA) of King County. Individual financial statements for HMC and the CDA can be found immediately following the fiduciary funds financial statements in the Basic Statements section of this report. The Washington State Major League Baseball Stadium Public Facilities District is no longer reported as a component unit because the general obligation bonds that the County issued to finance the original stadium construction have been redeemed relieving the County of any further obligation.

Fund Financial Statements

The fund financial statements are designed to report financial information about our funds. A fund is a grouping 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 financial 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 government-wide financial statements, however, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing whether there will be sufficient near-term financial resources to meet the 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 \$5.1 billion at the end of 2013. This is an increase of 5.5 percent (\$266.8 million) over the net position of the previous year, as restated.

Governmental activities. Although net position of the County's governmental activities increased 7.5 percent (\$177.6 million) to \$2.5 billion, 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, etc.) less any related outstanding debt used to acquire those assets. Consequently, unrestricted net position for governmental activities was a negative \$65.1 million at the end of 2013. This is a \$78.2 million decrease from the unrestricted net position at the end of 2012.

	Net Position (in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 1,143,860	\$ 1,106,056	\$ 1,718,882	\$ 1,364,356	\$ 2,862,742	\$ 2,470,412
Capital assets	2,971,710	2,871,402	5,770,423	5,789,884	8,742,133	8,661,286
Total Assets	4,115,570	3,977,458	7,489,305	7,154,240	11,604,875	11,131,698
Deferred outflows of Resources	24,963	26,952	97,254	100,254	122,217	127,206
Liabilities						
Long-term liabilities	1,405,414	1,473,093	4,452,662	4,295,247	5,858,076	5,768,340
Other liabilities	190,870	164,715	477,253	381,388	668,123	546,103
Total Liabilities	1,596,284	1,637,808	4,929,915	4,676,635	6,526,199	6,314,443
Deferred inflows of Resources	-	-	52,250	62,600	52,250	62,600
Net Position						
Net investment in capital assets	2,109,711	1,905,722	1,612,685	1,627,435	3,722,396	3,533,157
Restricted	499,601	447,706	214,515	246,589	714,116	694,295
Unrestricted	(65,063)	13,174	777,194	641,235	712,131	654,409
Total net position	\$ 2,544,249	\$ 2,366,602	\$ 2,604,394	\$ 2,515,259	\$ 5,148,643	\$ 4,881,861

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 \$741.4 million for which no corresponding assets are recorded but for which future revenues are obligated.

Of the amount of debt with no corresponding assets, 59.1 percent (\$115.5 million) is related to assets recorded on the books of one of the County's two 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 \$48.5 million associated with the defunct Kingdome stadium and \$31.5 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 \$2.6 billion in the net position of business-type activities. Of the total net position for business-type activities, 61.9 percent (\$1.6 billion) is the net investment in capital assets (e.g., land, buildings, plant assets, etc.). Business-type activities employ 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 8.3 percent of the total net position of business-type activities is restricted for debt service (\$194.8 million) and regulatory assets and environmental liabilities (\$19.5 million). The remaining 29.8 percent (\$777.2 million) is unrestricted net position. Balances 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 negative \$65.1 million of governmental activities unrestricted net position and the \$777.2 million positive balance in the business-type activities unrestricted net position results in \$712.1 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 2013 resulted from revenues exceeding related expenses and reflects the County's ability to meet its ongoing obligations, including its debt service requirements. Approximately 41.4 percent of the

County's total revenues came from taxes, primarily property taxes and retail sales and use taxes. Charges for various goods and services provided 47.0 percent of the total revenues, while 6.5 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 public transportation; law, safety and justice; mental and physical health; 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 2013.

Governmental activities. Governmental activities accounted for 67.7 percent of the total growth in net position of the County, resulting in an increase in the County's governmental activities net position to \$2.5 billion. Program revenues for governmental activities total \$915.4 million and include the amount paid by those who directly benefit from the programs (\$639.7 million), and by other governments and organizations that subsidized certain programs with operating grants and contributions (\$175.7 million), and capital grants and contributions (\$99.8 million). In 2013, the cost of all governmental activities was \$1.6 billion. The remaining public benefit portion of governmental activities was funded with \$624.0 million in property taxes, \$170.6 million in retail sales and use taxes, and \$70.7 million in other revenues, including other taxes and interest earnings.

The growth in net position of governmental activities of \$177.6 million is primarily due to the increase in collection of property tax revenues (\$30.4 million) and increase of capital grants and donations, primarily infrastructure, of \$32.7 million.

King County, Washington

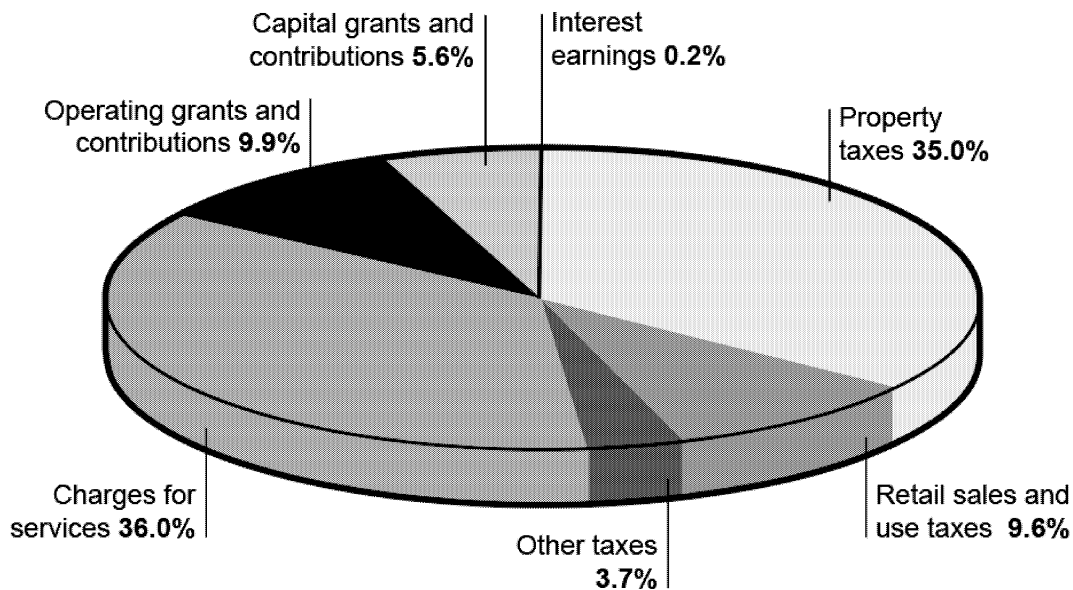
Changes in Net Position (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 639,736	\$ 626,138	\$ 869,918	\$ 794,233	\$ 1,509,654	\$ 1,420,371
Operating grants and contributions	175,862	205,235	35,824	58,537	211,686	263,772
Capital grants and contributions	99,812	67,113	57,919	81,712	157,731	148,825
General revenues						
Property taxes	624,036	593,654	24,645	25,217	648,681	618,871
Retail sales and use taxes	170,581	161,467	442,975	413,047	613,556	574,514
Other taxes	66,749	63,808	-	-	66,749	63,808
Unrestricted interest earnings	3,948	8,356	712	5,700	4,660	14,056
Total revenues	<u>1,780,724</u>	<u>1,725,771</u>	<u>1,431,993</u>	<u>1,378,446</u>	<u>3,212,717</u>	<u>3,104,217</u>
Expenses						
General government ^(a)	189,712	147,396	-	-	189,712	147,396
Law, safety and justice	587,478	629,924	-	-	587,478	629,924
Physical environment	88,381	77,111	-	-	88,381	77,111
Transportation	68,363	78,937	-	-	68,363	78,937
Economic environment	98,219	104,707	-	-	98,219	104,707
Mental and physical health	480,482	469,234	-	-	480,482	469,234
Culture and recreation	48,748	60,273	-	-	48,748	60,273
Interest and other debt service costs	41,728	38,509	-	-	41,728	38,509
Airport	-	-	28,339	29,909	28,339	29,909
Public transportation	-	-	764,580	740,384	764,580	740,384
Solid waste	-	-	102,030	108,837	102,030	108,837
Water quality	-	-	433,210	396,260	433,210	396,260
Other enterprises activity	-	-	15,432	13,912	15,432	13,912
Total expenses	<u>1,603,111</u>	<u>1,606,091</u>	<u>1,343,591</u>	<u>1,289,302</u>	<u>2,946,702</u>	<u>2,895,393</u>
Increase in net position before transfers	177,613	119,680	88,402	89,144	266,015	208,824
Payment to escrow	767	-	-	-	767	-
Transfers	(733)	2,857	733	(2,857)	-	-
Special item	-	3,809	-	-	-	3,809
Increase in net position	<u>177,647</u>	<u>126,346</u>	<u>89,135</u>	<u>86,287</u>	<u>266,782</u>	<u>212,633</u>
Net position, beginning of year (restated) ^(b)	<u>2,366,602</u>	<u>2,240,256</u>	<u>2,515,259</u>	<u>2,428,972</u>	<u>4,881,861</u>	<u>4,669,228</u>
Net position, end of year	<u>\$ 2,544,249</u>	<u>\$ 2,366,602</u>	<u>\$ 2,604,394</u>	<u>\$ 2,515,259</u>	<u>\$ 5,148,643</u>	<u>\$ 4,881,861</u>

(a) Expenses for all other 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 \$189.7 million in General government expense above consists of \$243.6 million in direct program expenses reduced by indirect charges of \$53.9 million allocated to other County functions.

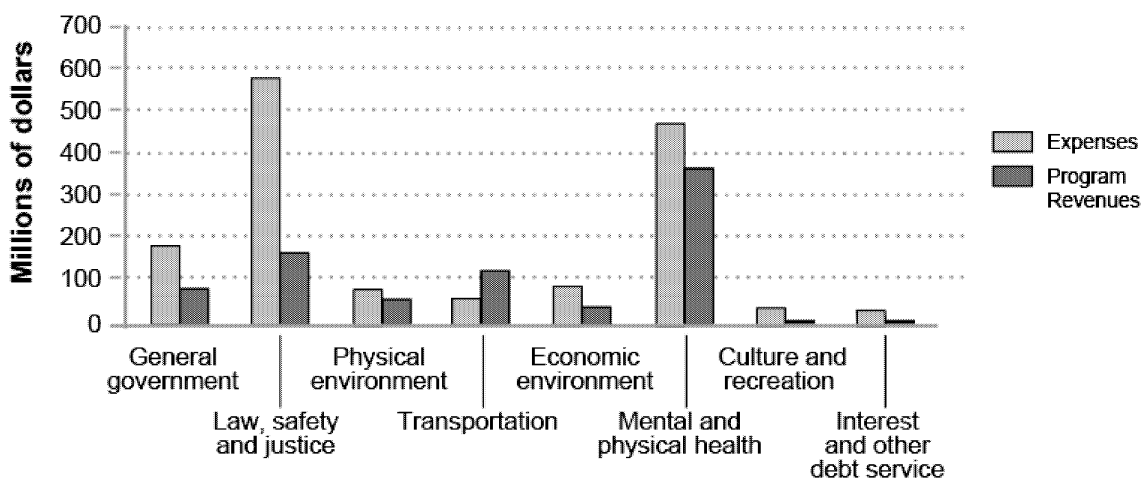
(b) Net position, beginning of year has been restated, see Note 18 - "Restrictions, Components of Fund Balance, and Changes in Equity" – Restatements of Beginning Balances.

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 2013



Expenses and Program Revenues – Governmental Activities 2013



Charges for services provided 35.9 percent, and property taxes 35.1 percent, of total revenues for governmental activities. The largest expense was for Law, safety and justice, a function that requires the greatest usage of general government revenues. The second largest expense was for Mental and physical health; the primary revenue sources for this program are from charges for services and operating grants

and contributions, which funded 84.8 percent of the activities of that function. In 2013, Transportation received \$73.0 million in infrastructure and right-of-way capital assets from developers, which enabled program revenues to exceed expenses by \$65.9 million. These capital contributions accounted for 41.1 percent of the 2013 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	\$ (102,135)
Law, safety and justice	(413,267)
Physical environment	(20,034)
Transportation	65,931
Economic environment	(46,349)
Mental and physical health	(101,332)
Culture and recreation	(37,715)
Interest and other debt service costs	(32,800)
Total expenses	<u>(687,701)</u>

General revenues

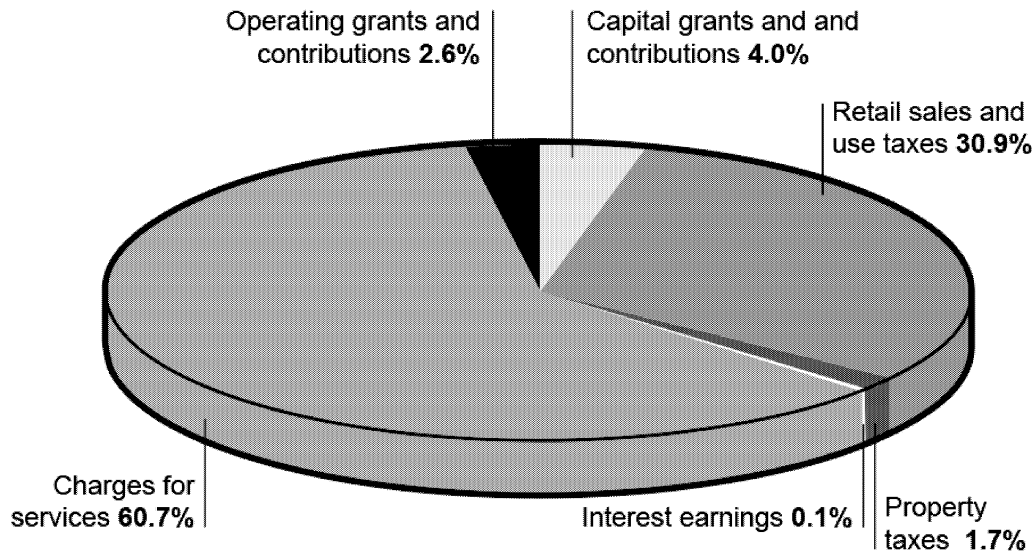
Property taxes	624,036
Retail sales and use taxes	170,581
Other taxes	66,749
Unrestricted interest earnings	3,948
Transfers to Business-type	(733)
Payment to Escrow	767
Increase in net assets	<u>\$ 177,647</u>

Business-type activities. Business-type activities increased the County's net position by \$89.1 million in 2013, accounting for 33.4 percent of the total growth in net position of the County. Total revenues for business-type activities were \$1.4 billion. The cost of all business-type activities for 2013 was \$1.3 billion. Of that amount, 74.1 percent (\$963.7 million) was funded from program revenues, including \$869.9 million in charges for services, \$35.8 million from other governments and

organizations that subsidized certain programs with operating grants, and \$57.9 million in capital grants and contributions. Public Transportation operations are subsidized by retail sales and use tax revenues, which amounted to \$443 million in 2013 and property taxes of \$24.6 million. In addition, business-type activities earned \$712 thousand in unrestricted interest earnings.

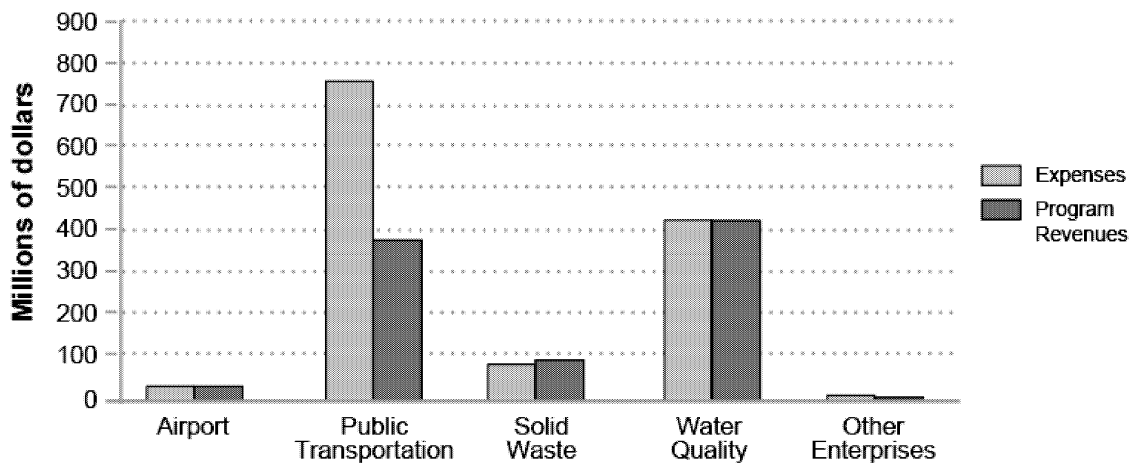
Business-type revenues by source and business-type expenses and program revenues by function:

Revenues by Source – Business-type Activities 2013



Business-type expenses and program revenues by function (In millions):

Expenses and Program Revenues – Business-type Activities 2013



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, 2013, the County's governmental funds reported combined ending fund balances of \$640.5 million, a decrease of \$31.4 million in comparison with the prior year.

Overall governmental fund revenues totaled approximately \$1,816.6 million for 2013, which represents an increase of 1.4 percent (\$25.1 million) over 2012. Property taxes increased 5.2 percent (\$30.7 million), Retail sales and use taxes were up \$9.1 million and Business and other taxes were up \$3.5 million. However, Intergovernmental revenues were down \$25.1 million or 4.2 percent.

In 2013, expenditures for governmental funds totaled \$1,853.0 million, an increase of only 1.9 percent (\$34.1 million) from the previous fiscal year. Current expenditures were up 2.1 percent (\$33.1 million) from the previous fiscal year including increases in expenditures for General government (\$12.1 million), Law Safety and Justice (\$19.8 million) and Mental and physical health (\$9.2 million). However, Capital outlay expenditures were down \$18.5 million (15.4 percent).

Total expenditures for governmental funds exceeded revenues by \$36.4 million in 2013, compared to \$27.5 million for 2012. The decrease in fund balances in 2013 of \$31.4 million was partially offset by other financing sources (uses) of \$5.0 million.

The **General Fund** is the primary operating fund for the County. At the end of the 2013, total fund balance for the General Fund was \$114.4 million. Unassigned fund balance, the amount considered available to spend, totaled \$78.3 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 12.6 percent of total General Fund expenditures, a modest decrease from the 17.2 percent of a year ago. Total fund balance (excluding the Rainy Day Fund) represents approximately 15.8 percent of total General Fund expenditures for 2013 and 19.9 percent for 2012.

The fund balance of the General Fund decreased \$25.3 million during 2013, compared to an increase in fund balance of \$4.9 million in 2012. While revenues increased by \$33.4 million (5.1 percent) in 2013, expenditures also increased by \$24.7 million (4.1 percent); Property tax revenues increased by \$28.7 million, and Sales and use taxes also increased by \$6.4 million. The decrease in the General Fund Balance was largely due to an increase in Transfers out in 2013 of \$43.9 million or 88.5 percent.

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 for King County residents. At the end of 2013 it had a total fund balance of \$4.1 million. Revenues were down \$19.6 million, largely due to a drop in Intergovernmental revenues of \$11.2 million from 2012 levels, the major portion of which was due to cuts in federal Medicaid match funding and the close of American Recovery and Reinvestment Act (ARRA) grants in early 2013.

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 \$72.1 million and the net position of the Water Quality Enterprise decreased by \$1.2 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 2013 the Public Transportation Enterprise had total net position of \$1.7 billion of which 68.5 percent (\$1.2 billion) was the net investment in capital assets; 0.6 percent (\$11.2 million) was restricted as to use for capital purposes, debt service, and other purposes; and 30.9 percent (\$539.5 million) was unrestricted and available for spending. Net position increased in 2013 and 2012. The increase was \$71.2 million in 2013 and \$84.7 million in 2012.

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 \$559.9 million at the end of 2013 of which 37.0 percent (\$206.9 million) was the net investment in capital assets; 36.3 percent (\$203.3 million) was restricted for debt service and regulatory assets and environmental liabilities; and the remaining 26.7 percent (\$149.7 million) was unrestricted. Water Quality operating revenues increased by 10.5 percent to \$422.0 million, while operating expenses net of depreciation increased by only 1.9 percent to \$119.2 million.

General Fund Budgetary Highlights

The County's final General Fund budget differs from the original budget in that it reflects an increase of \$48.8 million during the year due to 2013 supplemental budget appropriations. These supplemental appropriations included increasing transfers out by \$31.9 million. Of that increase, \$23.2 million was a transfer out to cover the General Fund share of the Dolan lawsuit judgment. The actual budgetary basis expenditures (including encumbrances) were \$18.4 million less than the final appropriation.

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, 2013, 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 was 0.93 percent (3.5 percent increase for governmental activities and 0.3 percent decrease for business-type activities).

Major capital asset events during 2013 included the following:

- The Brightwater conveyance project is in the process of closing out and is expected to reach final completion stage in 2014. The entire Brightwater facility project cost over a billion dollars.
- The project to replace the old South Park Bridge is entering the final phase of construction. The bridge is expected to be substantially complete and reopens to traffic in the summer of 2014.
- The Bow Lake Transfer Station was completed in 2013. The project included construction of a new transfer building, the addition of a larger recycling area, new scales and scale house.
- The new Factoria Recycling and Transfer Station project is expected to begin construction in 2014. Estimated cost of the project is at \$88.8 million for a completely new facility.

A summary of the 2013 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	
	2013	2012	2013	2012	2013	2012
Land and land rights	\$ 964.9	\$ 891.1	\$ 493.1	\$ 482.9	\$ 1,458.0	\$ 1,374.0
Buildings*	641.2	671.0	1,959.0	1,938.1	** 2,600.2	2,609.1
Leasehold Improvements*	16.4	17.2	1.5	1.5	17.9	18.7
Improvements other than buildings*	43.6	42.9	110.8	119.4	** 154.4	162.3
Infrastructure - roads and bridges	1,075.7	1,020.6	-	-	1,075.7	1,020.6
Infrastructure - other*	8.0	7.5	1,709.2	1,732.7	1,717.2	1,740.2
Equipment, software and art collection*	121.4	129.7	1,079.3	1,045.1	1,200.7	1,174.8
Construction in progress	100.5	91.4	417.5	470.2	518.0	561.6
Total	<u>\$ 2,971.7</u>	<u>\$ 2,871.4</u>	<u>\$ 5,770.4</u>	<u>\$ 5,789.9</u>	<u>\$ 8,742.1</u>	<u>\$ 8,661.3</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, assets are preserved indefinitely and 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. In the most recent condition assessments, 68.8 percent of the arterial roads in the County and 74.9 percent of the local access roads in the County had a PCI rating of 40 and above.

It is the policy of the King County Road Services Division to maintain at least 50 percent of the road system at a PCI of 40 or better. This is a change from prior years where it was set at 80 percent at a PCI of 40 or better. The roads condition assessments have shown a declining trend over the past three maintenance cycles. In

the meantime, resources allocated to maintenance and preservation have declined due to the impact of low property valuations and annexations on taxes and the reduction in gas tax revenues. Because of the uncertainty in future funding for roads, the County has lowered its established condition level to 50 percent of the roads at a PCI of 40 or better.

The County currently maintains 181 bridges. Physical inspections to uncover deficiencies are carried out at least every two years and documented. There is also an annual evaluation to determine which bridges are due for replacement or rehabilitation using a 10-point priority scale based on various factors of bridge condition. A key element in the priority scale is the sufficiency rating, which is a numerical rating (on a 100-point scale) of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 12 (6.5 percent) will have a sufficiency rating of 20 or less. The most current complete assessment showed five bridges at or below this threshold. The amount budgeted in 2013 for bridge preservation and maintenance was \$5.5 million, while the actual amount expended was \$5.4 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 2013, the King County primary government has a total of \$4.9 billion in bonds and notes outstanding for its governmental and business-type activities. Of this amount, \$2.0

billion is comprised of debt backed by the full faith and credit of the County. The \$2.9 billion remainder of the County's debt represents bonds secured solely by specified revenue sources. Additional information on King County's long-term debt can be found in Note 15 – "Debt."

Outstanding Debt (in millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 741.4	\$ 772.4	\$ 1,022.0	\$ 1,064.6	\$ 1,763.4	\$ 1,837.0
Lease revenue bonds	265.3	321.8	-	-	265.3	321.8
Revenue bonds	-	-	2,866.1	2,841.8	2,866.1	2,841.8
Total	<u>\$1,006.7</u>	<u>\$1,094.2</u>	<u>\$ 3,888.1</u>	<u>\$ 3,906.3</u>	<u>\$ 4,894.8</u>	<u>\$ 5,000.5</u>

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

Total debt decreased over the previous year by 2.1 percent or \$105.7 million (an 8.0 percent or \$87.5 million decrease for governmental activities and a 0.5 percent or \$18.2 million decrease for business-type activities). Debt outstanding in governmental activities decreased primarily due to \$82.4 million in debt service payments and a decrease of \$5.1 million in refunded limited general obligation bonds. Business-type activities' debt decreased primarily due to debt service payments of \$56.6 million offset with an increase of new sewer revenue bonds of \$49.5 million.

During 2013, the County refinanced some governmental-activities debt to take advantage of favorable interest rates. The County refinanced \$98.1 million of general obligation various purpose bonds that is expected to decrease future aggregate debt service payments by \$5.5 million over the life of the bonds. For business-type debt, the County refinanced \$163.1 million (\$28.9 million of general obligation bonds and \$134.2 million of revenue bonds) that is expected to decrease future aggregate debt service payments by \$24.1 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 the 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 \$8.5 billion, significantly higher than the County's outstanding net general obligation long-term debt of \$1.1 billion. For metropolitan functions, the debt limitation is also \$8.5 billion and the County's outstanding net general obligation debt is \$1.1 billion.

ECONOMIC OUTLOOK AND 2014 BUDGET

Economic factors have a direct impact on the County's revenues and the demand for services. County revenue sources are sensitive to the performance of the economy including income and employment, which affects property tax assessments, inflation forecasts, and real estate transactions. For example, sales tax revenues are largely driven by income, inflation and employment; when these factors rise, sales tax receipts typically increase. Similarly, County expenditure projections are directly tied to

inflation forecasts since a significant portion of county costs are directly tied to the local Consumer Price Index.

The County's revenue sources include taxes, charges for services, intergovernmental revenues and interest earnings. The largest single source is taxes, which comprise approximately forty percent of total revenues and consist primarily of taxes on real property and sales taxes. Property taxes tend to be stable because levy amounts are based on procedures outlined in Washington state law that govern the growth of property tax levies. In most cases this leads to very stable growth of 1 percent plus the value of eligible "add-ons." Other tax sources, such as retail sales taxes, are more volatile and directly influenced by economic conditions in the region.

The County's economy is improving due to the improvement in the global and national economies and the unique composition of businesses in our region. Employment was up 3.2 percent in 2013 with growth in most industrial sectors including construction which grew over 6 percent. The region's most prominent employers, Boeing, Microsoft and Amazon.com, retain strong demand for their products.

Real estate prices climbed throughout 2013, the year-on-year index was up approximately 12.0 percent. Total assessed valuation (TAV) was down slightly by 1.5 percent for tax year 2013 but is up 8.2 percent for tax year 2014. New construction grew 3.0 percent in tax year 2013 and was up significantly in tax year 2014 by 72.0 percent. There are positive signs for continued growth in 2015 and beyond.

Taxable sales increased by 7.2 percent in King County in 2013. Construction sales were a large contributor to that growth up 16 percent in 2013. Retail and food service and accommodation sales also experienced solid gains.

The annual inflation rate in the area continues to be low at 1.2 percent for 2013 (CPI-W Seattle-Tacoma-Bremerton) and has mostly been driven by housing costs. Annual inflation excluding shelter was only 0.2 percent in 2013.

The County is required by law to adopt a balanced budget. The 2013/2014 budget adopted by the County Council, totals \$9.0 billion, which includes both annual and biennial budgets. Of this amount, approximately \$718.5 million, all annual, is appropriated for the General Fund. The General Fund current expense budget maintains a six percent minimum budgetary undesignated fund balance as a percentage of revenues.

King County will continue to face numerous challenges, including rising employee and programmatic health care costs, fluctuating energy prices, 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.

REQUESTS FOR INFORMATION

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Basic Statements

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATEMENT OF NET POSITION
DECEMBER 31, 2013
(IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 964,445	\$ 1,318,466	\$ 2,282,911	\$ 243,832
Investments	-	-	-	25,521
Receivables, net	213,980	215,294	429,274	148,319
Internal balances	(51,491)	51,491	-	-
Inventories	2,531	30,246	32,777	7,711
Prepayments and other assets	14,395	7,645	22,040	3,178
Capital assets				
Non-depreciable assets	2,152,195	907,186	3,059,381	14,930
Depreciable assets, net of depreciation	819,515	4,863,237	5,682,752	339,911
Deposits with other governments	-	-	-	600
Regulatory assets - environmental remediation	-	59,591	59,591	-
Other utility assets	-	31,001	31,001	-
Other assets	-	5,148	5,148	2,718
TOTAL ASSETS	4,115,570	7,489,305	11,604,875	786,720
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	24,963	97,254	122,217	-
LIABILITIES				
Accounts payable and other current liabilities	102,861	246,460	349,321	45,839
Accrued liabilities	58,982	112,203	171,185	44,729
Notes payable	-	100,380	100,380	-
Unearned revenues	29,027	13,676	42,703	3,764
Noncurrent liabilities				
Due within one year	194,658	104,914	299,572	1,618
Due in more than one year	1,210,756	4,352,282	5,563,038	19,327
TOTAL LIABILITIES	1,596,284	4,929,915	6,526,199	115,277
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	-	52,250	52,250	-
NET POSITION				
Net investment in capital assets	2,109,711	1,612,685	3,722,396	351,039
Restricted for:				
Capital projects	99,681	223	99,904	-
Debt service	49,196	194,823	244,019	-
General government	56,555	-	56,555	-
Law, safety and justice	79,668	-	79,668	-
Physical environment	72,045	-	72,045	-
Transportation	9,477	-	9,477	-
Economic environment	43,927	-	43,927	-
Mental and physical health	79,604	-	79,604	-
Culture and recreation	9,448	-	9,448	-
Regulatory assets and environmental liabilities	-	19,469	19,469	-
Expendable	-	-	-	20,450
Nonexpendable	-	-	-	53,776
Unrestricted	(65,063)	777,194	712,131	246,178
TOTAL NET POSITION	\$ 2,544,249	\$ 2,604,394	\$ 5,148,643	\$ 671,443

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)

Functions/Programs	Program Revenues				
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 243,594	\$ (53,882)	\$ 74,483	\$ 9,598	\$ 3,496
Law, safety & justice	566,193	21,285	150,358	23,853	-
Physical environment	87,088	1,293	53,825	11,015	3,507
Transportation	66,006	2,357	28,093	14,122	92,079
Economic environment	96,932	1,287	20,854	31,016	-
Mental & physical health	474,367	6,115	294,291	84,859	-
Culture & recreation	47,911	837	8,908	1,395	730
Interest and other					
debt service costs	41,728	-	8,924	4	-
Total governmental activities	1,623,819	(20,708)	639,736	175,862	99,812
Business-type activities:					
Airport	28,008	331	20,440	-	7,680
Public Transportation	749,543	15,037	299,382	35,752	47,149
Solid Waste	99,939	2,091	109,131	-	-
Water Quality	430,045	3,165	431,743	72	271
Institutional Network	3,106	-	2,549	-	-
Ferry District	7,187	-	2,144	-	2,819
Radio Communications Services	5,055	84	4,529	-	-
Total business-type activities	1,322,883	20,708	869,918	35,824	57,919
Total primary government	\$ 2,946,702	\$ -	\$ 1,509,654	\$ 211,686	\$ 157,731
Component units	\$ 814,213		\$ 782,422	\$ 9,393	\$ 3,495
General revenues					
Property taxes					
Retail sales and use taxes					
Business and other taxes					
Penalties and interest - delinquent taxes					
Interest earnings					
Payment to escrow					
Transfers					
Total general revenues and transfers					
Change in net position					
Net position - January 1, 2013 (Restated)					
Net position - December 31, 2013					

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		
\$ (102,135)	\$	\$ (102,135)	\$	
(413,267)		(413,267)		
(20,034)		(20,034)		
65,931		65,931		
(46,349)		(46,349)		
(101,332)		(101,332)		
(37,715)		(37,715)		
<u>(32,800)</u>		<u>(32,800)</u>		
<u>(687,701)</u>		<u>(687,701)</u>		
	(219)	(219)		
	(382,297)	(382,297)		
	7,101	7,101		
	(1,124)	(1,124)		
	(557)	(557)		
	(2,224)	(2,224)		
	(610)	(610)		
<u>-</u>	<u>(379,930)</u>	<u>(379,930)</u>		
<u>(687,701)</u>	<u>(379,930)</u>	<u>(1,067,631)</u>		
			(18,903)	
624,036	24,645	648,681	-	
170,581	442,975	613,556	-	
45,880	-	45,880	-	
20,869	-	20,869	-	
3,948	712	4,660	(58)	
767	-	767	-	
(733)	733	-	-	
<u>865,348</u>	<u>469,065</u>	<u>1,334,413</u>	<u>(58)</u>	
177,647	89,135	266,782	(18,961)	
2,366,602	2,515,259	4,881,861	690,404	
<u>\$ 2,544,249</u>	<u>\$ 2,604,394</u>	<u>\$ 5,148,643</u>	<u>\$ 671,443</u>	

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013
(IN THOUSANDS)**

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and cash equivalents	\$ 87,093	\$ 58	\$ 531,136	\$ 618,287
Taxes receivable - delinquent	7,652	352	8,007	16,011
Accounts receivable, net	13,715	2,781	48,669	65,165
Interest receivable	7,453	-	-	7,453
Due from other funds	8,232	1,336	3,654	13,222
Due from other governments, net	45,154	30,672	45,932	121,758
Inventory of supplies	-	886	-	886
Prepayments	-	-	7,160	7,160
Advances to other funds	300	-	4,000	4,300
Total assets				
Deferred outflows of resources	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 169,599	\$ 36,085	\$ 648,558	\$ 854,242
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 3,377	\$ 15,459	\$ 44,554	\$ 63,390
Due to other funds	6,629	120	12,610	19,359
Interfund short-term loans payable	-	5,864	-	5,864
Due to other governments	-	-	6,160	6,160
Interest payable	-	-	191	191
Wages payable	24,620	6,479	10,558	41,657
Taxes payable	189	3	60	252
Bonds payable	-	-	3,715	3,715
Unearned revenues	3,411	1,205	23,789	28,405
Custodial accounts	1,886	-	10,525	12,411
Advances from other funds	-	-	6,325	6,325
Total liabilities	40,112	29,130	118,487	187,729
Deferred inflows of resources				
Unavailable revenue-property taxes	7,652	352	8,091	16,095
Unavailable revenue-grants	1,139	-	-	1,139
Unavailable revenue-other receivables	6,326	2,497	-	8,823
Total deferred inflows of resources	15,117	2,849	8,091	26,057
Fund balance				
Nonspendable fund balance	300	886	13,355	14,541
Restricted fund balance	2,506	-	392,824	395,330
Committed fund balance	24,982	-	80,368	105,350
Assigned fund balance	8,264	3,220	42,004	53,488
Unassigned fund balance	78,318	-	(6,571)	71,747
Total fund balances	114,370	4,106	521,980	640,456
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 169,599	\$ 36,085	\$ 648,558	

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.	2,637,090
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	46,660
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	96,782
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(876,739)
Net position of governmental activities	<u>\$ 2,544,249</u>

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, 2013
(IN THOUSANDS)

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property taxes	\$ 311,500	\$ -	\$ 312,790	\$ 624,290
Retail sales and use taxes	95,366	-	75,215	170,581
Business and other taxes	8,925	-	36,957	45,882
Penalties and interest - delinquent taxes	20,869	-	-	20,869
Licenses and permits	4,741	14,420	2,994	22,155
Intergovernmental revenues	103,645	125,821	342,958	572,424
Charges for services	114,208	16,526	139,119	269,853
Fines and forfeits	7,233	3	140	7,376
Interest earnings	1,458	-	1,998	3,456
Miscellaneous revenues	16,713	4,599	58,393	79,705
TOTAL REVENUES	684,658	161,369	970,564	1,816,591
EXPENDITURES				
Current				
General government	112,171	-	91,569	203,740
Law, safety and justice	482,790	-	107,911	590,701
Physical environment	-	-	123,241	123,241
Transportation	-	-	77,468	77,468
Economic environment	437	-	98,219	98,656
Mental and physical health	24,854	196,413	269,665	490,932
Culture and recreation	-	-	44,188	44,188
Debt Service				
Principal	-	-	70,686	70,686
Interest and other debt service costs	24	41	32,935	33,000
Refunding bond issuance costs	-	-	608	608
Capital outlay	1,452	1,008	117,286	119,746
TOTAL EXPENDITURES	621,728	197,462	1,033,776	1,852,966
Excess (deficiency) of revenues over (under) expenditures	62,930	(36,093)	(63,212)	(36,375)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,328	25,534	156,709	187,571
Transfers out	(93,594)	(132)	(95,121)	(188,847)
Premium on bonds sold	-	-	7,261	7,261
Refunding bonds issued	-	-	92,940	92,940
Sale of capital assets	62	18	5,558	5,638
Payment to refunded bonds escrow agent	-	-	(99,593)	(99,593)
TOTAL OTHER FINANCING SOURCES (USES)	(88,204)	25,420	67,754	4,970
Net changes in fund balances	(25,274)	(10,673)	4,542	(31,405)
Fund balances - January 1, 2013	139,644	14,779	517,438	671,861
Fund balances - December 31, 2013	<u>\$ 114,370</u>	<u>\$ 4,106</u>	<u>\$ 521,980</u>	<u>\$ 640,456</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, 2013
(IN THOUSANDS)**

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

Net change in fund balances - total governmental funds	\$ (31,405)
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.	72,744
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.	(31,521)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	3,006
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.	70,490
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.	4,113
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	90,220
Change in net position of governmental activities	<u>\$ 177,647</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, 2013
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes				
Property taxes	\$ 308,754	\$ 308,754	\$ 311,500	\$ 2,746
Retail sales and use taxes	89,810	89,810	95,366	5,556
Business and other taxes	7,303	7,303	8,925	1,622
Penalties and interest - delinquent taxes	22,500	22,500	20,869	(1,631)
Licenses and permits	3,842	3,842	4,741	899
Intergovernmental revenues	104,048	104,048	103,645	(403)
Charges for services	119,449	119,449	114,208	(5,241)
Fines and forfeits	8,578	8,578	7,233	(1,345)
Interest earnings	2,463	2,463	2,420	(43)
Miscellaneous revenues	15,904	15,904	16,713	809
Sale of capital assets	30	30	5,328	5,298
Transfers in	315	315	62	(253)
TOTAL REVENUES	682,996	682,996	691,010	8,014
EXPENDITURES				
Current				
General government services	114,262	115,020	112,498	2,522
Law, safety and justice	475,040	489,261	484,304	4,957
Economic environment	604	604	437	167
Mental and physical health	25,133	25,827	24,951	876
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	24	(21)
Capital outlay	1,797	3,034	1,866	1,168
Transfers out	70,408	102,338	93,594	8,744
TOTAL EXPENDITURES	687,281	736,121	717,674	18,447
Deficiency of revenues under expenditures (budgetary basis)	\$ (4,285)	\$ (53,125)	(26,664)	\$ 26,461
Adjustment from budgetary basis to GAAP basis			1,390 ^(a)	
Net change in fund balance			(25,274)	
Fund balance - January 1, 2013			139,644	
Fund balance - December 31, 2013			\$ 114,370	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized loss on investments on a GAAP basis			\$ (965)	
Adjustments to expenditures				
Non-budgeted expenditures			-	
Encumbrances, not included in GAAP basis expenditures			2,355	
Adjustment from budgetary basis to GAAP basis			\$ 1,390	

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, 2013
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Licenses and permits	\$ 14,731	\$ 14,731	\$ 14,420	\$ (311)
Intergovernmental revenues	135,485	135,094	125,821	(9,273)
Charges for services	16,988	16,985	16,526	(459)
Fines and forfeits	-	-	3	3
Contribution donations from private sources	4,369	4,377	4,298	(79)
Miscellaneous revenues	39,462	38,729	301	(38,428)
Transfers in	25,931	25,965	25,534	(431)
Sale of capital assets	-	-	18	18
Total Revenues	236,966	235,881	186,921	(48,960)
EXPENDITURES				
Current				
Mental and physical health	243,723	243,723	196,413	47,310
Debt service				
Interest and other debt service costs	40	40	41	(1)
Capital outlay	410	410	1,008	(598)
Transfers out	841	841	132	709
Total Expenditures	245,014	245,014	197,594	47,420
Deficiency of revenues under expenditures (budgetary basis)	\$ (8,048)	\$ (9,133)	(10,673)	\$ (1,540)
Adjustment from budgetary basis to GAAP basis - encumbrances			-	
Net change in fund balance			(10,673)	
Fund balances - January 1, 2013			14,779	
Fund balance - December 31, 2013			\$ 4,106	

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, 2013
(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	\$ 492,729	\$ 262,151	\$ 97,671	\$ 852,551	\$ 348,766
Restricted cash and cash equivalents	19,026	148,177	375	167,578	172
Accounts receivable	54,179	37,127	8,511	99,817	1,053
Estimated uncollectible accounts receivable	(236)	(964)	(144)	(1,344)	(1)
Due from other funds	983	3,994	1,194	6,171	2,173
Interfund short-term loans receivable	5,864	-	310	6,174	-
Property tax receivable-delinquent	516	-	30	546	-
Due from other governments, net	112,830	59	3,363	116,252	74
Inventory of supplies	21,312	7,252	1,675	30,239	1,647
Prepayments and other assets	430	59	134	623	4,138
Total current assets	707,633	457,855	113,119	1,278,607	358,022
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	2,449	236,072	53,383	291,904	3,424
Accounts receivable	-	-	-	-	18
Due from other governments, net	23	-	-	23	-
Total restricted assets	2,472	236,072	53,383	291,927	3,442
Capital assets					
Non-depreciable assets	227,058	568,002	112,126	907,186	20,260
Depreciable assets, net of depreciation	1,093,998	3,560,357	202,336	4,856,691	320,906
Total capital assets	1,321,056	4,128,359	314,462	5,763,877	341,166
Other noncurrent					
Prepayments	6,159	863	-	7,022	3,097
Advances to other funds	-	-	2,935	2,935	-
Regulatory assets - environmental remediation	-	59,591	-	59,591	-
Other utility assets, net of accumulated depreciation	-	31,001	-	31,001	-
Other assets	710	4,438	-	5,148	-
Total other noncurrent	6,869	95,893	2,935	105,697	3,097
Total noncurrent assets	1,330,397	4,460,324	370,780	6,161,501	347,705
TOTAL ASSETS	2,038,030	4,918,179	483,899	7,440,108	705,727
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	5,054	92,008	192	97,254	-

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013
(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	\$ 63,695	\$ 30,204	\$ 7,887	\$ 101,786	\$ 16,633
Retainage payable	3,499	881	325	4,705	107
Estimated claim settlements	-	-	-	-	101,890
Due to other funds	144	5	74	223	1,984
Interest payable	432	81,418	436	82,286	1,278
Interfund short-term loans payable	-	-	310	310	-
Wages payable	22,598	4,256	3,050	29,904	8,834
Compensated absences payable	8,383	572	166	9,121	755
Taxes payable	56	7	161	224	9
Unearned revenues	8,836	1,328	3,512	13,676	49,580
Pollution remediation - current portion	-	5,715	-	5,715	-
Revenue bonds payable	-	48,880	-	48,880	10,280
General obligation bonds payable	10,370	8,750	4,490	23,610	2,135
Capital leases payable	109	-	-	109	-
State revolving loan payable	-	9,323	-	9,323	-
Notes payable	-	100,000	380	100,380	-
Landfill closure and post-closure care	-	-	3,242	3,242	-
Other liabilities	-	144,302	319	144,621	2,844
Total current liabilities	118,122	435,641	24,352	578,115	196,329
Noncurrent liabilities					
Retainage payable	2,249	-	-	2,249	-
Compensated absences payable	45,261	10,740	5,665	61,666	14,913
Other postemployment benefits	8,204	1,195	991	10,390	1,878
Advances from other funds	-	-	910	910	-
General obligation bonds payable	109,940	779,505	108,955	998,400	27,805
Revenue bonds payable	-	2,817,205	-	2,817,205	255,045
Unamortized bond premium and discount	7,361	177,554	9,358	194,273	-
Capital leases payable	2,874	-	-	2,874	-
State revolving loans payable	-	137,349	-	137,349	-
Landfill closure and post-closure care	-	-	86,723	86,723	-
Estimated claim settlements	-	-	-	-	62,386
Pollution remediation	380	38,845	1,390	40,615	-
Other liabilities	-	-	538	538	-
Total noncurrent liabilities	176,269	3,962,393	214,530	4,353,192	362,027
TOTAL LIABILITIES	294,391	4,398,034	238,882	4,931,307	558,356
DEFERRED INFLOWS OF RESOURCES					
Rate stabilization	-	52,250	-	52,250	-
NET POSITION					
Net investment in capital assets	1,197,987	206,943	200,877	1,605,807	49,807
Restricted for:					
Capital projects	223	-	-	223	65
Debt service	11,001	183,822	-	194,823	18
Regulatory assets and environmental liabilities	-	19,469	-	19,469	-
Unrestricted	539,482	149,669	44,332	733,483	97,481
TOTAL NET POSITION	\$ 1,748,693	\$ 559,903	\$ 245,209	2,553,805	\$ 147,371
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				50,589	
Net position of business-type activities				\$ 2,604,394	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
I-Net fees	\$ -	\$ -	\$ 2,542	\$ 2,542	\$ -
Radio services	-	-	4,003	4,003	-
Solid waste disposal charges	-	-	101,328	101,328	-
Airfield fees	-	-	3,048	3,048	-
Hangar, building, and site rentals and leases	-	-	13,764	13,764	-
Interfund rent	-	-	199	199	-
Passenger	153,846	-	1,625	155,471	-
Service contracts	81,979	-	-	81,979	-
Sewage disposal fees	-	353,200	-	353,200	-
Other operating revenues	23,777	68,786	4,787	97,350	508,630
Total operating revenues	259,602	421,986	131,296	812,884	508,630
OPERATING EXPENSES					
Personal services	422,048	38,904	50,680	511,632	121,006
Materials and supplies	80,174	16,095	8,329	104,598	14,873
Contract services and other charges	29,607	15,031	33,952	78,590	276,545
Utilities	5,153	13,822	2,993	21,968	-
Purchased transportation	56,247	-	2,829	59,076	5,807
Internal services	66,112	33,331	17,753	117,196	27,694
Environmental related amortization	-	2,041	-	2,041	-
Depreciation and amortization	119,281	158,947	18,225	296,453	20,154
Total operating expenses	778,622	278,171	134,761	1,191,554	466,079
OPERATING INCOME (LOSS)	(519,020)	143,815	(3,465)	(378,670)	42,551
NONOPERATING REVENUES					
Sales tax	442,975	-	-	442,975	-
Property tax	23,468	-	1,177	24,645	-
Intergovernmental	35,752	72	-	35,824	232
Interest earnings	120	272	313	705	(176)
DNR administration	-	-	4,593	4,593	-
Rental income	-	-	303	303	-
Other nonoperating revenues	39,780	6,279	2,601	48,660	-
Total nonoperating revenues	542,095	6,623	8,987	557,705	56
NONOPERATING EXPENSES					
Interest	2,976	150,706	2,712	156,394	16,612
DNR administration	-	-	5,737	5,737	-
(Gain) loss on disposal of capital assets	(6,263)	792	637	(4,834)	(964)
Landfill closure and post-closure care	-	-	1,918	1,918	-
Other nonoperating expenses	912	353	1,385	2,650	641
Total nonoperating expenses	(2,375)	151,851	12,389	161,865	16,289
Income (loss) before contributions and transfers	25,450	(1,413)	(6,867)	17,170	26,318
Capital grants and contributions	47,149	260	10,499	57,908	3,641
Transfers in	-	-	1,144	1,144	2,358
Transfers out	(554)	(70)	(181)	(805)	(1,421)
CHANGE IN NET POSITION	72,045	(1,223)	4,595	75,417	30,896
NET POSITION - JANUARY 1, 2013 (Restated)	1,676,648	561,126	240,614		116,475
NET POSITION - DECEMBER 31, 2013	<u>\$ 1,748,693</u>	<u>\$ 559,903</u>	<u>\$ 245,209</u>		<u>\$ 147,371</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				13,718	
Change in net position of business-type activities				<u>\$ 89,135</u>	

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 280,659	\$ 423,020	\$ 135,600	\$ 839,279	\$ 563,911
Cash payments to suppliers for goods and services	(225,930)	(81,251)	(70,593)	(377,774)	(333,014)
Cash payments for employee services	(417,288)	(38,836)	(50,272)	(506,396)	(118,341)
Other receipts	-	144,299	4,927	149,226	5,877
Other payments	-	(5,117)	(7,094)	(12,211)	(1)
Net cash provided (used) by operating activities	(362,559)	442,115	12,568	92,124	118,432
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	527,482	72	3,759	531,313	232
Interfund loan principal amounts loaned to other funds	(5,864)	-	-	(5,864)	-
Interfund loan principal repayments from other funds	29,648	-	303	29,951	-
Interfund loan principal repayment to other funds	(3,500)	(20,158)	-	(23,658)	-
Notes repayment from others	348	-	-	348	-
Grants to others	(912)	(103)	-	(1,015)	-
Transfers in	-	-	1,144	1,144	2,358
Transfers out	(554)	(70)	(181)	(805)	(1,421)
Net cash provided (used) by noncapital financing activities	546,648	(20,259)	5,025	531,414	1,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(109,066)	(134,409)	(22,763)	(266,238)	(19,701)
Proceeds from capital debt	-	72,587	84,177	156,764	17,905
Principal paid on capital debt	(10,079)	(51,593)	(77,325)	(138,997)	(58,510)
Interest paid on capital debt	(5,325)	(164,300)	(3,569)	(173,194)	(16,688)
Capital grants and contributions	58,031	260	7,844	66,135	1,595
Other capitalized payments	-	-	(303)	(303)	-
Proceeds from disposal of capital assets	3,485	19	34	3,538	1,081
Landfill closure and post-closure care	-	-	(4,092)	(4,092)	-
Net cash used by capital and related financing activities	(62,954)	(277,436)	(15,997)	(356,387)	(74,318)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	120	272	314	706	(178)
Net cash provided by investing activities	120	272	314	706	(178)
NET INCREASE IN CASH AND CASH EQUIVALENTS	121,255	144,692	1,910	267,857	45,105
CASH AND CASH EQUIVALENTS - JANUARY 1, 2013	392,949	501,708	149,519	1,044,176	307,257
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2013	<u>\$ 514,204</u>	<u>\$ 646,400</u>	<u>\$ 151,429</u>	<u>\$ 1,312,033</u>	<u>\$ 352,362</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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)	\$ (519,020)	\$ 143,815	\$ (3,465)	\$ (378,670)	\$ 42,551
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and amortization	119,281	158,947	18,225	296,453	20,154
Other nonoperating revenue/expense	6,052	6,279	(2,710)	9,621	(1)
Changes in assets - (increase) decrease					
Accounts receivable, net	14,929	6,670	1,663	23,262	641
Due from other funds	331	(2,027)	2,706	1,010	3,394
Due from other governments, net	-	-	279	279	748
Inventory of supplies	(2,091)	(280)	(127)	(2,498)	(12)
Prepayments	300	127	(134)	293	648
Other assets	-	(12,435)	-	(12,435)	-
Changes in liabilities - increase (decrease)					
Accounts payable	13,770	(1,944)	(2,283)	9,543	6,216
Due to other funds	(820)	(844)	(688)	(2,352)	(1,018)
Retainage payable	124	(36)	154	242	84
Wages payable	526	(150)	333	709	2,609
Taxes payable	53	4	(53)	4	9
Unearned revenues	(254)	463	105	314	47,033
Claims and judgments payable	-	-	-	-	(5,287)
Compensated absences	3,173	63	(64)	3,172	(227)
Other postemployment benefits	1,060	155	126	1,341	283
Customer deposits and other liabilities	27	153,658	(1,499)	152,186	607
Changes in deferred inflows of resources - increase (decrease)					
Rate stabilization	-	(10,350)	-	(10,350)	-
Total adjustments	156,461	298,300	16,033	470,794	75,881
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (362,559)	\$ 442,115	\$ 12,568	\$ 92,124	\$ 118,432

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

In addition to cash payments of \$7,300 thousand, Public Transportation transferred land in 2013 to a developer in exchange for a parking garage and adjacent park and ride lot improvements. The fair market value and net book value of the land at the time of the exchange were \$10,000 thousand and \$467 thousand, respectively. In 2013, the decrease in capital grants on account was \$10,883 thousand for Public Transportation.

Water Quality issued capital bonds to refund debt issued from 2003 to 2006. The \$171,200 thousand proceeds were deposited into escrow for the defeasance of \$163,130 thousand of outstanding revenue bond principal and \$8,070 thousand of interest.

Other Enterprise Funds received \$1,800 thousand of capital asset from other government and transferred \$28 thousand of capital assets to other funds.

Internal Service Funds received \$683 thousand of capital asset from other funds and transferred \$1,999 thousand of capital assets to other funds.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 135,404
Assets held in trust - external investment pool	-	2,521,080
Assets held in trust - external impaired investment pool	-	6,872
Investments	2,527,146	1,540
Assets held in trust - individual investment accounts	-	120
Taxes receivable - delinquent	-	70,651
Accounts receivable	-	4,453
Interest receivable	926	-
Assessments receivable	-	6,956
Notes and contracts receivable	-	51
TOTAL ASSETS	<u>2,528,072</u>	<u>2,747,127</u>
LIABILITIES		
Warrants payable	-	86,882
Accounts payable	-	3,472
Wages payable	-	195
Custodial accounts - County agencies	-	70,758
Due to special districts/other governments	-	2,585,820
TOTAL LIABILITIES	<u>-</u>	<u>\$ 2,747,127</u>
NET POSITION		
Held in trust for pool/individual investment account participants	<u>\$ 2,528,072</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, 2013
 (IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>
ADDITIONS	
Contributions	\$ 5,378,216
Net investment earnings	
Interest	13,151
Decrease in the fair value of investments	<u>(10,353)</u>
TOTAL ADDITIONS	5,381,014
DEDUCTIONS	
Distributions	<u>5,371,606</u>
Change in net position	9,408
Net position - January 1, 2013	<u>2,518,664</u>
Net position - December 31, 2013	<u><u>\$ 2,528,072</u></u>

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

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2013
(IN THOUSANDS)

	Harborview Medical Center	Cultural Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 215,337	\$ 28,495	\$ 243,832
Investments	-	25,521	25,521
Receivables, net	147,881	438	148,319
Inventories	7,711	-	7,711
Prepayments	3,178	-	3,178
Non-depreciable assets	14,930	-	14,930
Depreciable assets, net of depreciation	339,911	-	339,911
Deposits with other governments	600	-	600
Other assets	2,718	-	2,718
Total assets	<u>732,266</u>	<u>54,454</u>	<u>786,720</u>
LIABILITIES			
Accounts payable and other current liabilities	45,476	363	45,839
Accrued liabilities	44,729	-	44,729
Unearned revenues	-	3,764	3,764
Noncurrent liabilities			
Due within one year	1,409	209	1,618
Due in more than one year	18,183	1,144	19,327
Total liabilities	<u>109,797</u>	<u>5,480</u>	<u>115,277</u>
NET POSITION			
Net investment in capital assets	351,039	-	351,039
Restricted for:			
Expendable	20,450	-	20,450
Nonexpendable	3,547	50,229	53,776
Unrestricted	247,433	(1,255)	246,178
Total net position	<u>\$ 622,469</u>	<u>\$ 48,974</u>	<u>\$ 671,443</u>

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

**STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Component units:				
Harborview Medical Center	\$ 805,116	\$ 782,365	\$ 6,022	\$ 3,495
Cultural Development Authority	9,097	57	3,371	-
Total Component units	<u>\$ 814,213</u>	<u>\$ 782,422</u>	<u>\$ 9,393</u>	<u>\$ 3,495</u>
Payments to King County for debt service interest				
Change in net position				
Net position - January 1, 2013				
Net position - December 31, 2013				

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

Net (Expense) Revenue and Changes in Net Position		
Harborview Medical Center	Cultural Development Authority	Total
\$ (13,234)	\$ -	\$ (13,234)
-	(5,669)	(5,669)
(13,234)	(5,669)	(18,903)
	(58)	(58)
(13,234)	(5,727)	(18,961)
635,703	54,701	690,404
<u>\$ 622,469</u>	<u>\$ 48,974</u>	<u>\$ 671,443</u>

Notes to the Financial Section

For the Year Ended December 31, 2013

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Note 1

Summary of Significant Accounting Policies

The Reporting Entity

The reporting entity "King County" consists of the primary government, which is made up of King County Government and its blended component units, namely the King County Ferry District, the Flood Control Zone District, and three non-profit property management corporations; and, its discretely presented component units which comprise Harborview Medical Center (HMC) and the Cultural Development Authority of King County (CDA). Most funds in this report pertain to the entity King County Government or its component units. Certain agency funds pertain to the County's custodianship of assets belonging to independent governments and are reported as Special Districts/Other Governments.

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 King County Code, 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 FBOD Director invests or disburses money pursuant to the instructions of the designated officers 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's FBOD Director 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 medical 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 possesses *de facto* corporate powers evident from the UW management agreement; (2) the County Executive appoints HMC's Board of Trustees, who may be removed only for statutorily defined causes; and (3) HMC creates a financial burden on the County because the County is responsible for the issuance and repayment of all general obligation bonds for HMC capital improvements.

HMC is reported in the County's CAFR using the discrete presentation method because the County and HMC's governing boards are not substantively the same and the hospital does not provide services solely to King County. HMC's fiscal year-end is June 30, 2013 while the County's fiscal year-end is December 31, 2013.

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, 2013, including bonds reported by HMC as of June 30, 2013.

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.

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 operates under the name "4Culture". 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 funds from King County through the Public Art Program where one-percent of certain County construction project budgets are allocated to the CDA to be used in providing artwork at County public spaces. For 2013-2020, the CDA is authorized to spend an endowment which was set-aside from earlier monthly distributions of a portion of the King County lodging taxes.

The CDA is a component unit of the County for the following reasons: (1) it is a separate legal entity; (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.

Change in Reporting Entity

The Washington State Major League Baseball Stadium - Public Facilities District (PFD) – is a municipal corporation of the State of Washington

and was created to design, build and operate a major league baseball park. Prior to 2013, the PFD was reported as a discretely presented component unit because the County issued the bonds that financed the initial stadium construction. Because the bonds have been paid off in 2012 and because there is no legal requirement or precedent that may obligate the County to provide additional funding to the PFD. King County management believes that the PFD no longer meets the criteria for component unit reporting and disclosure. The PFD will be reported as a special district in the Agency funds section because the County continues to be its treasurer. It is also disclosed as a related organization because the County Executive appoints the majority of its board.

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 (FCZD)

The Flood Control Zone District 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 a 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 district; 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 of the FCZD are included in 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 Ave. 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. 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. 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 the potential for liability to grantors over disallowed costs. If expenditures 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, 2013, 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 and workforce centers. For 2013, the WDC reimbursed King County approximately \$3.8 million for the Employment and Education Resource 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 a public nonprofit corporation that owned the original WSCC. The transfer of assets to the WSCC public facilities district has been completed and 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), the King County Housing Authority (KCHA) and the Washington State Major League Baseball Public Facilities District (PFD). The County Council appoints a majority of the board of the KCLS, the KCHA and PFD; 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, the LCFD and the PFD, 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 non-fiduciary 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 14 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 federal and state grants, license and permit fees, charges for services and fines.

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 taxes, bonds, and federal grants.

The Water Quality Enterprise accounts for the operations, capital improvements, and maintenance of the County's water pollution control facilities. The enterprise has three large treatment plants, the recently constructed Brightwater Treatment Plant that came online in 2011-12, the West Point Treatment Plant in Seattle, and the South Treatment Plant in Renton, as well as two smaller facilities, namely 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 special 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, parks development and open space preservation, flood control, technology systems, and historic preservation.

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 exclusively serve the Water Quality Enterprise. It is consolidated for reporting purposes with business-type activities in the government-wide financial 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 for the same purpose, 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 in 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 were implemented in the 2013 reporting year:

GASB Statement 65 – Items Previously Reported as Assets and Liabilities which is effective for periods beginning after December 15, 2012. It is 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.

GASB Statement 70 – Accounting and Financial Reporting for Nonexchange Guarantees which is effective after June 15, 2012. The new standard gives accounting and financial reporting guidance to state or local governments that either offer nonexchange financial guarantees or receive guarantees on their obligations.

The County acknowledges that GASB Statement 66 – *Technical Corrections—2012* is effective for 2013 but the impact of this new guidance over the County's financial reporting is immaterial.

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, Performance, Strategy and Budget, Information and Technology, 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 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, Pollution and property remediation, Unamortized premium or discount on bonds sold 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 Cod., 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 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 or borrowing arrangements outstanding at the end of the fiscal year are referred to as either “Interfund short-term loans receivable or 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 Construction, Facilities Management, and the Public Health funds. Last-in, first-out (LIFO) is used by Radio Communications. The Weighted Average valuation method is used by the Motor Pool Equipment Rental Fund, Public Works Equipment Rental Fund, King County International Airport 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; Software and Artwork. Work in progress is reported for all unfinished construction, development and extended acquisitions for most capital assets except for the Roads and Bridges infrastructure.

General capital assets, including those in internal service funds that support governmental funds, are reported in the governmental activities 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, \$500 thousand for internally developed software, and \$100 thousand for buildings, building improvements, and other improvements.

Because the County is committed to maintaining the roads and bridges 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 periodic 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 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 or amortized. Provision is made for depreciation over the estimated useful lives of the depreciable assets using a standard straight-line method of allocation.

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

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

Deferred Outflows of Resources

Deferred outflows of resources arise from debt refunding in proprietary funds and represent the difference between the reacquisition price and the old cost of the refunded debt.

Deferred Inflows of Resources

Deferred inflows of resources in business-type activities and proprietary funds represent sewer revenues that are reserved annually to normalize future sewer rates (see Rate Stabilization, p. 51). In governmental funds, deferred inflows of resources represent delinquent taxes and fees that are not realizable within the availability period and advanced grants subject to timing requirements.

Unearned Revenues

Unearned revenues are liabilities and should be distinguished from deferred inflows of resources.

For governmental activities, unearned revenues include those that were considered deferred inflows of resources in governmental funds due to the availability criterion under the modified accrual basis. Amounts reported as unearned revenues are true obligations that the County has little or no discretion to avoid such as parks program revenue and building, land development permit fees in governmental funds, rent prepaid by tenants in internal service funds, and other advanced revenues of proprietary funds.

Regulatory Assets and 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 deferred inflow of resources 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. Because investment yields of the County's Investment Pool remained at low-levels, during 2013, arbitrage on outstanding bond proceeds were insignificant.

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 gains and losses, 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 are reported as deferred outflows of resources while bond refunding gains are reported as deferred inflows of resources. 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):

Bonds payable	\$ 707,718
Plus: Unamortized premiums on bonds sold	61,793
Accrued interest payable	7,043
Deferred charge on refunding (to be amortized as interest expense)	(24,963)
Compensated absences	81,926
Unemployment compensation payable	2,569
Other postemployment benefits	<u>40,653</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at net position - governmental activities	<u>\$ 876,739</u>

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."

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):

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

fund 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."

Capital outlay	\$ 112,288
Depreciation expense	<u>(39,544)</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>\$ 72,744</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, because 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.

\$ 31,646

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.

(125)

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

\$ 31,521

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	\$ 98
Abatement fee accrual	(61)
Noxious weed assessment accrual	(2)
Surface Water Management service charge accrual	(1,063)
Fines and forfeits net accrual	354
Direct subsidy bonds reimbursement accrual	1
Advance grant	<u>3,679</u>

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

\$ 3,006

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 refunding bonds	92,940
Premium on bonds sold	7,261
Principal repayments	(68,541)
Receipts from component units for principal repayments	195
Environmental remediation	(1,985)
Payment to escrow agent	<u>(100,360)</u>

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

\$ (70,490)

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

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

Compensated absences	\$ 1,099
Accrued unemployment compensation	(17)
Other postemployment benefits	5,065
Retroactive retirement contribution settlement	(1,092)
Accrued interest	(1,182)
Amortization of deferred charge on refunding	4,269
Amortization of bond premiums	<u>(12,255)</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (4,113)</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	\$ 493
Intergovernmental revenues	232
Revenues related to services provided to outside parties	5,309
Expenses related to services provided to outside parties	(4,865)
Gain on disposal of capital assets	2,001
Interest on long-term debt	(17,288)
Capital contributions	74,694
Transfers in	1,914
Transfers out	(1,371)
Internal service fund gains allocated to governmental activities	<u>29,102</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 90,221</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.

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Net assets of the business-type activities internal service fund	\$	13,312
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years		22,606
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year		<u>14,671</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net position of business-type activities</i>	\$	<u>50,589</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	\$	7
Revenues related to services provided to outside parties		24
Expenses related to services provided to outside parties		(22)
Gain on disposal of capital assets		23
Capital contributions		733
Transfers out		(50)
Internal service fund gains allocated to business-type activities		<u>13,003</u>
Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position of business-type activities</i>	\$	<u>13,718</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.

The Special Revenue Funds have adopted biennial budgets for 2013-2014 except for the following funds: Public Health, Emergency Medical Services, Youth Sport Facilities Grants, Parks Operating Levy, OS Trails and Zoo Levy, Local Hazardous Waste, Miscellaneous Grant and Major Maintenance Capital Improvement Program.

The Flood Control 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.

The Debt Service Funds have adopted biennial budgets for 2013-14.

The Road Improvement Districts Construction Fund is budgeted for 2013-2014.

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.

Most Enterprise and Internal Service Funds have adopted biennial budgets for 2013-2014 except for Finance and the Business Resources Center funds which adopted 2013 annual budgets. These budgets are on the modified accrual basis rather than the accrual basis. Appropriations are based on an estimate of expenditures expected to be incurred during the fiscal year or biennium. Estimated revenues are based on the amount estimated to be earned and available during the fiscal year or 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 is known 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, 2013, by fund type (in thousands):

General Fund	\$ 2,355
Special Revenue Funds	8,824
Capital Projects Funds	3,629
Major Enterprise Funds	60,059
Nonmajor Enterprise Funds	3,101
Internal Service Funds	<u>7,582</u>
Total All Funds	<u>\$ 85,550</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

The King County Council enacts appropriations by ordinance, generally at the fund level. Exceptions to this are:

- The General Fund Is appropriated at the department/division level:
- Selected Special Revenue Funds are also appropriated at the department/ division level:
 1. Children and Family Services
 2. Community Development Block Grant
 3. County Roads
 4. Developmental Disabilities
 5. Mental Illness and Drug Dependency
 6. Miscellaneous Grants
 7. Public Health
- 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 \$16.2 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 \$2.8 million 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 2013 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 reserve policy was changed by the Council 2013 Adopted Budget which reduced the Fund's target fund balance from 6 percent to three percent of total revenues. This policy significantly impacted the residual fund balance which was already insufficient to cover the long term liabilities of the fund.

A fund balance surcharge of \$700 thousand was proposed during a 2013-2014 biennial budget development process. This proposal was designed to restore Facilities Management Division's (FMD) fund balance to established financial targets and adequate fund balances. However, this proposal was not approved. Since FMD is a on a biennial budget calendar year, revenue assumptions originally proposed for the 2013-2014 period were based on the original 6 percent reserve. Revenue assumptions which were developed with the old financial target of 6 percent were not adjusted to account for the changed fiscal policy. FMD management is taking necessary actions during 2014 budget to partially mitigate the 2013 fund balance deficit, and will be proposing a tenant rate surcharge to restore the fund balance to financial target levels during the 2015-2016 budget development process.

Office of Information Resource Management Operating Fund – The deficit of \$52 thousand is primarily caused by \$458 thousand of vacation/sick leave liability increase in 2012 due to the Information Technology (IT) reorganization. The IT reorganization efforts consolidated IT employees from various departments in the executive branch to a single department resulting in a large increase in the operating fund's long-term liabilities. The future efforts to accumulate equity to cover these unfunded liabilities will improve the negative net position of the fund. \$500 thousand of the negative net income in

2013 is due to the one-time transfer of revenue to the KCIT Services fund to cover a temporary shortage due to service transitions from various technology initiatives.

I-Net Enterprise Funds – The deficit of \$1 million is due to the cost of constructing IT investment. \$1.8 million was 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 future years. I-Net service fees include a surcharge for system replacement.

Park Facilities Rehabilitation – The deficit of \$669 thousand of unassigned fund balance was due to costs incurred in advance of transfer of designated resources from other funds. Transfers will occur in 2014 to cover the deficit.

Parks, Recreation and Open Space Fund – The deficit of \$317 thousand is due to timing differences between expenditures and transfers of real estate excise tax revenues. Tax receipts will be distributed in 2014 to cover the deficit.

Renton Maintenance Facilities Construction – The deficit of \$5.6 million was the result of costs to begin the design of a new regional maintenance facility in Ravensdale. The deficit including additional funds required to be spent on the project is expected to be eliminated from proceeds received from the sale of property at a future date. The County is currently negotiating the sale of the property with plans to pre-purchase an adjacent property that can be packaged into a consolidated sale.

Unrestricted Net Position Deficits

Solid Waste Enterprise Fund – The deficit of \$4.9 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 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). Effective July 1, 2009, all public depositaries were required to pledge securities at 100% of their public deposits not covered by FDIC insurance. The PDPC is a statutory authority established under chapter 39.58 RCW that governs public depositaries and provides that "All public funds deposited in public depositaries, 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 depositaries 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 depositaries 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 \$304.0 million in carrying amount and \$300.1 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):

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 300,503	\$ 296,579
Money market accounts	3,489	3,489
Total deposits	<u>\$ 303,992</u>	<u>\$ 300,068</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 depositaries; 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 obligation 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.
- GO bonds issued by any states and Revenue bonds issued by Washington State governments that are rated at least "A" by a nationally recognized rating agency.

King County voluntarily invests in the Washington State Treasurer's Local Government Investment Pool (LGIP). The amount is carried at cost, which approximates fair value. The LGIP is a 2a7-like pool overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

The County is authorized to enter into repurchase agreements 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 separate from the King County Investment Pool. The Impaired Pool holds one commercial paper asset (Victoria), in which 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 it 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 remained at 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, 2013. Expect amounts to be returned to investors and it is possible that the amount recovered may be less than the estimate.

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. In 2013, the County received final settlement payments for the litigation concerning Rhinebridge and Cheyne and has distributed the net settlement payments to each pool participant.

When accounting for all four impaired investments, the fair value of the Impaired Pool at December 31, 2013, was \$12 million and the book value was \$20.2 million. The fair value at year-end was determined by a combination of the December 2013 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, 2013. Also, because of extremely low interest rates, the County chose not to discount these future cash flows.

The Main Pool Excluding \$226.9 million of equity in the component unit, the main Pool has a balance of \$4,608.7 million. The component units have a balance of \$226.9 million. The change in the fair value of the total investments for the reporting entity as of December 31, 2013, after considering purchases, sales and maturities, resulted in a net markdown from cost of \$9.4 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, 2013 (in thousands):

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)
Repurchase Agreements	\$ 45,000	\$ 45,000	0.03%	0.005
Commercial Paper	24,993	25,000	0.08%	0.170
U.S. Agency Discount Notes	359,693	359,860	0.14%	0.476
U.S. Treasury Notes	1,039,018	1,025,000	0.59%	1.939
U.S. Treasury Zero Coupon Notes	25,983	26,000	0.20%	0.495
U.S. Agency Notes	2,444,345	2,448,989	0.60%	1.651
U.S. Agency Collateralized Mortgage Obligations	10,960	10,201	4.34%	3.679
State Treasurer's Investment Pool	884,541	884,541	0.13%	0.003
Totals	\$ 4,834,533	\$ 4,824,591	0.47%	1.299

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 2013, the County also obtained quotes from primary investment dealers to help determine the fair values of the impaired Victoria investment. 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 (DVP).” 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. Exempt from the DVP policy are Certificates of Deposits (CDs) and funds placed with the State of Washington Local Government Investment Pool.

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–14.7 percent, Federal National Mortgage Association–13.7 percent, Federal Home Loan Bank–20.5 percent, and Federal Farm Credit Bank–9.3 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, 2013, the effective duration of the main Pool was 1.299 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	\$ 45,000	\$ -	\$ -	\$ 45,000
Commercial Paper	24,993	-	-	24,993
U.S. Agency Discount Notes	359,693	-	-	359,693
U.S. Agency Notes	-	2,444,345	-	2,444,345
U.S. Agency Collateralized Mortgage Obligations	-	10,960	-	10,960
State Treasurer's Investment Pool	-	-	884,541	884,541
TOTAL	\$ 429,686	\$ 2,455,305	\$ 884,541	\$ 3,769,532

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, 0.9 percent, Commercial Paper, 0.5 percent, U.S. Agency Discount Notes, 7.5 percent, U.S. Treasury Notes, 21.5 percent, U.S.

Treasury Zero Coupon Notes, 0.5 percent, U.S. Agency Notes, 50.6 percent, U.S. Agency Collateralized Mortgage Obligations, 0.2 percent, and the State Treasurer's Investment Pool, 18.3 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, 2013 (in thousands):

Condensed Statement of Net Position

	<u>Total</u>	<u>Main Pool</u>	<u>Impaired Pool</u>
Assets	\$ 4,848,515	\$ 4,836,543	\$ 11,972
Net Position held in trust for pool participants	<u>\$ 4,848,515</u>	<u>\$ 4,836,543</u>	<u>\$ 11,972</u>
Equity of internal pool participants	\$ 2,320,563	\$ 2,315,463	\$ 5,100
Equity of external pool participants	2,527,952	2,521,080	6,872
Total equity	<u>\$ 4,848,515</u>	<u>\$ 4,836,543</u>	<u>\$ 11,972</u>

Condensed Statement of Changes in Net Position

Net Position - January 1, 2013	\$ 4,681,221	\$ 4,669,637	\$ 11,584
Net change in investments by pool participants	167,294	166,906	388
Net Position - December 31, 2013	<u>\$ 4,848,515</u>	<u>\$ 4,836,543</u>	<u>\$ 11,972</u>

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 \$3.7 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, 2013) totaling \$211.7 million and a carrying amount of \$212.6 million. As of June 30, 2013, 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	\$ 3,665	\$ 4,363
Equity in Investment Pool	211,672	212,585
Total	<u>\$ 215,337</u>	<u>\$ 216,948</u>

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 all 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. The 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 The following schedule shows the types of investments, the average interest rate, the effective duration limits and the concentration of

CDA's investment trustee.

all CDA investments as of December 31, 2013 (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	\$ 13,315	\$ 12,574	3.06%	3.144	25.22%
Federal Home Loan Mortgage Corp Debentures	2,464	2,356	4.13%	2.347	4.67%
Federal National Mortgage Association Notes	4,539	4,424	4.11%	1.853	8.60%
Federal Home Loan Bank Bonds	3,244	3,099	4.21%	4.999	6.14%
Federal Farm Credit Bank Bonds	701	635	4.16%	4.162	1.33%
State Treasurer's Investment Pool	27,270	27,270	0.13%	0.003	51.66%
Other/Money Market Fund	1,258	1,258	0.02%	0.003	2.38%
Subtotals	<u>\$ 52,791</u>	<u>\$ 51,616</u>	<u>1.70%</u>	<u>1.426</u>	<u>100.00%</u>
Less State Treasurer's Investment Pool (Cash Equivalent)	<u>(27,270)</u>				
Total Investments per Statement of Net Position	<u>\$ 25,521</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, 2013, the combined weighted average effective duration of the CDA's portfolio was 1.426 years.

Credit risk Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2013, 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, 2013, 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 – 8.6 percent, and Federal Home Loan Bank – 6.1 percent.

Note 5

Receivables

Estimated Uncollectible Accounts Receivable

Receivables are reported net of estimated uncollectible amounts in the basic financial statement, Balance Sheet – Governmental Funds and Statement of Net Position – Proprietary

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

GOVERNMENTAL FUNDS	General Fund	Public Health Fund	Other Governmental Funds	Total Governmental Funds	
Accounts receivable	\$ 81,750	\$ 4,825	\$ 49,591	\$ 136,166	
Estimated uncollectible	(68,035)	(2,044)	(922)	(71,001)	
Net accounts receivable	<u>\$ 13,715</u>	<u>\$ 2,781</u>	<u>\$ 48,669</u>	<u>\$ 65,165</u>	
Due from other governments	\$ 45,340	\$ 30,672	\$ 45,932	\$ 121,944	
Estimated uncollectible	(186)	-	-	(186)	
Net due from other governments	<u>\$ 45,154</u>	<u>\$ 30,672</u>	<u>\$ 45,932</u>	<u>\$ 121,758</u>	
BUSINESS-TYPE FUNDS	Public Transportation	Water Quality	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current					
Accounts receivable	\$ 54,882	\$ 37,127	\$ 8,511	\$ 100,520	\$ 1,053
Estimated uncollectible	(236)	(964)	(144)	(1,344)	(1)
Net current accounts receivable	<u>\$ 54,646</u>	<u>\$ 36,163</u>	<u>\$ 8,367</u>	<u>\$ 99,176</u>	<u>\$ 1,052</u>
Due from other governments	\$ 11,283	\$ 59	\$ 3,363	\$ 14,705	\$ 74
Estimated uncollectible	-	-	-	-	-
Net current due from other governments	<u>\$ 11,283</u>	<u>\$ 59</u>	<u>\$ 3,363</u>	<u>\$ 14,705</u>	<u>\$ 74</u>
Noncurrent					
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ 18
Estimated uncollectible	-	-	-	-	-
Net noncurrent accounts receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18</u>
Due from other governments	\$ 23	\$ -	\$ -	\$ 23	\$ -
Estimated uncollectible	-	-	-	-	-
Net noncurrent due from other governments	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ -</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 \$1.34165 per thousand in 2013. 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 2013. 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 EMS levy completed its final year of a six-year levy with a rate of \$0.30 for the 2013 tax year. A proposition to authorize the continuation of this levy for an additional six years, at a rate of \$0.335 or less per \$1,000 of assessed value, was approved at a special election on November 5, 2013 with collections beginning in 2014. The County’s levy rate for conservation futures in 2013 is \$0.05613 per \$1,000 of assessed value and its levy rate for transit-related purposes is \$0.075.

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 \$0.05243 per thousand for Veterans and Human Services in 2013. 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 and was renewed by voters for a term of six more years that began in 2013 at a rate of not more than \$0.0592 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. In August 2013, voters approved a

proposal to levy a six-year lid lift for parks increasing the total rate to \$.01877 each per \$1,000 of assessed value. The Children and Family Justice Center is a new nine-year temporary levy lid lift approved by voters on August 7, 2012, at a rate of \$.07 per \$1000 for the first year.

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 and vice versa for decreases in assessed value.

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 \$0.13210 and \$0.00378 per \$1,000 of assessed value respectively for the 2013 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 County Assessor (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 unavailable revenue – property taxes at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time the accounts taxes receivable and unavailable revenues – property taxes on the balance sheet are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end, all uncollected property taxes are reported on the balance sheet as taxes receivable-delinquent and deferred inflow of resources. For the government-wide financial statements, the deferred inflow of resources related to the current period, net of the allowance for uncollectible property taxes, is reclassified as revenue.

Allocation of Tax Levies

The following table compares the allocation of the 2013 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 2013 countywide assessed valuation was \$314.7 billion, a decrease of \$4.7 billion from 2012; the assessed valuation for the unincorporated area levy was \$30.2 billion, a decrease of \$2.8 billion from 2012.

ALLOCATION OF 2013 AND 2012 TAX LEVIES

	2013 Original Taxes Levied (in thousands)	2013 Levy Rate (per thousand)	2012 Original Taxes Levied (in thousands)	2012 Levy Rate (per thousand)
Countywide Levy Assessed Valuation:				
\$314,746,207 thousand ^(a)				
Items Within Operating Levy^(b)				
General Fund	\$ 313,220	\$ 1.00051	\$ 284,370	\$ 0.89508
Veterans' Relief	2,649	0.00846	2,602	0.00819
Human Services	5,946	0.01899	5,840	0.01838
Intercounty River Improvement	50	0.00016	50	0.00016
Limited GO Bonds Debt Service	7	0.00000	25,893	0.08150
Automated Fingerprint Identification System ^(c)	18,533	0.05920	11,216	0.03530
Parks Levy ^(d)	41,295	0.13190	40,081	0.12616
Veterans and Human Services ^(e)	16,417	0.05243	15,886	0.05000
Children and Family Justice Center ^(f)	21,909	0.07000	-	0.00000
Total Operating Levy	<u>420,026</u>	<u>1.34165</u>	<u>385,938</u>	<u>1.21477</u>
Public Transportation ^(g)	<u>23,480</u>	<u>0.07500</u>	<u>23,827</u>	<u>0.07500</u>
Conservation Futures Levy^(h)				
Conservation Futures Levy	9,505	0.03036	9,235	0.02907
Farmland and Park Debt Service	8,067	0.02577	8,184	0.02576
Total Conservation Futures Levy	<u>17,572</u>	<u>0.05613</u>	<u>17,419</u>	<u>0.05483</u>
Unlimited Tax GO Bonds				
(Voter-approved Excess Levy)	<u>21,037</u>	<u>0.06772</u>	<u>22,459</u>	<u>0.07128</u>
Total Countywide Levy	<u>482,115</u>	<u>1.54050</u>	<u>449,643</u>	<u>1.41588</u>
EMS Levy Assessed Valuation:				
\$196,983,332 thousand ^{(a) (i)}	<u>58,786</u>	<u>0.30000</u>	<u>60,238</u>	<u>0.30000</u>
Unincorporated County Levy				
Assessed Valuation:				
\$30,235,434 thousand ^{(a) (j)}				
County Road Fund	<u>67,544</u>	<u>\$ 2.25000</u>	<u>73,716</u>	<u>\$ 2.25000</u>
Total County Tax Levies ^(k)	<u>\$ 608,445</u>		<u>\$ 583,597</u>	

(a) Assessed valuation for taxes payable in 2013.

(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 2013 at a levy rate of not more than \$0.0592 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. In August 2013, voters approved a proposal to levy a six-year lid lift for parks, increasing the total rate to \$0.1877 per thousand of assessed value.

(e) The Veterans and Human Services levy is a regular property tax to be assessed for six years beginning in 2012 at a levy rate of not more than \$0.05 per thousand of assessed valuation as authorized by RCW 84.55.050 and a proposition approved by a majority of voters in the County.

(f) The Children and Family Justice Center is a new nine-year temporary levy lid lift approved by voters on August 7, 2012, at a rate of \$0.07 per thousand of assessed value for the first year.

(g) The non-voted levy for transit-related purposes is limited to \$0.075 per thousand of assessed value.

(h) The Conservation Futures levy tax rate is statutorily limited to \$0.05613 per thousand of assessed value.

(i) 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 County completed its final year of a six-year levy of \$0.30 for the 2013 tax year. On November 5, 2013, voters approved an extension of this levy for an additional six years, at a rate of \$0.335 or less per thousand of assessed value, with collection beginning in 2014.

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

(k) Excludes tax levy of the blended component units a) the Flood Control Zone District (in 2013 and 2012, the original taxes levied were \$41,355 and \$36,905 thousand, respectively), and b) the Ferry District (in 2013 and 2012 the original taxes levied were \$1,184 thousand and \$1,182 thousand).

Note 7

Capital Assets

Primary Government

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

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 468,330	\$ 38,034	\$ (2,851)	\$ 503,513
Rights-of-way and easements	422,831	47,225	(8,572)	461,484
Infrastructure - road and bridges	1,020,606	70,617	(15,507)	1,075,716
Art collections	9,519	1,688	(237)	10,970
Work in progress	91,385	43,125	(33,998)	100,512
Total capital assets not being depreciated	2,012,670	200,690	(61,164)	2,152,195
Capital assets being depreciated				
Buildings	1,021,059	5,502	(4,494)	1,022,068
Leasehold Improvements	19,076	-	-	19,076
Improvements other than buildings	55,031	5,744	(2,707)	58,068
Infrastructure - levees	8,109	812	-	8,921
Furniture, machinery & equipment	145,729	14,012	(12,719)	147,023
Software	109,554	-	(1,195)	108,359
Total capital assets being depreciated	1,358,559	26,071	(21,115)	1,363,515
Less accumulated depreciation for:				
Buildings	(350,072)	(31,488)	633	(380,927)
Leasehold Improvements	(1,920)	(795)	5	(2,710)
Improvements other than buildings	(12,121)	(2,377)	4	(14,494)
Infrastructure - levees	(583)	(298)	-	(880)
Furniture, machinery & equipment	(102,510)	(10,901)	8,932	(104,478)
Software	(32,622)	(9,680)	1,791	(40,511)
Total capital assets being depreciated - net	858,732	(29,467)	(9,750)	819,515
Governmental activities capital assets - net	\$ 2,871,402	\$ 171,223	\$ (70,915)	\$ 2,971,710
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 448,099	\$ 11,001	\$ (566)	\$ 458,534
Rights-of-way and easements	27,458	-	-	27,458
Art collections	1,593	2,108	-	3,701
Work in progress	470,185	293,770	(346,461)	417,494
Total capital assets not being depreciated	947,335	306,879	(347,027)	907,187
Capital assets being depreciated				
Buildings	3,130,855	130,046	(20,509)	3,240,392
Leasehold Improvements	1,467	-	-	1,467
Improvements other than buildings	230,041	1,541	(762)	230,820
Rights-of-way - temporary easement	7,635	-	-	7,635
Infrastructure - water quality	2,123,831	22,682	(60)	2,146,454
Furniture, machinery & equipment	2,178,074	178,469	(114,268)	2,242,275
Software	140,786	12,522	(1,418)	151,890
Total capital assets being depreciated	7,812,689	345,260	(137,016)	8,020,933
Less accumulated depreciation for:				
Buildings	(1,192,888)	(98,629)	10,243	(1,281,273)
Improvements other than buildings	(110,629)	(9,418)	41	(120,006)
Rights-of-way - temporary easement	(273)	(218)	-	(491)
Infrastructure - water quality	(391,112)	(46,219)	-	(437,331)
Furniture, machinery & equipment	(1,211,852)	(128,323)	92,862	(1,247,313)
Software	(63,388)	(12,225)	4,330	(71,282)
Total capital assets being depreciated - net	4,842,549	50,227	(29,540)	4,863,236
Business-type activities capital assets - net	\$ 5,789,884	\$ 357,106	\$ (376,567)	\$ 5,770,423

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 2013 (in thousands):

Governmental Activities	
General government services	\$ 22,060
Law, safety and justice	11,982
Physical environment	176
Transportation	367
Economic environment	152
Mental and physical health	1,073
Culture and recreation	3,734
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	15,994
Total depreciation and amortization expense - governmental activities	<u>\$ 55,538</u>
Business-type Activities	
Water Quality	\$ 158,947
Public Transportation	119,281
Solid Waste	11,786
King County International Airport	4,194
Institutional Network	1,344
Radio Communications	605
King County Ferry District	296
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	4,160
Total depreciation and amortization expense - business-type activities	<u>\$ 300,613</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, 2013, 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, a blended component unit. These are the King Street Center building, the Chinook building and Goat Hill parking garage, and the Ninth & Jefferson Building.

Construction Commitments

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

Enterprise Funds

Public Transportation Enterprise - \$230.6 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - \$108.9 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 - \$40 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, and \$4.4 million is committed to maintaining the radio communications systems within the county.

Capital Projects Funds

\$151 million is committed to various capital projects, including: (1) open space and conservation easement acquisitions, (2) development and improvement of trails, playgrounds and ball fields, and other cultural facilities; (3) affordable housing; (4) technology initiatives to improve business efficiency, emergency preparedness, and network security; (5) flood control projects to protect the ecosystem and public property; (6) preservation of roads and 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, 2013 (in thousands):

	Balance 06/30/2012	Increases	Decreases	Balance 06/30/13
Capital assets not being depreciated:				
Land	\$ 1,586			\$ 1,586
Work in progress	8,746	12,467	(7,869)	13,344
Total capital assets not being depreciated	<u>10,332</u>	<u>12,467</u>	<u>(7,869)</u>	<u>14,930</u>
Capital assets being depreciated:				
Buildings	394,126	6,573		400,699
Improvements other than buildings	14,191	303		14,494
Equipment	<u>396,395</u>	<u>16,472</u>	<u>(3,847)</u>	<u>409,020</u>
Total capital assets being depreciated	<u>804,712</u>	<u>23,348</u>	<u>(3,847)</u>	<u>824,213</u>
Less accumulated depreciation for:				
Buildings	(147,956)	(13,566)		(161,522)
Improvements other than buildings	(4,063)	(919)		(4,982)
Equipment	<u>(289,619)</u>	<u>(31,696)</u>	<u>3,517</u>	<u>(317,798)</u>
Total accumulated depreciation	<u>(441,638)</u>	<u>(46,181)</u>	<u>3,517</u>	<u>(484,302)</u>
HMC capital assets, net	<u>\$ 373,406</u>	<u>\$ (10,366)</u>	<u>\$ (8,199)</u>	<u>\$ 354,841</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.

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.	\$ 21,498
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	384,249
<u>King County International Airport</u> - restricted for construction projects and obligations.	656
<u>Radio Communications Services</u> - restricted for construction projects and obligations.	22
<u>Solid Waste</u> - restricted for landfill closure and post-closure care costs.	53,080
<u>Building Development & Management Corporations</u> - restricted for construction projects and debt service.	3,507
<u>Construction & Facilities Management</u> - restricted for construction projects and obligations.	107
Total Proprietary Funds restricted assets	<u>\$ 463,119</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.	\$ 14,037
<u>HMC Special Purpose Fund</u> - restricted donations, gifts, and bequests from various sources for specific uses.	9,426
<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.	43,455
<u>HMC Plant Fund</u> - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.	46,962
Total HMC restricted assets	<u>\$ 113,880</u>

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

<u>Public Arts Projects Fund</u> - restricted for the one percent for public art programs operated for the benefit of King County.	\$ 3,764
<u>Cultural Grant Awards Fund</u> - restricted for arts and heritage cultural programs.	50,690
Total CDA restricted assets	<u>\$ 54,454</u>

Note 9

Pension Plans

All qualified County employees participate in one of the following pension plans:

- Public Employees' Retirement System (PERS) Plans 1, 2, and 3
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
- Public Safety Employees' Retirement System (PSERS) Plan 2
- Seattle City Employees' Retirement System (SCERS)

PERS, LEOFF, and PSERS are administered by the Washington State Department of Retirement Systems (DRS). DRS 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 downloaded from the DRS website at www.drs.wa.gov.

SCERS is administered by City of Seattle's Employees' Retirement System. Historical trend and other information regarding SCERS is presented in the Seattle City Employees' Retirement System annual financial report which is available at www.seattle.gov/retire.

The following disclosures are made pursuant to GASB Cod. Sec P20.101 - .902 on pension activities.

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; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. 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 exercised an option to transfer their membership to Plan 3. PERS members who joined 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 Plan 3. The option must have been exercised within 90 days of employment. Employees who failed to choose within 90 days defaulted to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon,

in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service. PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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. The benefit 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, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit 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. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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. The AFC is the monthly average of the 60 consecutive highest paid service months. 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 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, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed

investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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 by 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, and were hired before May 1, 2013, 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.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option. 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 members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an 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.

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.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	82,242
Terminated plan members entitled to, but not yet receiving benefits	30,515
Active plan members vested	106,317
Active plan members nonvested	44,273
Total	263,347

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. 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.

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. 2 GASB Statement 27 does not require the number of participating employers and members to be presented in the notes to the financial statements. The information has been provided here so it can be included in the notes if desired.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer	9.21%	9.21%	9.21%
Employee	6.00%	4.92%	Variable

The employer rates include the employer administrative expense fee currently set at 0.18%. 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:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer - Local government	9.21%	9.21%	9.21%
Employee - Local government	12.26%	12.30%	7.50%

The employer rates include the employer administrative expense fee currently set at 0.18%. 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
2011	\$ 2,247	\$ 43,421	\$ 7,270
2012	\$ 2,255	\$ 50,402	\$ 8,621
2013	\$ 2,211	\$ 60,285	\$ 10,408

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

Plan Descriptions

LEOFF was established in 1970 by the Legislature. Membership 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 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.

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.

LEOFF 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 legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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):

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

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

allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1)

If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit 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 benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced 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 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. 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 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 catastrophically 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 benefit 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.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by 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 eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	10,189
Terminated plan members entitled to, but not yet receiving benefits	689
Active plan members vested	14,273
Active plan members nonvested	<u>2,633</u>
Total	<u><u>27,784</u></u>

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. 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, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board.

This special funding situation is not mandated by the state constitution and could be changed by statute.

For DRS' Fiscal Year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer	0.18%	5.23%
Employee	None	8.41%

The employer rates include the employer administrative expense fee currently set at 0.18%. Both the County and the employees made the required contributions. The County's required

contributions for the years ended December 31 (in thousands):

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2011	\$ 1	\$ 4,081
2012	\$ 1	\$ 4,163
2013	\$ 1	\$ 4,216

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by 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 membership includes:

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

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources,
- Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and
- Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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 limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) 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, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. 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 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.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost of living allowance is granted (based on

the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors. A one-time duty-related death benefit is provided to the beneficiary or the

estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and beneficiaries receiving benefits	27
Terminated plan members entitled to, but not yet receiving benefits	60
Active plan members vested	2,083
Active plan members nonvested	2,167
Total	4,337

Funding Policy

Each biennium, the state Pension Funding Council adopts 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.

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, 2013, are as follows:

	PSERS Plan 2
Employer	10.54%
Employee	6.36%

The employer rate includes an employer administrative expense fee of 0.18%. 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
2011	\$ 2,039
2012	\$ 2,120
2013	\$ 2,565

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 12.89 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 12.89 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 2011, 2012

and 2013 ending December 31 were \$544, \$540, and \$582 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 staffs 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 – 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

Guidance on accounting and reporting for postemployment benefits other than pensions is found in GASB *Cod. Section P50*. The County is required 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 has recorded a liability of \$52.9 million for the difference between the actuarially calculated ARC and the estimated contributions made. Such liability is included in other noncurrent liabilities in the accompanying December 31, 2013 statement of net position.

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, 2013 by approximately \$6.7 million.

Plan Description The King County Health Plan (the Health Plan) is a single-employer defined-benefit

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, 2013 (in thousands):

Normal cost - Unit Credit Method	\$ 4,266
Amortization of unfunded actuarial accrued liability (UAAL)	9,039
Annual Required Contribution (ARC)	13,305
Interest on net OPEB obligation	1,058
Adjustment to annual required contribution	(2,525)
Annual OPEB cost (expense)	11,838
Contributions made	(5,149)
Increase in net OPEB obligation	6,689
Net OPEB obligation - beginning of year	46,228
Net OPEB obligation - end of year	\$ 52,917

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>
12/31/2011	\$ 12,861	39.8%	\$ 38,484
12/31/2012	12,861	39.8%	46,228
12/31/2013	11,838	43.5%	52,917

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, 2013, 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, 2013 (in thousands):

Actuarial accrued liability (AAL) – Unit Credit	\$ 167,420
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	167,420
Funded ratio (actuarial value of plan assets ÷ AAL)	0.00%
Covered payroll	\$ 1,000,353
UAAL as a percentage of covered payroll	16.7%

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

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

The December 31, 2013 valuation used the projected unit credit actuarial cost method. The actuarial assumptions included a 2.29 percent investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 8.0 percent for KingCare medical, 7.0 percent for KingCare pharmacy, and 8.0 percent for HMO medical/pharmacy, each reduced by

decrements to an ultimate rate of 4.2 percent after 70 years and 7 years for medical and pharmacy, respectively. The miscellaneous trend rate is 7.0 percent, and the Medicare Premium trend rate is 6.0 percent, for all years. All trend rates include a 3.0 percent inflation assumption. 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 24 years.

Component Unit – Harborview Medical Center (HMC)

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

An actuarial study performed by the Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in the University's nor the Medical Center's financial statements. This liability is recorded at the statewide level. The Medical Center was billed and paid \$56.9 million and \$52.3 million, for health care expenses for the years ended June 30, 2013, and 2012, 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, 2013, is \$68.4 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, 2013, 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.

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	COVERAGE AMOUNT	DEDUCTIBLE
Aircraft Liability & Physical Damage	\$50 million per occurrence & scheduled value	None for Liability, \$1 to \$85 thousand for Property Damage
Crime and Fidelity for Public Employee Dishonesty	\$2.5 million	\$50 thousand
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
King County International Airport General Liability	\$300 million per occurrence	\$50 thousand aggregate
King County International Airport Property Damage	\$160 million with sublimits of \$100 million for Flood and \$50 million for Earthquake	\$100 thousand
Marine Policies (includes King County Ferry District)	\$150 million	\$2.5 thousand
Parks Swimming Pools General Liability	\$7.5 million	None

In 2011 there were three 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 or 2013.

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 2012 and 2013 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2012	\$ 59,768	\$ 26,383	\$ (17,614)	\$ 68,537
2013	68,537	14,635	(14,742)	68,430

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 interfund services. 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, 2013, the total claim liability is \$77.4 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 2012 and 2013 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2012	\$ 84,826	\$ 13,707	\$ (17,228)	\$ 81,305
2013	81,305	13,165	(17,088)	77,382

Employee Benefits Program Fund

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

insured. Interfund premiums are determined on a per employee, per month basis and charged to departments through a composite rate of expected claims and expenses. In some cases, there are employee contributions towards premiums. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2013, is \$18.5 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2012 and 2013 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2012	\$ 19,525	\$ 179,225	\$ (179,029)	\$ 19,721
2013	19,721	204,497	(205,754)	18,464

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, 2013.

Changes in the Unemployment liability in 2012 and 2013 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2012	\$ 2,789	\$ 2,587	\$ (2,790)	\$ 2,586
2013	2,586	2,569	(2,586)	2,569

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, 2010, 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 \$2.7 million in

the period July 1, 2011 to June 30, 2012, and \$2.9 million in the period July 1, 2012 to June 30, 2013.

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 to state law.

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 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 administering 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 traditionally entered into agreements to purchase real and personal property through capital leases and installment purchase

arrangements whenever it is more cost effective than direct purchase. As of December 31, 2013 the only capital lease outstanding is a leasehold improvement for the Public Transportation Enterprise under Business-type activities.

Capital assets and outstanding liabilities related to capital lease agreements as of December 31, 2013 (in thousands):

	Business-type Activities	
	Capital Assets	Capital Leases Payable
Leasehold improvements	\$ 4,881	\$ 2,983
Less depreciation	(1,922)	-
Totals	<u>\$ 2,959</u>	<u>\$ 2,983</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, 2013 (in thousands):

	Minimum Lease Payments
2014	\$ 255
2015	255
2016	255
2017	255
2018	255
2019-2023	1,275
2024-2028	1,275
2029-2031	658
Total minimum lease payments	4,483
Less: Amount representing interest	(1,500)
Present value of net minimum lease payments	<u>\$ 2,983</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, 2013 for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$21.1 million. The patterns of future lease payment requirements are systematic and rational.

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

<u>Year</u>	<u>Office Space</u>	<u>Other</u>	<u>Total</u>
2014	\$ 20,199	\$ 4,555	\$ 24,754
2015	19,510	4,304	23,814
2016	18,813	4,302	23,115
2017	18,267	4,158	22,425
2018	17,913	3,981	21,894
2019-2023	85,812	12,269	98,081
2024-2028	75,310	8,911	84,221
2029-2033	48,509	8,279	56,788
2034-2038	35,340	7,266	42,606
2039-2043	7,088	7,197	14,285

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, 2013 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Airport</u>	<u>Activities Other</u>
Land	\$ 65	\$ 11,220	\$ 3,798
Buildings	123	29,439	320
Less depreciation	(116)	(14,683)	(320)
Total cost of property under lease	<u>\$ 72</u>	<u>\$ 25,977</u>	<u>\$ 3,798</u>

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2013 (in thousands):

<u>Year(s)</u>	<u>Governmental Activities</u>	<u>Business-type Airport</u>	<u>Other</u>	<u>Total</u>
2014	\$ 2,815	\$ 5,100	\$ 986	\$ 8,900
2015	2,736	4,876	915	8,527
2016	2,393	4,781	396	7,570
2017	2,054	4,739	266	7,058
2018	1,896	4,697	251	6,844
2019-2023	5,660	22,187	1,257	29,104
2024-2028	4,889	20,628	1,057	26,574
2029-2033	3,283	11,583	817	15,683
2034-2038	1,930	4,503	377	6,810
2039-2043	1,930	2,907	367	5,204

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, 2013, cash and cash equivalents of \$43.1 million were held in the Landfill Reserve Fund and \$9.7 million were held in the Landfill Post-closure Maintenance Fund.

The County expects that future cost increases resulting from inflation will be covered by the interest income earned on these annual contributions. 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 \$90.0 million reported as landfill closure and post-closure care liability as of December 31, 2013, 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	78%	\$ 67,616	\$ 24,745	2024
Covered	100%	17,599	-	Closed
Custodial	100%	4,750	-	Closed

Note 14

Pollution Remediation

The County accounts for pollution remediation liabilities in accordance with GASB Cod. Section P40. 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 2013 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 future 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 pollution remediation liability at December 31, 2013, stands at \$44.6 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 Cod. Section P40. 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 a pollution remediation liability of \$380 thousand at December 31, 2013. 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, 2013.

Maury Island Gravel Mine Site – King County acquired approximately 250 acres of property on Vashon Island back in 2010. 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 purchase agreement 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 GASB Cod. Section P40.120b. As of December 31, 2013, the remediation project is in a planning and permitting phase.

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, was \$800 thousand. King County paid the \$800 thousand in 2013. In 2013, Shell Oil paid the County \$1.25 million in a settlement agreement that absolved Shell of any future 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 of 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 \$298 thousand at December 31, 2013. Remediation cost estimates are subject to changes due to price increases or reductions, changes in technology, or changes in applicable laws or agreements.

7400 Perimeter Road South Cleanup - In September 2012, a Phase II Environmental Site Assessment was performed on the Standard Gas Oil Parcel located on the west side of Airport Way South and extends across 7490 Perimeter Road South in Seattle. The contaminants of concern identified for soil and groundwater were Gasoline and BTEX. A Feasibility Study was performed in March 2013 to determine remedial alternatives and costs. Remedial design and planning are underway with remedial action expected in summer 2014. Quarterly performance groundwater monitoring will be performed for a year after remediation. The Airport reported a pollution remediation liability of \$400 thousand at December 31, 2013.

Hangar 5 Site 7875 PRS - In August 2013, a Phase II Environmental Site Assessment was completed on the Hangar 5 property located at 7575 and 7585 Perimeter Road South. Gasoline, diesel, and heavy oil range petroleum hydrocarbons were not detected above the laboratory reporting limit in any of the soil samples analyzed. However, BTEX concentrations were detected. Concentrations of benzene exceeding the MTCA Method A cleanup level of 30 ug/kg were detected in samples. PCE and TCE were detected above the MTCA method A cleanup level of 30 ug/kg. The VOC compounds TCE and DCE were detected at low concentrations in several groundwater samples. Vinyl chloride was detected above the MTCA Method A cleanup level. A Feasibility Study was completed on September 27, 2013 to determine remedial alternatives and costs. Remedial design and planning are underway with remedial action expected in summer 2014. Quarterly

performance groundwater monitoring will be performed for a year after remediation is completed. The Airport reported an pollution remediation liability of \$692 thousand at December 31, 2013.

Note 15

Debt

Short-term Debt Instruments and Liquidity

There was no outstanding short-term debt under governmental activities at year-end.

The County has \$100 million of commercial paper outstanding in the Water Quality Enterprise Fund

at year-end. The commercial paper has remaining maturity dates ranging from 37 to 65 days as of year-end. 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, 2013 (IN THOUSANDS)

	Balance 01/01/13	Additions	Reductions	Balance 12/31/13
Business-type activities:				
Commercial paper	\$ 100,000	\$ 544,440	\$ (544,440)	\$ 100,000
Business-type activities short-term debt	<u>\$ 100,000</u>	<u>\$ 544,440</u>	<u>\$ (544,440)</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 12/31/13
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
2004 Refunding Bonds Series A	09/21/04	01/01/16	2.00-5.00%	\$ 57,045	\$ 21,615
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	01/01/25	2.50-5.00%	82,435	7,620
2005 Refunding Bonds Series A	06/29/05	01/01/19	5.00%	22,510	8,145
2006 Refunding Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	38,330	18,630
2006 HUD Section 108 Bonds – Greenbridge Project	08/01/06	08/01/24	4.96-5.70%	6,783	2,998
2007 Kingdome Debt Series A Refunding 1997F	09/05/07	12/01/15	4.00-5.00%	48,665	33,575
2007 Various Purpose Series C	11/01/07	01/01/28	4.00-4.50%	10,695	8,725
2007 Various Purpose Series D	11/01/07	01/01/28	4.00-5.00%	34,630	28,420
2007 Various Purpose Series E (Partial)	11/27/07	12/01/17	4.00-5.00%	3,070	1,400
2009 LTGO VP Capital Facilities Project Series B2	05/12/09	06/01/29	2.00-5.13%	34,810	28,950
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%	21,445	18,590
2010 LTGO Series A Tax-Exempt	11/15/10	12/01/14	2.00-5.00%	17,240	2,940
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	8,915
2011 LTGO Refunding Bonds	08/01/11	06/01/23	2.00-5.00%	25,700	22,240
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	10,170
2011 LTGO Series D	12/21/11	12/01/31	2.00-3.50%	21,895	19,105
2012 LTGO Series A (ABT Project)	03/29/12	07/01/22	3.00-5.00%	65,935	64,415
2012 LTGO Series B (S. Park Bridge)	05/08/12	09/01/32	3.00-5.00%	28,065	27,410
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	40,330
2012 LTGO Series E (Partial)	12/19/12	12/01/27	2.00-5.00%	3,000	2,840
2012 LTGO Series F (QECBS) Taxable (Partial)	12/19/12	12/01/22	2.20%	3,010	3,010
2013 Multi-Modal LTGO (Refg09) Variable Rate Bonds	08/06/13	12/31/29	Variable ^(a)	41,460	41,460
2013 LTGO (Refg05 GHP) Series B	12/19/13	12/01/26	3.00-5.00%	42,820	42,820
Total Payable From Limited Tax GO Redemption Fund				797,388	584,628
Payable From Internal Service Funds					
2010 LTGO Series A (Tax Exempt)	11/15/10	12/01/14	2.00-5.00%	4,730	1,265
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%	22,405	21,550
Total Payable From Internal Service Funds				34,260	29,940
Total Limited Tax General Obligation Debt				831,648	614,568
IB. Unlimited Tax General Obligation Bonds (ULTGO)					
Payable From Unlimited Tax GO Redemption Fund					
2004 Harborview Medical Center Series A	05/04/04	12/01/23	2.00-5.00%	110,000	5,305
2004 Harborview Medical Center Series B	09/14/04	06/01/23	3.00-5.00%	54,000	2,635
2009 Refunding 2001(HMC) Series A	12/10/09	12/01/20	4.30-5.00%	19,570	14,130
2010 Partial Refunding 2000 UTGO Series A	10/18/10	12/31/15	3.00-5.00%	16,305	2,655
2012 UTGO Refunding Bonds (HMC)	08/14/12	12/01/23	2.00-5.00%	94,610	93,420
2013 UTGO Refg 2003 Bonds	07/02/13	06/01/19	3.00-5.00%	8,660	8,660
Total Payable From Unlimited Tax GO Bond Redemption Fund				303,145	126,805
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	39,980
2006A NJB Properties – HMC	12/05/06	12/01/36	5.00%	179,285	168,225
2006B NJB Properties – HMC (Taxable)	12/05/06	12/01/36	5.51%	10,435	9,835
2007 King Street Center Project Refunding 1997	03/08/07	06/01/25	4.00-5.00%	62,400	47,285
Total Lease Revenue Bonds Payable from Internal Service Funds				353,155	265,325
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,487,948	1,006,698

King County, Washington

SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/13
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	\$ 1,100
2006 Refunding Bonds (Partial)	12/14/06	01/01/15	4.00-5.00%	7,995	1,320
2007 Various Purpose Series E (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	32,170
2008 LTGO (WQ-LTGO) Refunding Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	222,360
2009 LTGO (Public Transp. Sales Tax) Refunding Bonds	02/18/09	12/01/19	2.00-4.00%	48,535	28,295
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	4,140
2010 LTGO Series A (TR) Tax-Exempt	11/15/10	12/01/14	2.00-5.00%	3,855	1,030
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	67,755
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	66,330
2012 LTGO (WQ) Bonds Series F	12/19/12	12/01/22	2.20%	3,010	3,010
2013 LTGO Bonds (Solidwaste)	02/27/13	12/01/40	3.10-5.00%	77,100	75,815
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>1,131,635</u>	<u>1,022,010</u>
IIB. 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
2004 WQ Revenue Refunding 1999-2 Bonds Series B	03/18/04	01/01/35	2.00-5.00%	61,760	23,855
2006 WQ Revenue and Refunding 1999-1 Bonds Series A	05/16/06	01/01/36	5.00%	124,070	84,520
2006 WQ Revenue and Refunding Bonds Series B-2	11/30/06	01/01/36	3.50-5.00%	193,435	176,185
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	248,670
2010 WQ Revenue Bonds	07/19/10	01/01/50	2.00-5.00%	334,365	330,435
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	463,030
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 Variable	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%	104,445	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
2013 WQ Revenue Refunding Bonds Series A	04/09/13	01/01/35	2.00-5.00%	122,895	122,895
2013 WQ Revenue and Refunding Bonds Series B	10/29/13	01/01/44	2.00-5.00%	74,930	74,930
2000-2013 State of Washington Revolving Loans	Various	Various	0.50-3.10%	195,906	146,672
2000 Public Transp. Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	2,983
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				<u>3,197,918</u>	<u>3,015,740</u>
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				<u>4,329,553</u>	<u>4,037,750</u>
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				<u>\$ 5,817,501</u>	<u>\$ 5,044,448</u>

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

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

(c) The 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.

King County, Washington

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES							
Year	General Obligation Bonds		Lease Revenue Bonds		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	73,548	30,456	10,280	12,936	83,828	43,392	
2015	83,747	27,531	7,820	12,417	91,567	39,948	
2016	67,516	24,154	8,200	12,038	75,716	36,192	
2017	58,652	21,535	8,595	11,640	67,247	33,175	
2018	56,148	19,079	9,010	11,224	65,158	30,303	
2019-2023	255,838	58,985	51,905	49,285	307,743	108,270	
2024-2028	113,129	16,095	57,635	36,729	170,764	52,824	
2029-2033	32,795	1,982	75,855	20,349	108,650	22,331	
2034-2038	-	-	36,025	3,683	36,025	3,683	
TOTAL	\$ 741,373	\$ 199,818	\$ 265,325	\$ 170,301	\$ 1,006,698	\$ 370,119	

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
2014	23,610	51,392	58,312	142,374	81,922	193,766		165,750	237,158
2015	24,520	48,169	60,485	142,723	85,005	190,892		176,572	230,840
2016	24,920	47,051	62,820	140,299	87,740	187,350		163,456	223,542
2017	37,100	45,691	54,706	138,101	91,806	183,792		159,053	216,967
2018	38,830	43,893	56,935	135,777	95,765	179,670		160,923	209,973
2019-2023	183,045	192,252	316,456	640,179	499,501	832,431		807,244	940,701
2024-2028	206,120	145,239	368,521	562,218	574,641	707,457		745,405	760,281
2029-2033	224,455	92,329	545,313	458,465	769,768	550,794		878,418	573,125
2034-2038	131,255	46,792	449,203	323,694	580,458	370,486		616,483	374,169
2039-2043	128,155	11,297	636,035	206,397	764,190	217,694		764,190	217,694
2044-2048	-	-	336,940	61,713	336,940	61,713		336,940	61,713
2049-2053	-	-	70,015	5,469	70,015	5,469		70,015	5,469
TOTAL	\$ 1,022,010	\$ 724,105	\$ 3,015,740	\$ 2,957,408	\$ 4,037,750	\$ 3,681,514		\$ 5,044,448	\$ 4,051,632

Summary of changes in long-term liabilities for the year ended December 31, 2013 (in thousands):

	Balance 01/01/13	Additions	Reductions	Balance 12/31/13	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 772,439	\$ 92,940	\$ (124,006)	\$ 741,373	\$ 73,548
Lease revenue bonds ^(a)	321,780	-	(56,455)	265,325	10,280
Less: Unamortized bonds premium and discount	66,786	7,261	(12,254)	61,793	-
Total bonds payable ^(b)	1,161,005	100,201	(192,715)	1,068,491	83,828
Compensated absences liability	96,723	109,149	(108,234)	97,638	6,371
Other postemployment benefits	37,183	6,943	(1,595)	42,531	-
Unemployment compensated liabilities	2,586	2,569	(2,586)	2,569	2,569
Pollution remediation	1,985	-	(1,985)	-	-
Estimated claims settlements and other liabilities	200,563	243,510	(249,888)	194,185	101,890
Total Governmental activities long-term liabilities	<u>\$ 1,500,045</u>	<u>\$ 462,372</u>	<u>\$ (557,003)</u>	<u>\$ 1,405,414</u>	<u>\$ 194,658</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 991,175	\$ 77,100	\$ (46,265)	\$ 1,022,010	\$ 23,610
General obligation bond anticipation notes	73,395	-	(73,395)	-	-
Revenue bonds	2,841,755	197,825	(173,495)	2,866,085	48,880
Less: Unamortized bonds premium and discount	176,348	33,536	(15,611)	194,273	-
Total bonds payable ^(b)	4,082,673	308,461	(308,766)	4,082,368	72,490
Capital leases	3,087	-	(104)	2,983	109
State revolving loans	136,002	19,269	(8,599)	146,672	9,323
Retainage payable	7,792	1,894	(2,733)	6,954	4,705
Compensated absences liability	67,615	80,939	(77,767)	70,787	9,121
Other postemployment benefits	9,049	1,842	(501)	10,390	-
Landfill closure and post-closure care liability	92,138	-	(2,173)	89,965	3,242
Pollution remediation	38,849	13,979	(6,498)	46,330	5,715
Customer deposits	507	240	-	747	209
Total Business-type activities long-term liabilities	<u>\$ 4,437,712</u>	<u>\$ 426,624</u>	<u>\$ (407,140)</u>	<u>\$ 4,457,196</u>	<u>\$ 104,914</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 \$194.2 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) The governmental activities and business-type activities' total bonds payable has been adjusted to exclude beginning balances of \$27.0 million and \$100.5 million, respectively, of deferred bonds refunding loss. The amount of deferred bonds refunding loss is currently reported as deferred outflows of resources in the governmental-wide statement of net position.

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, 2013 (in thousands):

2013 ASSESSED VALUE (2014 TAX YEAR)	<u>\$ 340,643,616</u>
Debt limit of limited tax (LT) general obligations for metropolitan functions	
0.75 % of assessed value	\$ 2,554,827
Less: Net LT general obligation indebtedness for metropolitan functions	<u>(1,067,649)</u>
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 1,487,178</u>
Debt limit of LT general obligations for general county purposes and metropolitan functions - 1.5 % of assessed value	<u>\$ 5,109,654</u>
Less: Net LT general obligation indebtedness for general county purposes	<u>(945,170)</u>
Net LT general obligation indebtedness for metropolitan functions	<u>(1,067,649)</u>
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	<u>(2,012,819)</u>
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 3,096,835</u>
Debt limit of total general obligations for metropolitan functions	
2.5 % of assessed value	\$ 8,516,090
Less: Net total general obligation indebtedness for metropolitan functions	<u>(1,067,649)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 7,448,441</u>
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	\$ 8,516,090
Less: Net unlimited tax general obligation indebtedness for general county purposes	<u>(119,874)</u>
Net LT general obligation indebtedness for general county purposes	<u>(945,170)</u>
Net total general obligation indebtedness for general county purposes	<u>(1,065,044)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 7,451,046</u>

Refunding and Defeasing General Obligation Bond Issues – 2013

Unlimited Tax General Obligation Refunding Bonds, 2013 – On July 2, 2013, the County issued \$8.66 million in unlimited tax general obligation bonds, 2013 with an effective interest cost of 1.71 percent to advance refund \$9.33 million of outstanding unlimited tax general obligation refunding bonds, 2003 with an effective interest rate of 5.25 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 \$79 thousand. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2019, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$1.04 million over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$970 thousand.

Multi-Modal Limited Tax General Obligation (GO) Refunding Bonds, 2013 – On August 6, 2013, the County issued \$41.46 million in multi-modal limited tax general obligation bonds, 2013 with variable interest rate to advance refund \$42.10 million of outstanding multi-modal limited tax general obligation bonds, 2009A with variable interest rate. 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 was equal to the net carrying amount of the old debt. This advance refunding was undertaken to obtain a better financing agreement on the old debt by eliminating the required credit/liquidity support and to pay down \$640 thousand of the old bond using unspent proceeds of the 2009A multi-

modal limited tax general obligation bonds. This advance refunding resulted in no economic gain or loss (difference between the present values of the old and new debt service payments).

Limited Tax General Obligation (GO) Refunding Bonds, 2013B – On December 19, 2013, the County issued \$42.82 million in limited tax general obligation bonds, 2013B with an effective interest cost of 2.82 percent to advance refund \$46.66 million of outstanding limited tax GO lease revenue bonds, 2005 Goat Hill Properties 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 \$2.20 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2026, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$5.39 million over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$4.51 million.

Refunding and Defeasing Sewer Revenue Bond Issues – 2013

Sewer Revenue Refunding Bonds, 2013A – On April 9, 2013, the County issued \$122.90 million in sewer revenue bonds, Series A with an effective interest cost of 3.27 percent to advance refund \$107.02 million of outstanding Sewer Revenue bonds, Series 2003 and 2006 and \$28.93 million of limited tax GO (Sewer Revenue) bonds, Series 2005A, with an effective interest rate of 4.94 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 \$5.0 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 \$35.25 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 \$21.85 million.

Sewer Revenue and Refunding Bonds, 2013B –

On October 29, 2013, the County issued \$74.93 million in sewer revenue bonds, Series B, of which \$25.47 million was refunding with an effective interest cost of 2.61 percent to refund \$27.18 million of outstanding Sewer Revenue bonds, 2004B bonds, with an effective interest rate of 4.36 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 \$437 thousand. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2027, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$2.71 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$2.30 million.

Refunded Bonds

King County has ten refunded and defeased bond issues consisting of limited tax general obligation bonds (\$452.4 million) and sewer revenue bonds (\$216.7 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	\$ 7,956
	All Others	276
Public Health Fund	Nonmajor Governmental Funds	1,264
	All Others	72
Nonmajor Governmental Funds	General Fund	2,546
	Nonmajor Governmental Funds	937
	All Others	171
Public Transportation Enterprise	General Fund	645
	Public Health Fund	5,864
	All Others	338
Water Quality Enterprise	General Fund	3,129
	Nonmajor Governmental Funds	865
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	1,124
	All Others	380
Internal Service Funds	Internal Service Funds	1,815
	All Others	358
Total		<u>\$ 27,740</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.

\$5,864 thousand due from Public Health Fund to the Public Transportation Enterprise was short-term loan 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	Nonmajor Governmental Funds	\$ 300
Nonmajor Governmental Funds	Nonmajor Governmental Funds	4,000
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	2,025
	Nonmajor Enterprise Funds	910
Total		<u>\$ 7,235</u>

All three of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2014.

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	\$ 25,534
	Nonmajor Governmental Funds	67,314
	Internal Service Funds	529
	All Others	217
Public Health Fund	All Others	132
Nonmajor Governmental Funds	General Fund	5,328
	Nonmajor Governmental Funds	87,246
	Nonmajor Enterprise Funds	786
	Internal Service Funds	1,761
Public Transportation Enterprise	Nonmajor Governmental Funds	537
	All Others	17
Water Quality Enterprise	All Others	70
Nonmajor Enterprise Funds	All Others	181
Internal Service Funds	Nonmajor Governmental Funds	1,353
	All Others	68
Total transfers out		<u>\$ 191,073</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 occupancy fee and 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. HMC will continue to use the building. Rent is also paid by HMC to the County for use of Ninth and Jefferson Building (NJB), owned by a nonprofit corporation that is a 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 2013, the primary government received \$21.4 million in building lease and occupancy 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 2013, the King County primary government transferred \$1.1 million to the CDA. The CDA spent \$415 thousand 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 2013, the County distributed \$1.8 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.

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 \$40 thousand for 2013 and \$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.

Metro Transit provided loans to KCHA at an interest rate of 1.0 percent. At December 31, 2013 and 2012, total loans receivable from KCHA, including principal and accrued interest, amounted to \$710 thousand and \$830 thousand respectively. Metro received a loan payment from KCHA of \$127 thousand in 2013.

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 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 does not meet the definition of the two preceding categories.

When both restricted and unrestricted net position are available for use for the same purpose, the County assumes that restricted net position is used first.

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

Public Transportation Enterprise restricted for future construction projects (\$223) and debt service (\$11,001).	\$ 11,224
Water Quality Enterprise restricted for debt service (\$183,822) and regulatory assets and environmental liabilities (\$19,469).	<u>203,291</u>
Total Business-type Restricted Net Position	<u><u>\$ 214,515</u></u>

Restricted Net Position - Internal Service Funds (in thousands)

Building Development & Management Corporations Fund restricted for future construction projects (\$65) and debt service (\$18).	\$ 83
Total Internal Service Funds Restricted Net Position	<u><u>\$ 83</u></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.

- **Nonspendable.** Balances that are either 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 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 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.

When restricted and unrestricted fund balance are both available for use for the same purpose, the County assumes that restricted fund balance is used first.

When committed, assigned and unassigned fund balance are available for use for the same purpose, the County assumes that committed gets used first, then assigned and finally unassigned fund balance.

A summary of governmental fund balances at December 31, 2013, is as follows (in thousands)(page 1 of 2):

	General Fund	Public Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Advances	\$ 300	\$ -	\$ -	\$ 300
Youth Sports Facilities				
Grant Endowment			1,974	1,974
Inventories		886		886
Flood Control Zone District			4,000	4,000
Prepayments			7,381	7,381
Total Nonspendable Fund Balance	300	886	13,355	14,541
Restricted for:				
Crime Victim Compensation Program				
Crime Victim Compensation Program	68			68
Criminal Justice	442			442
Dispute Resolution	159			159
Drug Enforcement	1,812			1,812
Real Property Title Assurance	25			25
Alcoholism and Substance Abuse Services			4,311	4,311
Animal Services			703	703
Automated Fingerprint ID System			13,084	13,084
Arts and Culture			(2,311)	(2,311)
Critical areas mitigation			6,411	6,411
Miscellaneous Grants			(581)	(581)
Urban Restore Habitat Restoration			708	708
Building construction and improvement			199	199
Farmland and open space acquisition			899	899
Information and telecommunication capital			21,743	21,743
Conservation Futures			16,748	16,748
County Road			20,492	20,492
Real Estate Excise Tax Capital			16,259	16,259
Department of Permitting and Environmental Review			2,527	2,527
Developmental Disabilities			7,709	7,709
Emergency Medical Services			11,665	11,665
Enhanced 911 Emergency Telephone System			21,281	21,281
Environmental Resources			333	333
Flood Control Zone District			49,225	49,225
Historical Preservation and Programs			288	288
Local hazardous waste			10,351	10,351
Citizen councilor revolving			2	2
King Marine Division			(1)	(1)
King County Flood Control contract			1	1
Intercounty river improvement			4	4
Mental Health			38,183	38,183
Mental Illness and Drug Dependency			15,306	15,306
Community development block grant			30,671	30,671
Noxious Weed Control			914	914
Long term leases sales taxes deferral			19	19
Parks and Recreation			5,956	5,956
Green river flood mitigation			2,560	2,560
Work training program			977	977
Youth sports facilities grant			877	877
Youth services facilities construction			19,137	19,137
Recorder's Operations And Management			1,876	1,876
Risk Abatement			30,878	30,878
Surface Water Management			5,688	5,688

A summary of governmental fund balances at December 31, 2013, continues (in thousands) (page 2 of 2)

Veterans and Human Services			(2,388)	(2,388)
Veterans' Relief			632	632
Treasurer's operations and management			75	75
Children and families services			1,281	1,281
Major Maintenance Reserve			22,173	22,173
SWM CIP Non-bond subfund			1,055	1,055
Title III Forestry			35	35
Transfer of Development Credit Program			675	675
Tech System Bond			(3)	(3)
Regional justice projects			1,162	1,162
PFD Stadium Bond Debt Service			12,555	12,555
Total Restricted Fund Balance	2,506	-	392,344	394,850
	General Fund	Public Health Fund	Nonmajor Governmental Funds	Total
Committed for:				
Antiprofitteering Program	\$ 69	\$	\$	\$ 69
Capital Project	4,900			4,900
Rainy Day Fund	20,013			20,013
Building Repair and Replacement			2,135	2,135
CDBG Greenbridge Loan			543	543
Debt Service			42,800	42,800
Farmland and Open Space Acquisition			1,389	1,389
Information and Telecommunication Capital			8,428	8,428
Parks Expansion and Construction			25,224	25,224
Open Space Trails and Zoo Levy subfund			(132)	(132)
Urban Restore Habitat Restoration			(18)	(18)
Total Committed Fund Balance	24,982	-	80,368	105,350
Assigned for:				
Inmate Welfare	\$ 4,158			4,158
Environmental Health Services		3,220		3,220
Automated Fingerprint ID System			793	793
Children and Families Services			965	965
Emergency Medical Services			23,247	23,247
Enhanced 911 Emergency Telephone System			3,522	3,522
Local Hazardous Waste			1,346	1,346
Road Improvement Districts Construction			22	22
Mental illness and drug dependency			3,000	3,000
Youth Employment Programs			(958)	(958)
Youth Sports Facilities Grant			296	296
Arts and Historic Preservation Capital			3	3
Long-term Leases			1,062	1,062
Veterans and Human Services			7,481	7,481
Recorder's Operations And Management			246	246
Flood Control Zone District			980	980
Reappropriation	4,106			4,106
Total Assigned Fund Balance	8,264	3,220	42,004	53,488
Unassigned Fund Balance	78,318		(6,571)	71,747
Total Fund Balance	\$ 114,370	\$ 4,106	\$ 521,501	\$ 639,977

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.

The Rainy Day Reserve Fund is reported as part of the General fund. As of December 31, 2013, it had a committed fund balance of \$20 million.

Reporting Entity Change

The Washington State Major League Baseball Stadium - Public Facilities District (PFD) ceased to be reported as a discretely presented component unit in 2013. The County bonds that financed the original construction have been paid off by the

special taxes authorized for this purpose by the State. The County is not obligated for any additional funding to support PFD operations or construction. Component unit net position was adjusted retroactively.

Restatements of Beginning Balances

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

GOVERNMENTAL ACTIVITIES

	Governmental Activities	Governmental Funds	Nonmajor Special Revenue Funds
Net Position/Fund Balance - December 31, 2012	\$ 2,371,425	\$ 671,861	\$ 326,063
Housing Opportunity Fund reclass to Economic Growth	29,618	29,618	29,618
Housing Opportunity Fund remove from Human Potential	(29,618)	(29,618)	(29,618)
GASB 65 bond issue costs expensed	(4,823)	-	-
Net Position/Fund Balance - January 1, 2013 (Restated)	<u>\$ 2,366,602</u>	<u>\$ 671,861</u>	<u>\$ 326,063</u>

BUSINESS-TYPE ACTIVITIES

	Business-type Activities	Water Quality	Public Transportation	Nonmajor Enterprise Funds
Net Position – December 31, 2012	\$ 2,535,932	\$ 580,896	\$ 1,677,525	\$ 240,640
GASB 65 related retroactive adjustments:				
Water Quality	(19,770)	(19,770)		
Public Transportation	(877)		(877)	
KC International Airport	(26)			(26)
Net Position – January 1, 2013 (Restated)	<u>\$ 2,515,259</u>	<u>\$ 561,126</u>	<u>\$ 1,676,648</u>	<u>\$ 240,614</u>

COMPONENT UNITS - DISCRETE

	Component Units	WSMLB Stadium Public Facilities District
Net Position - December 31, 2012	\$ 1,053,486	\$ 363,082
Elimination of component unit (PFD)	(363,082)	(363,082)
Net Position - January 1, 2013 (Restated)	<u>\$ 690,404</u>	<u>\$ -</u>

Governmental activities –

The beginning balances of the Human Potential and Economic Growth in Nonmajor Special Revenue Funds changed due to a reclassification from Human Potential to Economic Growth.

Business-type Activities –

Beginning balance adjustments to net position in business-type activities included expensing of capitalized bond issue costs as required under GASB 65 – “Items previously recorded as Assets and Liabilities.”

Component Unit – Discrete

The Washington State Major League Baseball Public Facilities District is no longer a discretely presented component unit. The net position at December 31, 2012 was not carried forward to 2013.

Component Unit – Harborview Medical Center (HMC)

Restricted Net Position

Restricted expendable net position – The \$20.4 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 position – The \$3.5 million consists of permanent endowments by donors.

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

Restricted Net Position

Restricted nonexpendable net position – \$50.2 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, Financial Guarantees, 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 the case was remanded to Superior Court. 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 retirement contributions. The settlement has been appealed by the Department of Retirement Systems but the County anticipates an oral agreement in the fall of 2014.

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 the EPA. The proposed plan is subject to public comment and may be changed by the EPA as a result. The EPA has stated that it will issue a Record of Decision in the latter part of 2014. Because the EPA has not selected the final cleanup and no consent decree has been negotiated with the EPA, the County is unable to determine the particular remediation alternative to pursue the associated costs.
- A class action alleging violations of State law regarding Metro's provision of meal periods to transit operators. King County is in the course of discovery and anticipates summary judgment motions to be filed in the fall.
- 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.
- A change order appeal totaling approximately \$4 million filed by a contractor for the Brightwater Influent Pump Station project. The County has denied the appeal and is scheduling mediation.
- King County purchased the southern portion of the East Side Railroad Corridor (ESRC) from the Port of Seattle to convert to a trail. Eighty property owners with land adjacent to the ESRC have filed a lawsuit claiming that the Port did not convey easement rights to King County and that those rights were extinguished. Although claimants are not seeking damages, and adverse decision in their favor would presumably diminish the

monetary value of the County's interest in the ESRC. Both the likelihood of an adverse decision and potential loss is inestimable at this time.

- 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 County received a jury verdict of \$155 million on December 21, 2012 while the contractor received \$26.2 million. In post-trial motions the County was awarded an additional \$14.7 million for attorney's fees. The contractor has paid the net judgment amount but has also appealed together with the sureties.
- 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 than what was represented in the plans and specifications. The County disputes this claim and has retained outside counsel to assist in the analysis and defense of the claim.

Financial Guarantees

King County has extended nonexchange financial guarantees in the form of contingent loan agreements with the King County Housing

Authority (KCHA), a related organization to the County, and other owners/developers of affordable housing. The County will provide credit support, such as assumption of monthly payments, for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The King County's credit enhancement program, managed by the Department of Community and Housing Services, allows up to \$200 million in total commitment. At the end of 2013, there are 14 contingent loan agreements outstanding totaling \$132.8 million. These agreements have maturity dates ranging from 15 to 40 years. All projects are currently self-supporting and the County has not made any payment pursuant to these agreements. It is the County's judgment that it is unlikely that it will make any payment in relation to these guarantees based on available information at the end of December 31, 2013 and the standards prescribed under GASB Statement 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Other Commitments

The Solid Waste Enterprise paid the County General Fund \$8.9 million for rent on the Cedar Hills landfill site in 2013. 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 2014

In February 2014, the County issued \$34.8 million of Limited Tax General Obligation Bonds to refund \$37.15 million in Lease Revenue Bonds (Goat Hill Properties), 2005.

In June 2014, the County issued \$15.4 million of Limited Tax General Obligation Bonds to provide funding for both the Surface Water Management program and the acquisition of the Tall Chief Golf Course.

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 pavement’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 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.

Condition ratings	2013-2011		2010-2008		2007-2005	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	297.7	64.9	348.2	71.8	485.4	89.6
Fair	32.0	7.0	20.3	4.2	14.5	2.7
Poor to substandard	129.0	28.1	116.7	24.0	41.6	7.7
Total	<u>458.7</u>	<u>100.0</u>	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>
Local access roads						
Excellent to good	742.0	70.7	867.0	75.6	1,094.5	83.4
Fair	91.4	8.7	74.2	6.5	127.3	9.7
Poor to substandard	216.5	20.6	205.8	17.9	91.2	6.9
Total	<u>1,049.9</u>	<u>100.0</u>	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</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	2013-2011		2010-2008		2007-2005	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	315.7	68.8	360.0	74.2	493.4	91.1
PCI 0 - 39	143.0	31.2	125.2	25.8	48.1	8.9
Total	<u>458.7</u>	<u>100.0</u>	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>
Local access roads						
PCI 40 - 100	786.5	74.9	900.0	78.5	1,170.3	89.1
PCI 0 - 39	263.4	25.1	247.0	21.5	142.7	10.9
Total	<u>1,049.9</u>	<u>100.0</u>	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>

In the most recent condition assessments, 68.8 percent of the arterial roads in the County and 74.9 percent of the local access roads in the County had a PCI rating of 40 and above.

It is the policy of the King County Road Services Division to maintain at least 50 percent of the road system at a PCI of 40 or better. This is a change from prior years where it was set at 80 percent at a PCI of 40 or better. The roads condition assessments have shown a declining trend over the past three maintenance cycles. The accelerated condition deterioration observed between 2008-2010, and continuing in 2011-2013, are primarily the result of weather and system age. Many of the arterial roadways are beyond their cost-effective life cycles, resulting in roadway deterioration earlier than what was estimated or budgeted. In the meantime, resources allocated to maintenance and

preservation have declined due to the impact of low property valuations and annexations on taxes and the reduction in gas tax revenues. Because of the uncertainty in future funding for roads, the County formally lowered its established condition level to 50 percent of the roads at a PCI of 40 or better. The 2013 budgeted amounts below already account for the change in the established condition level.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network from 2009 to 2013. The budgeted amount is equivalent to the anticipated amount needed to maintain roads at the 50/40 required condition level for the Modified Approach (in thousands). The amount budgeted in 2013 for road preservation and maintenance was \$59.1 million. The amount actually expended was \$45.8 million.

	2013	2012	2011	2010	2009
Budgeted	\$59,110	\$52,658	\$62,947	\$78,844	\$64,615
Expended	46,782	45,082	52,080	52,701	58,488

Bridges

King County currently maintains 181 bridges including co-owned and pedestrian 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. Three 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		
	2013	2012	2011
0-20	5	8	5
21-30	1	1	1
31-49	17	17	13
50-100	153	149	158
Totals	176	175	177

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, rehabilitation or closure of the bridge.

Amounts budgeted and spent to maintain and preserve bridges (in thousands):

	2013	2012	2011	2010	2009
Budgeted	\$5,544	\$9,337	\$10,635	\$19,866	\$13,465
Expended	5,411	6,375	5,499	9,760	10,625

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 infrastructure system.

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)
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%
2013	12/31/2013	\$ -	\$ 167,420	\$ 167,420	0.0%	\$ 1,000,353	16.7%

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Governmental Funds

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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 four 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.

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

Capital Projects Funds – Capital Projects funds account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition, construction, maintenance, and improvement of capital assets. The County has 13 nonmajor Capital Projects funds that are combined into four rollup funds for financial reporting purposes, as follows:

Economic Growth and Built Environment Fund – Primarily accounts for the acquisition and construction of infrastructure designed to meet transportation needs throughout the County, to shape a built environment that allows communities to flourish, and to preserve the unique character of our rural communities.

Environmental Sustainability Fund – Primarily accounts for the acquisition and construction of

land and infrastructure designed to protect and restore water quality, biodiversity, open space, and ecosystems.

Service Excellence Fund – Accounts for the acquisition and construction of infrastructure designed to improve the effectiveness and efficiency of County programs, services, and systems.

Financial Stewardship Fund – Accounts for the acquisition, construction, and remodeling of County facilities designed to provide for the long-term delivery of County services in a fiscally sustainable manner.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013
(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and cash equivalents	\$ 384,931	\$ 56,310	\$ 89,895	\$ 531,136
Taxes receivable – delinquent	6,928	866	213	8,007
Accounts receivable, net	43,922	-	4,747	48,669
Due from other funds	1,661	28	1,965	3,654
Due from other governments, net	39,486	2,923	3,523	45,932
Prepayments	7,160	-	-	7,160
Advances to other funds	4,000	-	-	4,000
Total assets	<u>488,088</u>	<u>60,127</u>	<u>100,343</u>	<u>648,558</u>
Deferred outflows of resources	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 488,088</u>	<u>\$ 60,127</u>	<u>\$ 100,343</u>	<u>\$ 648,558</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 38,588	\$ -	\$ 5,966	\$ 44,554
Due to other funds	11,753	-	857	12,610
Due to other governments	6,136	-	24	6,160
Interest payable	-	191	-	191
Wages payable	10,066	-	492	10,558
Taxes payable	27	-	33	60
Bonds payable	-	3,715	-	3,715
Unearned revenues	20,613	-	3,176	23,789
Custodial accounts	10,496	-	29	10,525
Advances from other funds	6,325	-	-	6,325
Total liabilities	<u>104,004</u>	<u>3,906</u>	<u>10,577</u>	<u>118,487</u>
Deferred inflows of resources				
Unavailable revenue-property taxes	<u>7,012</u>	<u>866</u>	<u>213</u>	<u>8,091</u>
Fund balances				
Nonspendable	13,355	-	-	13,355
Restricted	321,320	12,555	58,949	392,824
Committed	393	42,800	37,175	80,368
Assigned	42,004	-	-	42,004
Unassigned	-	-	(6,571)	(6,571)
Total fund balances	<u>377,072</u>	<u>55,355</u>	<u>89,553</u>	<u>521,980</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 488,088</u>	<u>\$ 60,127</u>	<u>\$ 100,343</u>	<u>\$ 648,558</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
REVENUES				
Taxes	\$ 354,084	\$ 50,306	\$ 20,572	\$ 424,962
Licenses and permits	2,994	-	-	2,994
Intergovernmental revenues	315,012	4,142	23,804	342,958
Charges for services	123,484	10,689	4,946	139,119
Fines and forfeits	140	-	-	140
Interest earnings	1,685	27	286	1,998
Miscellaneous revenues	56,006	300	2,087	58,393
TOTAL REVENUES	853,405	65,464	51,695	970,564
EXPENDITURES				
Current				
General government	64,508	-	27,061	91,569
Law, safety and justice	107,625	-	286	107,911
Physical environment	116,434	-	6,807	123,241
Transportation	61,287	-	16,181	77,468
Economic environment	97,369	-	850	98,219
Mental and physical health	269,665	-	-	269,665
Culture and recreation	42,418	-	1,770	44,188
Debt service				
Redemption of long-term debt	-	70,686	-	70,686
Interest and other debt service costs	200	31,840	895	32,935
Refunding bond issuance costs	-	608	-	608
Capital outlay				
Capital projects	6,952	-	-	6,952
Capitalized expenditures	30,634	-	79,700	110,334
TOTAL EXPENDITURES	797,092	103,134	133,550	1,033,776
Excess (deficiency) of revenues over (under) expenditures	56,313	(37,670)	(81,855)	(63,212)
OTHER FINANCING SOURCES (USES)				
Transfers in	58,669	35,873	62,167	156,709
Transfers out	(68,389)	(9,020)	(17,712)	(95,121)
Premium on bonds sold	-	7,261	-	7,261
Refunding bonds issued	-	92,940	-	92,940
Sale of capital assets	4,416	4	1,138	5,558
Payment to refunded bond escrow agent	-	(99,593)	-	(99,593)
TOTAL OTHER FINANCING SOURCES (USES)	(5,304)	27,465	45,593	67,754
Excess of revenues and other sources over expenditures and other uses	51,009	(10,205)	(36,262)	4,542
Fund balances - January 1, 2013 (Restated)	326,063	65,560	125,815	517,438
Fund balances - December 31, 2013	\$ 377,072	\$ 55,355	\$ 89,553	\$ 521,980

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**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013
(IN THOUSANDS)**

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HEALTH</u>	<u>HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Cash and cash equivalents	\$ 384,931	\$ 92,574	\$ 44,664	\$ 40,268	\$ 44,939
Taxes receivable - delinquent	6,928	2,058	66	488	905
Accounts receivable	44,844	4,075	860	4,771	19,550
Estimated uncollectible accounts receivable	(922)	-	-	59	-
Due from other funds	1,661	565	28	578	289
Due from other governments	39,486	-	-	19,092	1,152
Prepayments	7,160	-	-	-	-
Advances to other funds	4,000	-	-	-	-
Total assets	<u>488,088</u>	<u>99,272</u>	<u>45,618</u>	<u>65,256</u>	<u>66,835</u>
Deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 488,088</u>	<u>\$ 99,272</u>	<u>\$ 45,618</u>	<u>\$ 65,256</u>	<u>\$ 66,835</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 37,974	\$ 2,162	\$ 5,627	\$ 6,730	\$ 5,099
Retainage payable	614	-	-	-	6
Due to other funds	11,753	-	-	8,068	1
Due to other governments	6,136	-	356	5,772	8
Wages payable	10,066	1,160	492	1,599	1,362
Taxes payable	27	-	-	8	9
Unearned revenues	20,613	-	893	1,400	16,076
Custodial accounts	10,496	-	-	8	-
Advances from other funds	6,325	-	-	300	2,025
Total liabilities	<u>104,004</u>	<u>3,322</u>	<u>7,368</u>	<u>23,885</u>	<u>24,586</u>
Deferred inflows of resources					
Unavailable revenue-property taxes	<u>7,012</u>	<u>2,058</u>	<u>66</u>	<u>488</u>	<u>905</u>
Fund balances					
Nonspendable	13,355	-	-	1,974	-
Restricted	321,320	66,330	38,184	28,125	40,911
Committed	393	-	-	-	411
Assigned	42,004	27,562	-	10,784	22
Total fund balances	<u>377,072</u>	<u>93,892</u>	<u>38,184</u>	<u>40,883</u>	<u>41,344</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 488,088</u>	<u>\$ 99,272</u>	<u>\$ 45,618</u>	<u>\$ 65,256</u>	<u>\$ 66,835</u>

<u>BUILT</u> <u>ENVIRONMENT</u>	<u>ENVIRONMENTAL</u> <u>SUSTAINABILITY</u>	<u>SERVICE</u> <u>EXCELLENCE</u>	<u>FINANCIAL</u> <u>STEWARDSHIP</u>	<u>PUBLIC</u> <u>ENGAGEMENT</u>	<u>FLOOD</u> <u>CONTROL ZONE</u> <u>DISTRICT</u>
\$ 24,145	\$ 11,456	\$ 2,229	\$ 57,792	\$ 1,046	\$ 65,818
2,524	2	-	-	-	885
6,279	8,810	-	59	412	28
(913)	(25)	(5)	-	(38)	-
157	14	1	19	-	10
424	18,811	-	-	7	-
3,764	-	-	3,396	-	-
-	-	-	-	-	4,000
<u>36,380</u>	<u>39,068</u>	<u>2,225</u>	<u>61,266</u>	<u>1,427</u>	<u>70,741</u>
-	-	-	-	-	-
<u>\$ 36,380</u>	<u>\$ 39,068</u>	<u>\$ 2,225</u>	<u>\$ 61,266</u>	<u>\$ 1,427</u>	<u>\$ 70,741</u>
\$ 1,414	\$ 1,173	\$ 3	\$ 97	\$ 17	\$ 15,652
21	54	-	533	-	-
3,684	-	-	-	-	-
-	-	-	-	-	-
3,022	2,111	29	35	256	-
12	(2)	-	(2)	2	-
(417)	2,293	-	9	359	-
7,459	66	-	2,876	87	-
-	4,000	-	-	-	-
<u>15,195</u>	<u>9,695</u>	<u>32</u>	<u>3,548</u>	<u>721</u>	<u>15,652</u>
2,608	2	-	-	-	885
3,764	-	-	3,617	-	4,000
14,828	28,025	1,948	53,039	706	49,224
(18)	-	-	-	-	-
3	1,346	245	1,062	-	980
<u>18,577</u>	<u>29,371</u>	<u>2,193</u>	<u>57,718</u>	<u>706</u>	<u>54,204</u>
<u>\$ 36,380</u>	<u>\$ 39,068</u>	<u>\$ 2,225</u>	<u>\$ 61,266</u>	<u>\$ 1,427</u>	<u>\$ 70,741</u>

**NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013
(IN THOUSANDS)**

	TOTAL	LIMITED GO BOND REDEMPTION	ROAD IMPROVEMENT DISTRICTS SA DEBT REDEMPTION	ROAD IMPROVEMENT GUARANTY
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	\$ 56,310	\$ 49,832	\$ 16	\$ 27
Taxes receivable - delinquent	866	369	-	-
Due from other funds	28	28	-	-
Due from other governments	2,923	2,923	-	-
Total assets	<u>60,127</u>	<u>53,152</u>	<u>16</u>	<u>27</u>
Deferred outflows of resources	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 60,127</u></u>	<u><u>\$ 53,152</u></u>	<u><u>\$ 16</u></u>	<u><u>\$ 27</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Bonds payable - current	\$ 3,715	\$ 3,715	\$ -	\$ -
Interest payable - current	191	191	-	-
Total liabilities	<u>3,906</u>	<u>3,906</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>866</u>	<u>369</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted	12,555	12,555	-	-
Committed	<u>42,800</u>	<u>36,322</u>	<u>16</u>	<u>27</u>
Total fund balances	<u>55,355</u>	<u>48,877</u>	<u>16</u>	<u>27</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 60,127</u></u>	<u><u>\$ 53,152</u></u>	<u><u>\$ 16</u></u>	<u><u>\$ 27</u></u>

**UNLIMITED
GO BOND
REDEMPTION**

\$	6,435
	497
	-
	-
	<u>6,932</u>
	-
	<u>-</u>
<u>\$</u>	<u>6,932</u>

\$	-
	-
	-
	<u>-</u>

	497
	<u>497</u>

	-
	6,435
	<u>6,435</u>
<u>\$</u>	<u>6,932</u>

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013
(IN THOUSANDS)

	<u>TOTAL</u>	<u>ECONOMIC GROWTH AND BUILT ENVIRONMENT</u>	<u>ENVIRONMENTAL SUSTAINABILITY</u>	<u>SERVICE EXCELLENCE</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and cash equivalents	\$ 89,895	\$ 17,607	\$ 42,900	\$ 26,999
Taxes receivable – delinquent	213	-	213	-
Accounts receivable, net	4,747	3,792	953	-
Due from other funds	1,965	1,875	21	68
Due from other governments, net	3,523	3,395	128	-
Total assets	<u>\$ 100,343</u>	<u>\$ 26,669</u>	<u>\$ 44,215</u>	<u>\$ 27,067</u>
Deferred outflows of resources	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 100,343</u>	<u>\$ 26,669</u>	<u>\$ 44,215</u>	<u>\$ 27,067</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 4,028	2,623	\$ 130	\$ 1,163
Retainage payable	1,938	1,400	191	-
Due to other funds	857	857	-	-
Due to other governments	24	24	-	-
Wages payable	492	233	44	166
Taxes payable	33	18	-	15
Unearned revenues	3,176	3,150	26	-
Custodial accounts	29	3	25	-
Total liabilities	<u>10,577</u>	<u>8,308</u>	<u>416</u>	<u>1,344</u>
Deferred inflows of resources				
Unavailable revenue-property taxes	213	-	213	-
Total deferred inflows of resources	<u>213</u>	<u>-</u>	<u>213</u>	<u>-</u>
Fund balances				
Restricted	58,949	23,946	17,646	17,295
Committed	37,175	-	26,926	8,428
Unassigned	(6,571)	(5,585)	(986)	-
Total fund balances	<u>89,553</u>	<u>18,361</u>	<u>43,586</u>	<u>25,723</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 100,343</u>	<u>\$ 26,669</u>	<u>\$ 44,215</u>	<u>\$ 27,067</u>

**FINANCIAL
STEWARDSHIP**

\$	2,389
	-
	2
	1
	-
\$	<u>2,392</u>

	<u>-</u>
--	----------

\$	<u>2,392</u>
----	--------------

\$	112
	347
	-
	-
	49
	-
	-
	1
	<u>509</u>

	<u>-</u>
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	<u>-</u>
--	----------

	62
	1,821
	-
	<u>1,883</u>

\$	<u>2,392</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, 2013
(IN THOUSANDS)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HEALTH</u>	<u>HUMAN POTENTIAL</u>
REVENUES				
Taxes	\$ 354,084	\$ 122,395	\$ 2,976	\$ 74,598
Licenses and Permits	2,994	-	-	-
Intergovernmental revenues	315,012	58	157,423	38,815
Charges for services	123,484	876	3,367	26,736
Fines and forfeits	140	-	-	-
Interest earnings	1,685	21	51	(7)
Rent income and reimbursement	46,132	3	-	1,064
Miscellaneous revenues	9,874	1,335	545	65
TOTAL REVENUES	<u>853,405</u>	<u>124,688</u>	<u>164,362</u>	<u>141,271</u>
EXPENDITURES				
Current				
General government services	64,508	2,533	-	6,632
Law, safety and justice	107,625	95,169	-	12,456
Physical environment	116,434	-	-	22
Transportation	61,287	-	-	-
Economic environment	97,369	-	-	36,793
Mental and physical health	269,665	-	161,426	93,456
Culture and recreation	42,418	-	-	488
Total current	<u>759,306</u>	<u>97,702</u>	<u>161,426</u>	<u>149,847</u>
Debt service				
Interest and other debt service costs	200	-	-	-
Total debt service	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay				
Capitalized projects	6,952	-	-	-
Capital outlay	30,634	2,295	-	1,669
Total capital outlay	<u>37,586</u>	<u>2,295</u>	<u>-</u>	<u>1,669</u>
TOTAL EXPENDITURES	<u>797,092</u>	<u>99,997</u>	<u>161,426</u>	<u>151,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,313</u>	<u>24,691</u>	<u>2,936</u>	<u>(10,245)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	58,669	-	-	6,088
Transfers out	(68,389)	(2,982)	(421)	(9,360)
Sale of capital assets	4,416	119	-	3
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,304)</u>	<u>(2,863)</u>	<u>(421)</u>	<u>(3,269)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>51,009</u>	<u>21,828</u>	<u>2,515</u>	<u>(13,514)</u>
Fund balances - January 1, 2013 (Restated)	<u>326,063</u>	<u>72,064</u>	<u>35,669</u>	<u>54,397</u>
Fund balances - December 31, 2013	<u>\$ 377,072</u>	<u>\$ 93,892</u>	<u>\$ 38,184</u>	<u>\$ 40,883</u>

King County, Washington

ECONOMIC GROWTH	BUILT ENVIRONMENTS	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP	PUBLIC ENGAGEMENT	FLOOD CONTROL ZONE DISTRICT
\$ 41,324	\$ 69,897	\$ 1,567	\$ -	\$ -	\$ -	\$ 41,327
120	13	-	-	-	2,861	-
34,493	20,208	62,746	594	-	675	-
19,634	15,041	56,126	1,584	26	94	-
18	52	5	-	-	65	-
139	186	925	3	2	42	323
2,764	11	97	-	42,193	-	-
3,716	1,522	226	16	2,734	3	(288)
102,208	106,930	121,692	2,197	44,955	3,740	41,362
-	189	30	1,951	52,417	756	-
-	-	-	-	-	-	-
	21	86,964	-	-	5,497	23,930
7,256	54,031	-	-	-	-	-
46,901	13,675	-	-	-	-	-
-	-	14,783	-	-	-	-
38,773	3,157	-	-	-	-	-
92,930	71,073	101,777	1,951	52,417	6,253	23,930
1	81	69	-	12	-	37
1	81	69	-	12	-	37
-	6,952	-	-	-	-	-
158	124	8,538	-	1	31	17,818
158	7,076	8,538	-	1	31	17,818
93,089	78,230	110,384	1,951	52,430	6,284	41,785
9,119	28,700	11,308	246	(7,475)	(2,544)	(423)
6,605	3,997	10,779	-	28,681	2,519	-
(13,474)	(27,309)	(13,767)	(1)	(1,070)	(5)	-
218	3,668	390	-	-	18	-
(6,651)	(19,644)	(2,598)	(1)	27,611	2,532	-
2,468	9,056	8,710	245	20,136	(12)	(423)
38,876	9,521	20,661	1,948	37,582	718	54,627
\$ 41,344	\$ 18,577	\$ 29,371	\$ 2,193	\$ 57,718	\$ 706	\$ 54,204

NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)

	TOTAL	LIMITED GO BOND REDEMPTION	ROAD IMPROVEMENT DISTRICTS SA DEBT REDEMPTION	ROAD IMPROVEMENT GUARANTY	UNLIMITED GO BOND REDEMPTION
REVENUES					
Taxes	\$ 50,306	\$ 29,296	\$ -	\$ -	\$ 21,010
Intergovernmental revenues	4,142	4,139	-	-	3
Charges for services	10,689	10,689	-	-	-
Interest earnings	27	25	-	2	-
Miscellaneous revenues	300	256	4	5	35
TOTAL REVENUES	65,464	44,405	4	7	21,048
EXPENDITURES					
Debt service					
Redemption of long-term debt	70,686	56,466	-	-	14,220
Interest and other debt service costs	31,840	25,309	-	-	6,531
Refunding bond issuance costs	608	441	-	-	167
TOTAL EXPENDITURES	103,134	82,216	-	-	20,918
Excess (deficiency) of revenues over (under) expenditures	(37,670)	(37,811)	4	7	130
OTHER FINANCING SOURCES (USES)					
Transfers in	35,873	35,873	-	-	-
Transfers out	(9,020)	(9,020)	-	-	-
Premium on bonds sold	7,261	6,350	-	-	911
Refunding bonds issued	92,940	84,280	-	-	8,660
Sale of capital assets	4	1	-	-	3
Payment to refunded bond escrow agent	(99,593)	(90,189)	-	-	(9,404)
TOTAL OTHER FINANCING SOURCES (USES)	27,465	27,295	-	-	170
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(10,205)	(10,516)	4	7	300
Fund balances - January 1, 2013	65,560	59,393	12	20	6,135
Fund balances - December 31, 2013	\$ 55,355	\$ 48,877	\$ 16	\$ 27	\$ 6,435

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)

	TOTAL	ECONOMIC GROWTH AND BUILT ENVIRONMENT	ENVIRON- MENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP
REVENUES					
Taxes	\$ 20,572	\$ 11,056	\$ 9,516	\$ -	\$ -
Intergovernmental revenues	23,804	19,419	4,237	148	-
Charges for services	4,946	836	135	-	3,975
Interest earnings	286	146	31	90	19
Miscellaneous revenues					
Rent and maintenance reimbursement	283	11	272	-	-
Other miscellaneous revenues	1,804	1,127	603	-	74
TOTAL REVENUES	51,695	32,595	14,794	238	4,068
EXPENDITURES					
Current					
General government services	27,061	5	3,924	7,329	15,803
Law, safety and justice	286	-	-	286	-
Physical environment	6,807	-	6,807	-	-
Transportation	16,181	16,181	-	-	-
Economic environment	850	-	-	850	-
Culture and recreation	1,770	-	1,770	-	-
Total current	52,955	16,186	12,501	8,465	15,803
Debt service					
Interest and other debt service costs	895	39	4	73	779
Total debt service	895	39	4	73	779
Capital outlay					
Capitalized expenditures	79,700	43,765	20,930	14,953	52
Total capital outlay	79,700	43,765	20,930	14,953	52
TOTAL EXPENDITURES	133,550	59,990	33,435	23,491	16,634
Deficiency of revenues under expenditures	(81,855)	(27,395)	(18,641)	(23,253)	(12,566)
OTHER FINANCING SOURCES (USES)					
Transfers in	62,167	25,805	17,539	13,434	5,389
Transfers out	(17,712)	(14,586)	(518)	(2,506)	(102)
Sale of capital assets	1,138	1,137	1	-	-
TOTAL OTHER FINANCING SOURCES	45,593	12,356	17,022	10,928	5,287
Deficiency of revenues and other sources under expenditures and other uses	(36,262)	(15,039)	(1,619)	(12,325)	(7,279)
Fund balances - January 1, 2013	125,815	33,400	45,205	38,048	9,162
Fund balances - December 31, 2013	\$ 89,553	\$ 18,361	\$ 43,586	\$ 25,723	\$ 1,883

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) & ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 1 OF 4 - CONTINUED)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
MAJOR FUNDS			
General Fund			
County Council	\$ 1,637	\$ -	\$ 1,637
Council Administration	13,117	132	13,249
Hearing Examiner	604	-	604
County Auditor	1,860	-	1,860
Ombudsman/Tax Advisor	1,251	-	1,251
King County Civic Television	602	-	602
Board of Appeals	714	-	714
Office of Law Enforcement Oversight	803	-	803
Office of Economic and Financial Analysis	352	-	352
County Executive	253	2	255
Office of the Executive	4,352	-	4,352
Office of Performance, Strategy and Budget	7,909	82	7,991
Office of Labor Relations	2,368	-	2,368
Sheriff	143,272	703	143,975
Drug Enforcement Forfeits	1,132	-	1,132
Succession Planning	462	174	636
Office of Emergency Management	2,306	-	2,306
Executive Services Administration	2,790	-	2,790
Human Resources Management	5,776	50	5,826
Cable Communications	313	89	402
Real Estate Services	3,696	157	3,853
Records and Licensing Services	8,489	128	8,617
Elections	20,019	-	20,019
Prosecuting Attorney	61,829	643	62,472
Prosecuting Attorney - Antiprofitteering	120	-	120
Superior Court	46,032	691	46,723
District Courts	29,930	1,153	31,083
Judicial Administration	19,973	825	20,798
State Auditor	914	-	914
Boundary Review Board	341	-	341
Federal Lobbying	240	-	240
Special Programs			
Memberships and Dues	746	-	746
Internal Support	15,497	23,230	38,727
Assessments	23,308	256	23,564
Fund Transfers			
Human Services GF Transfers	2,351	610	2,961
General Government GF Transfers	27,341	2,079	29,420
Public Health GF Transfers	25,425	109	25,534
Physical Environment GF Transfers	2,509	-	2,509
CIP GF Transfers	10,039	6,309	16,348
Jail Health Services	25,148	286	25,434
Adult and Juvenile Detention	128,387	3,681	132,068
Public Defense	41,481	7,450	48,931
Inmate Welfare - Adult	1,586	-	1,586
Inmate Welfare - Juvenile	8	-	8
Total of General Fund	687,282	48,839	736,121

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	2013 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 13	\$ 1,624	-	\$ 1,624
347	12,902	18	12,884
176	428	-	428
228	1,632	-	1,632
186	1,065	-	1,065
40	562	4	558
18	696	12	684
385	418	12	406
2	350	-	350
2	253	-	253
4	4,348	-	4,348
403	7,588	154	7,434
11	2,357	-	2,357
-	143,975	1,386	142,589
347	785	1	784
83	553	-	553
92	2,214	-	2,214
33	2,757	-	2,757
-	5,826	1	5,825
154	248	-	248
275	3,578	6	3,572
297	8,320	1	8,319
3,008	17,011	66	16,945
845	61,627	16	61,611
120	-	-	-
464	46,259	233	46,026
1,389	29,694	17	29,677
1,092	19,706	112	19,594
5	909	-	909
10	331	-	331
-	240	-	240
35	711	-	711
78	38,649	-	38,649
417	23,147	54	23,093
357	2,604	-	2,604
585	28,835	-	28,835
-	25,534	-	25,534
-	2,509	-	2,509
4,941	11,407	-	11,407
479	24,955	98	24,857
483	131,585	58	131,527
831	48,100	65	48,035
203	1,383	41	1,342
7	1	-	1
18,445	717,676	2,355	715,321

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 2 OF 4 - CONTINUED)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
Public Health			
Public Health	\$ 238,635	\$ 68	\$ 238,703
Medical Examiner	6,311	-	6,311
Total Public Health	<u>244,946</u>	<u>68</u>	<u>245,014</u>
Total for Major Funds	<u>932,228</u>	<u>48,907</u>	<u>981,135</u>
NONMAJOR FUNDS			
Special Revenue Funds			
JUSTICE AND SAFETY			
Emergency Medical Services	<u>74,692</u>	<u>1,440</u>	<u>76,132</u>
HUMAN POTENTIAL			
Youth Sports Facilities Grant	684	-	684
Miscellaneous Grant Fund	<u>41,172</u>	<u>-</u>	<u>41,172</u>
TOTAL HUMAN POTENTIAL	<u>41,856</u>	<u>-</u>	<u>41,856</u>
ECONOMIC GROWTH			
Parks and Recreation	32,555	-	32,555
Expansion Levy	<u>20,877</u>	<u>-</u>	<u>20,877</u>
TOTAL ECONOMIC GROWTH	<u>53,432</u>	<u>-</u>	<u>53,432</u>
ENVIRONMENTAL SUSTAINABILITY			
Local Hazardous Waste	<u>16,327</u>	<u>-</u>	<u>16,327</u>
FINANCIAL STEWARDSHIP			
Major Maintenance Capital Improvement Program	<u>8,474</u>	<u>-</u>	<u>8,474</u>
Total Nonmajor Special Revenue Funds with annual budgets	<u>194,781</u>	<u>1,440</u>	<u>196,221</u>

<u>VARIANCE</u>	<u>TOTAL</u>	<u>ACTUAL</u>	
		<u>2013 YEAR-END</u> <u>ENCUMBRANCES</u>	<u>EXPENDITURES</u>
\$ 46,168	\$ 192,535	\$ -	\$ 192,535
1,252	5,059	-	5,059
<u>47,420</u>	<u>197,594</u>	<u>-</u>	<u>197,594</u>
65,865	915,270	2,355	912,915
<u>10,835</u>	<u>65,297</u>	<u>-</u>	<u>65,297</u>
196	488	-	488
24,612	16,560	-	16,560
<u>24,808</u>	<u>17,048</u>	<u>-</u>	<u>17,048</u>
1,962	30,593	-	30,593
54	20,823	-	20,823
<u>2,016</u>	<u>51,416</u>	<u>-</u>	<u>51,416</u>
<u>1,544</u>	<u>14,783</u>	<u>-</u>	<u>14,783</u>
<u>512</u>	<u>7,962</u>	<u>-</u>	<u>7,962</u>
<u>39,715</u>	<u>156,506</u>	<u>-</u>	<u>156,506</u>

GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2013
(PAGE 3 OF 4 - CONTINUED)

APPROPRIATION UNIT	BUDGET – 2013-14 BIENNIUM		
	ORIGINAL	ADJUSTMENTS	FINAL
NONMAJOR FUNDS			
Special Revenue Funds			
JUSTICE AND SAFETY			
Automated Fingerprint Identification System	33,048	63	33,111
Enhanced 911 Emergency Telephone System	53,875	6,856	60,731
TOTAL JUSTICE AND SAFETY	86,923	6,919	93,842
HEALTH			
Mental Health	341,848	-	341,848
HUMAN POTENTIAL			
Alcoholism and Substance Abuse	57,514	-	57,514
Children and Family Services - DCHS	3,836	4,325	8,161
Children and Family Services - Operating	9,549	1,461	11,011
Community and Human Services Administration	6,814	35	6,849
Developmental Disabilities Division	55,100	-	55,100
Judicial Administration MIDD	3,105	38	3,143
Prosecuting Attorney MIDD	2,520	-	2,520
Superior Court MIDD	3,312	-	3,312
Sheriff MIDD	285	-	285
Office of Public Defender MIDD	3,534	-	3,534
District Court MIDD	2,094	(183)	1,911
Adult and Juvenile Detention MIDD	659	-	659
Jail Health Services MIDD	7,720	(114)	7,606
Mental Health and Substance Abuse MIDD	9,899	-	9,899
Mental Illness and Drug Dependency	74,360	6,095	80,455
Human Services Levy	18,540	211	18,751
Veterans and Family Levy	19,361	416	19,777
Veterans' Relief	6,363	-	6,363
Youth Employment Programs	23,432	(826)	22,605
TOTAL HUMAN POTENTIAL	307,998	11,457	319,455
ECONOMIC GROWTH			
Marine Division	31,299	717	32,016
	31,299	717	32,016

VARIANCE	ACTUAL – 2013-14 BIENNIUM		
	TOTAL	2013 YEAR-END ENCUMBRANCES	EXPENDITURES
18,331	14,780	165	14,615
40,599	20,132	309	19,823
58,930	34,912	474	34,438
180,422	161,426	5,109	156,317
39,154	18,360	12	18,348
4,273	3,888	-	3,888
6,744	4,267	-	4,267
3,480	3,369	3	3,366
27,416	27,684	448	27,236
1,820	1,323	7	1,316
1,612	908	-	908
1,686	1,626	-	1,626
134	151	2	149
1,917	1,617	-	1,617
1,035	876	-	876
330	329	19	310
4,106	3,500	-	3,500
4,980	4,919	25	4,894
41,774	38,681	748	37,933
9,682	9,069	-	9,069
10,981	8,796	1	8,795
3,382	2,981	5	2,976
11,068	11,537	71	11,466
175,574	143,881	1,341	142,540
31,159	857	195	662
31,159	857	195	662

GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2013
(PAGE 4 OF 4 - CONCLUDED)

APPROPRIATION UNIT	BUDGET – 2013-14 BIENNIUM		
	ORIGINAL	ADJUSTMENTS	FINAL
Special Revenue Funds - continued			
BUILT ENVIRONMENT			
Arts and Cultural Development	\$ 4,640	\$ 3,297	\$ 7,937
Permitting and Environmental Review	23,832	(80)	23,752
DPER Abatement	976	92	1,068
DPER Permitting Intergration	984	947	1,931
DPER General Public Services	4,614	(165)	4,449
Historical Preservation Programs	966	175	1,141
Roads	141,346	861	142,207
Roads Construction Transfer	48,000	80	48,080
TOTAL BUILT ENVIRONMENT	225,358	5,207	230,565
ENVIRONMENTAL SUSTAINABILITY			
Intercounty River Improvement	100	-	100
King County Flood Control Contract	124,021	59,427	183,448
Noxious Weed Control	4,119	-	4,119
Water and Land Resources Shared Services	56,603	3,262	59,865
Surface Water Management			
Local Drainage Services	47,601	1,469	49,070
TOTAL ENVIRONMENTAL SUSTAINABILITY	232,444	64,158	296,602
SERVICE EXCELLENCE			
Recorder's Operation and Maintenance	3,518	-	3,518
FINANCIAL STEWARDSHIP			
OMB/2006 Fund	-	31,000	31,000
PUBLIC ENGAGEMENT			
Animal Bequest	280	-	280
Regional Animal Services	13,085	57	13,142
TOTAL PUBLIC ENGAGEMENT	13,365	57	13,422
Debt Service Funds			
Limited GO Bond Redemption	322,240	583	322,823
Road Improvement Guaranty	16	-	16
Unlimited GO Bond Redemption	40,264	-	40,264
Total of Debt Services Funds			
with biennial budgets	362,520	583	363,103
Total Nonmajor Governmental Funds			
with biennial budgets	1,605,273	120,098	1,725,371
Total of Governmental Funds with annual and biennial budgets	\$ 2,732,282	\$ 170,445	\$ 2,902,727

VARIANCE	ACTUAL – 2013-14 BIENNIUM		
	TOTAL	2013 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 3,330	\$ 4,607	\$ -	\$ 4,607
11,221	12,531	8	12,523
677	391	27	364
1,390	541	-	541
2,593	1,856	1	1,855
684	457	-	457
81,240	60,967	234	60,733
23,000	25,080	-	25,080
124,135	106,430	270	106,160
50	50	-	50
138,268	45,180	1,245	43,935
2,306	1,813	5	1,808
31,559	28,306	46	28,260
26,854	22,216	85	22,131
199,037	97,565	1,381	96,184
2,003	1,515	6	1,509
29,909	1,091	-	1,091
233	47	-	47
6,899	6,243	48	6,195
7,132	6,290	48	6,242
205,647	117,176	-	117,176
16	-	-	-
19,513	20,751	-	20,751
225,176	137,927	-	137,927
1,033,477	691,894	8,824	683,070
\$ 1,139,057	\$ 1,763,670	\$ 11,179	\$ 1,752,491

**GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2013 AND 2012
(IN THOUSANDS)**

	<u>2013</u>	<u>2012</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Cash and cash equivalents	\$ 87,093	\$ 106,168
Taxes receivable - delinquent	7,652	7,264
Accounts receivable	81,750	80,328
Estimated uncollectible accounts receivable	(68,035)	(66,973)
Interest receivable	7,453	9,003
Due from other funds	8,232	2,610
Interfund short-term loans receivable	-	6,194
Due from other governments	45,341	44,675
Estimated uncollectible due from other governments	(187)	(283)
Advances to other funds	300	3,800
Total assets	<u>169,599</u>	<u>192,786</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 169,599</u>	<u>\$ 192,786</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 3,377	\$ 4,304
Due to other funds	6,629	9,300
Due to other governments	-	621
Wages payable	24,620	20,613
Taxes payable	189	204
Unearned revenues	3,411	6
Custodial accounts	1,886	2,934
Total liabilities	<u>40,112</u>	<u>37,982</u>
Deferred inflows of resources		
Unavailable revenue-property taxes	7,652	7,263
Unavailable revenue-grants	1,139	-
Unavailable revenue-other receivables	6,326	7,897
Total deferred inflows of resources	<u>15,117</u>	<u>15,160</u>
Fund balances		
Nonspendable	300	3,800
Restricted	2,506	2,702
Committed	24,982	21,761
Assigned	8,264	8,827
Unassigned	78,318	102,554
Total fund balances	<u>114,370</u>	<u>139,644</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 169,599</u>	<u>\$ 192,786</u>

Proprietary Funds

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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, four are divisions within the County and one is a blended component unit, that are reported using 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 (Blended Component Unit) – 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, 2013
(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	\$ 97,671	\$ 1,826	\$ 14,155	\$ 26,433	\$ 10,043	\$ 45,214
Restricted cash and cash equivalents	375	-	-	118	22	235
Accounts receivable	8,511	66	6	889	497	7,053
Estimated uncollectible accounts receivable	(144)	-	-	(4)	-	(140)
Due from other funds	1,194	3	5	29	4	1,153
Interfund short-term loans receivable	310	-	-	-	310	-
Property tax receivable-delinquent	30	-	30	-	-	-
Due from other governments	3,363	173	548	2,393	-	249
Inventory of supplies	1,675	-	-	375	136	1,164
Prepayments	134	-	134	-	-	-
Total current assets	113,119	2,068	14,878	30,233	11,012	54,928
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	53,383	-	-	538	-	52,845
Total restricted assets	53,383	-	-	538	-	52,845
Capital assets						
Capital assets not being depreciated	112,126	-	7,110	40,838	11	64,167
Capital assets, net of accumulated depreciation	202,336	138	2,711	54,035	6,134	139,318
Total capital assets	314,462	138	9,821	94,873	6,145	203,485
Other noncurrent assets						
Advances to other funds	2,935	-	2,025	-	910	-
Total noncurrent assets	370,780	138	11,846	95,411	7,055	256,338
TOTAL ASSETS	483,899	2,206	26,724	125,644	18,067	311,258
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refunding	192	-	-	192	-	-
LIABILITIES						
Current liabilities						
Accounts payable	7,887	29	1,211	1,938	86	4,623
Retainage payable	325	-	-	68	22	235
Due to other funds	74	-	-	-	-	74
Due to other governments	110	-	-	-	-	110
Notes and contracts payable	380	380	-	-	-	-
Interest payable	436	30	-	15	-	391
Interfund short-term loans payable	310	310	-	-	-	-
Wages payable	3,050	63	-	281	115	2,591
Compensated absences payable	166	6	-	20	6	134
Taxes payable	161	-	-	155	-	6
Unearned revenue	3,512	-	-	3,442	-	70
Customer deposits	209	-	-	50	159	-
General obligation bonds payable	4,490	645	-	460	-	3,385
Landfill closure and post-closure care	3,242	-	-	-	-	3,242
Total current liabilities	24,352	1,463	1,211	6,429	388	14,861
Noncurrent liabilities						
Customer deposits	538	-	-	538	-	-
Compensated absences payable	5,665	197	-	664	215	4,589
Other postemployment benefits	991	16	-	91	29	855
Advances from other funds	910	910	-	-	-	-
General obligation bonds payable	108,955	675	-	3,680	-	104,600
Unamortized bond premium and discount	9,358	-	-	301	-	9,057
Pollution remediation	1,390	-	-	1,390	-	-
Landfill closure and post-closure care	86,723	-	-	-	-	86,723
Total noncurrent liabilities	214,530	1,798	-	6,664	244	205,824
TOTAL LIABILITIES	238,882	3,261	1,211	13,093	632	220,685
NET POSITION						
Net investment in capital assets	200,877	(1,182)	9,821	90,624	6,145	95,469
Unrestricted	44,332	127	15,692	22,119	11,290	(4,896)
TOTAL NET POSITION	\$ 245,209	\$ (1,055)	\$ 25,513	\$ 112,743	\$ 17,435	\$ 90,573

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2013
(IN THOUSANDS)

			KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
	TOTAL	I-NET				
OPERATING REVENUES						
I-Net fees	\$ 2,542	\$ 2,542	\$ -	\$ -	\$ -	\$ -
Passenger fares	1,625	-	1,625	-	-	-
Radio services	4,003	-	-	-	4,003	-
Solid waste disposal charges	101,328	-	-	-	-	101,328
Airfield fees	3,048	-	-	3,048	-	-
Hangar, building, and site rentals and leases	13,764	-	-	13,764	-	-
Interfund rent	199	-	-	199	-	-
Miscellaneous	4,787	-	488	1,956	496	1,847
Total operating revenues	131,296	2,542	2,113	18,967	4,499	103,175
OPERATING EXPENSES						
Personal services	50,680	1,078	279	5,319	2,134	41,870
Materials and supplies	8,329	63	558	445	519	6,744
Contract services and other charges	33,952	173	3,225	10,581	397	19,576
Utilities	2,993	-	-	1,679	162	1,152
Purchased transportation	2,829	-	2,829	-	-	-
Internal services	17,753	366	-	5,306	1,338	10,743
Depreciation and amortization	18,225	1,344	296	4,194	605	11,786
Total operating expenses	134,761	3,024	7,187	27,524	5,155	91,871
OPERATING INCOME (LOSS)	(3,465)	(482)	(5,074)	(8,557)	(656)	11,304
NONOPERATING REVENUES						
Property tax	1,177	-	1,177	-	-	-
Interest earnings	313	7	6	144	13	143
DNR administration revenue	4,593	-	-	-	-	4,593
Rental income	303	-	-	-	-	303
Other nonoperating revenues	2,601	7	31	1,473	30	1,060
Total nonoperating revenues	8,987	14	1,214	1,617	43	6,099
NONOPERATING EXPENSES						
Interest	2,712	75	-	294	-	2,343
DNR administration expense	5,737	-	-	-	-	5,737
(Gain) loss on disposal of capital assets	637	-	-	628	-	9
Landfill closure and post-closure care	1,918	-	-	-	-	1,918
Other nonoperating expenses	1,385	-	-	-	28	1,357
Total nonoperating expenses	12,389	75	-	922	28	11,364
Income (loss) before contributions and transfers	(6,867)	(543)	(3,860)	(7,862)	(641)	6,039
Capital grants and contributions	10,499	-	2,819	7,680	-	-
Transfers in	1,144	-	-	-	-	1,144
Transfers out	(181)	(1)	-	(5)	(3)	(172)
CHANGE IN NET POSITION	4,595	(544)	(1,041)	(187)	(644)	7,011
NET POSITION - JANUARY 1, 2013 (RESTATED)	240,614	(511)	26,554	112,930	18,079	83,562
NET POSITION - DECEMBER 31, 2013	\$ 245,209	\$ (1,055)	\$ 25,513	\$ 112,743	\$ 17,435	\$ 90,573

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2013
(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	\$ 135,600	\$ 2,853	\$ 2,340	\$ 20,514	\$ 4,443	\$ 105,450
Cash payments to suppliers for goods and services	(70,593)	(507)	(7,893)	(20,385)	(2,690)	(39,118)
Cash payments for employee services	(50,272)	(1,066)	(279)	(5,232)	(2,051)	(41,644)
Other receipts	4,927	-	31	-	-	4,896
Other payments	(7,094)	-	-	-	-	(7,094)
Net cash provided (used) by operating activities	<u>12,568</u>	<u>1,280</u>	<u>(5,801)</u>	<u>(5,103)</u>	<u>(298)</u>	<u>22,490</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating grants and other receipts	3,759	7	1,189	1,473	30	1,060
Interfund loan principal repayments from other funds	303	-	-	-	303	-
Transfers in	1,144	-	-	-	-	1,144
Transfers out	(181)	(1)	-	(5)	(3)	(172)
Net cash provided (used) by noncapital financing activities	<u>5,025</u>	<u>6</u>	<u>1,189</u>	<u>1,468</u>	<u>330</u>	<u>2,032</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(22,763)	(4)	(488)	(1,087)	(15)	(21,169)
Proceeds from capital debt	84,177	-	-	-	-	84,177
Principal paid on capital debt	(77,325)	(620)	-	(445)	-	(76,260)
Interest paid on capital debt	(3,569)	(88)	-	(324)	-	(3,157)
Principal paid on advances from other funds	(303)	(303)	-	-	-	-
Capital grants	7,844	-	1,801	6,043	-	-
Proceeds from disposal of capital assets	34	-	-	5	-	29
Landfill closure and post-closure care	(4,092)	-	-	-	-	(4,092)
Net cash provided (used) by capital and related financing activities	<u>(15,997)</u>	<u>(1,015)</u>	<u>1,313</u>	<u>4,192</u>	<u>(15)</u>	<u>(20,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments (including unrealized gains and losses reported as cash and cash equivalents)	314	7	6	144	13	144
Net cash provided by investing activities	<u>314</u>	<u>7</u>	<u>6</u>	<u>144</u>	<u>13</u>	<u>144</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	1,910	278	(3,293)	701	30	4,194
CASH AND CASH EQUIVALENTS - JANUARY 1, 2013	<u>149,519</u>	<u>1,548</u>	<u>17,448</u>	<u>26,388</u>	<u>10,035</u>	<u>94,100</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2013	<u>\$ 151,429</u>	<u>\$ 1,826</u>	<u>\$ 14,155</u>	<u>\$ 27,089</u>	<u>\$ 10,065</u>	<u>\$ 98,294</u>

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 2 OF 2)

	TOTAL	I-NET	KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (3,465)	\$ (482)	\$ (5,074)	\$ (8,557)	\$ (656)	\$ 11,304
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Depreciation and amortization	18,225	1,344	296	4,194	605	11,786
Other nonoperating revenues/expenses	(2,710)	12	31	-	(235)	(2,518)
Changes in assets - (increase) decrease						
Accounts receivable, net	1,663	296	(1)	1,413	80	(125)
Due from other funds	2,706	2	(1)	11	-	2,694
Due from other governments	279	13	229	-	-	37
Inventory of supplies	(127)	-	-	(30)	36	(133)
Prepayments and other assets	(134)	-	(134)	-	-	-
Changes in liabilities - increase (decrease)						
Accounts payable	(2,283)	28	(1,147)	(384)	(336)	(444)
Retainage payable	154	-	-	10	(22)	166
Due to other funds	(688)	-	-	(6)	-	(682)
Due to other governments	110	-	-	-	-	110
Wages payable	333	9	-	36	15	273
Taxes payable	(53)	-	-	(59)	-	6
Unearned revenues	105	-	-	42	-	63
Compensated absences	(64)	1	-	39	51	(155)
Other postemployment benefits	126	2	-	12	4	108
Customer deposits and other liabilities	(1,609)	55	-	(1,824)	160	-
Total Adjustments	16,033	1,762	(727)	3,454	358	11,186
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 12,568	\$ 1,280	\$ (5,801)	\$ (5,103)	\$ (298)	\$ 22,490
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Contributions of capital assets from other governments	\$ 1,800	\$ -	\$ 1,800	\$ -	\$ -	\$ -
Contributions of capital assets to other funds	\$ 28	\$ -	\$ -	\$ -	\$ 28	\$ -

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INTERNAL SERVICE FUNDS

King County has established Internal Service Funds (ISFs) to report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The County must be the predominant participant, and the fund must function on an essentially break-even basis over time. The County currently has 14 ISFs:

Building Development and Management Corporations Fund – A grouping of component units that consists of three nonprofit corporations that were individually and exclusively created to design, build, and manage office buildings for lease to the County.

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.

King County, Washington

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2013
(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	\$ 348,766	\$ 4,173	\$ 7,634	\$ 2,350
Restricted cash and cash equivalents	172	65	-	107
Accounts receivable	1,053	978	-	4
Estimated uncollectible accounts receivable	(1)	-	-	-
Due from other funds	2,173	-	3	18
Due from other governments, net	74	-	-	4
Inventory of supplies	1,647	-	-	308
Prepayments	4,138	64	-	-
Total current assets	358,022	5,280	7,637	2,791
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	3,424	3,424	-	-
Accounts receivable	18	18	-	-
Total restricted assets	3,442	3,442	-	-
Capital assets				
Capital assets not being depreciated	20,260	8,048	-	-
Capital assets, net of accumulated depreciation	320,906	280,906	-	461
Total capital assets	341,166	288,954	-	461
Prepayments	3,097	3,097	-	-
Total noncurrent assets	347,705	295,493	-	461
TOTAL ASSETS	705,727	300,773	7,637	3,252
LIABILITIES				
Current liabilities				
Accounts payable	16,633	1,263	300	536
Retainage payable	107	-	-	107
Estimated claim settlements	101,890	-	-	-
Due to other funds	1,984	-	46	-
Interest payable	1,278	1,197	-	-
Wages payable	8,834	-	345	1,545
Compensated absences payable	755	-	97	72
Taxes payable	9	-	-	3
Unearned revenues	413	-	-	-
Unearned rent	49,167	49,167	-	-
General obligation bonds payable	2,135	-	-	-
Revenue bonds payable	10,280	10,280	-	-
Custodial accounts	2,844	-	-	-
Total current liabilities	196,329	61,907	788	2,263
Long-term liabilities				
Compensated absences payable	14,913	-	577	3,140
Other postemployment benefits	1,878	-	31	674
General obligation bonds payable	27,805	-	-	-
Revenue bonds payable	255,045	255,045	-	-
Estimated claim settlements	62,386	-	-	-
Total long-term liabilities	362,027	255,045	608	3,814
TOTAL LIABILITIES	558,356	316,952	1,396	6,077
NET POSITION				
Net investment in capital assets	49,807	23,629	-	461
Restricted for:				
Capital projects	65	65	-	-
Debt Service	18	18	-	-
Unrestricted	97,481	(39,891)	6,241	(3,286)
TOTAL NET POSITION	\$ 147,371	\$ (16,179)	\$ 6,241	\$ (2,825)

King County, Washington

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2013
(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
\$ 351	\$ 78,192	\$ 4,744	\$ 1,322	\$ 94,761	\$ 2,185	\$ 21,429
-	-	-	-	-	-	-
1	-	-	-	-	-	68
-	-	-	-	-	-	(1)
-	67	13	1	54	-	-
-	-	-	-	-	-	70
-	-	-	-	-	-	-
-	-	-	-	2,693	-	1,378
352	78,259	4,757	1,323	97,508	2,185	22,944
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	12,212
23	1,383	264	6	8	40	8,488
23	1,383	264	6	8	40	20,700
-	-	-	-	-	-	-
23	1,383	264	6	8	40	20,700
375	79,642	5,021	1,329	97,516	2,225	43,644
-	8,647	331	85	2,104	52	1,275
-	-	-	-	-	-	-
-	18,464	-	-	68,430	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	81
-	2,113	1,089	310	129	208	2,527
-	12	289	79	-	-	141
-	-	-	-	-	-	-
-	413	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,135
-	-	-	-	-	-	-
-	1,099	-	-	1,019	-	720
-	30,748	1,709	474	71,682	260	6,879
-	242	2,017	854	314	490	5,913
-	25	400	53	43	58	380
-	-	-	-	-	-	27,805
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	267	2,417	907	357	548	34,098
-	31,015	4,126	1,381	72,039	808	40,977
23	1,383	264	6	8	40	(5,334)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
352	47,244	631	(58)	25,469	1,377	8,001
\$ 375	\$ 48,627	\$ 895	\$ (52)	\$ 25,477	\$ 1,417	\$ 2,667

King County, Washington

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2013
(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	\$ 10,090	\$ 9,818	\$ 105,284	\$ 6,433
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable	-	2	-	-
Estimated uncollectible accounts receivable	-	-	-	-
Due from other funds	1,104	470	60	383
Due from other governments, net	-	-	-	-
Inventory of supplies	122	1,210	-	7
Prepayments	3	-	-	-
Total current assets	11,319	11,500	105,344	6,823
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	13,202	9,579	-	6,546
Total capital assets	13,202	9,579	-	6,546
Prepayments	-	-	-	-
Total noncurrent assets	13,202	9,579	-	6,546
TOTAL ASSETS	24,521	21,079	105,344	13,369
LIABILITIES				
Current liabilities				
Accounts payable	262	335	1,405	38
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	14,996	-
Due to other funds	344	1,588	-	6
Interest payable	-	-	-	-
Wages payable	124	245	186	13
Compensated absences payable	12	28	25	-
Taxes payable	5	1	-	-
Unearned revenues	-	-	-	-
Unearned rent	-	-	-	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Custodial accounts	-	6	-	-
Total current liabilities	747	2,203	16,612	57
Long-term liabilities				
Compensated absences payable	191	766	409	-
Other postemployment benefits	43	114	57	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Estimated claim settlements	-	-	62,386	-
Total long-term liabilities	234	880	62,852	-
TOTAL LIABILITIES	981	3,083	79,464	57
NET POSITION				
Net investment in capital assets	13,202	9,579	-	6,546
Restricted for:				
Capital projects	-	-	-	-
Debt Service	-	-	-	-
Unrestricted	10,338	8,417	25,880	6,766
TOTAL NET POSITION	\$ 23,540	\$ 17,996	\$ 25,880	\$ 13,312

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 1 OF 3 - CONTINUED)

		BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT
	TOTAL				
OPERATING REVENUES					
Profit (loss) on inventory sales					
Sales of inventory	\$ 9,365	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	(8,736)	-	-	-	-
Gross profit (loss) on inventory	629	-	-	-	-
Data processing services - intracounty	64,752	-	-	-	-
Data processing services - other	303	-	-	-	-
Telecommunication services	6	-	-	-	-
Information resources management fees	5,635	-	-	-	-
Geographic information systems fees	4,895	-	-	-	-
Building management fees	32,981	32,981	-	-	-
Building operation and maintenance service fee	36,590	-	-	36,590	-
Architect/engineering/renovation service fees	8,650	-	-	8,650	-
Benefit program employer contributions	207,152	-	-	-	-
Benefit program employee fees	10,989	-	-	-	-
Business resources management fees	13,210	-	13,210	-	-
Financial services	25,225	-	-	-	-
Insurance services	33,157	-	-	-	-
Equipment rental fees	25,577	-	-	-	-
Garage shop services	742	-	-	-	-
Printing and duplication	809	-	-	790	-
Workers' compensation employer contributions	31,450	-	-	-	-
Miscellaneous operating revenue	5,878	442	2	206	3
Total operating revenues	508,630	33,423	13,212	46,236	3
OPERATING EXPENSES					
Personal services	121,006	-	4,814	30,277	-
Materials and supplies	14,873	70	82	2,062	-
Contract services and other charges	276,545	7,772	4,114	8,429	-
Lease and maintenance of equipment	5,807	-	48	1,515	-
Internal services	27,694	-	1,846	6,280	-
Depreciation and amortization	20,154	8,756	-	178	3
Total operating expenses	466,079	16,598	10,904	48,741	3
OPERATING INCOME (LOSS)	42,551	16,825	2,308	(2,505)	-
NONOPERATING REVENUES					
Intergovernmental	232	-	-	-	-
Interest	(176)	13	3	20	-
Total nonoperating revenues	56	13	3	20	-
NONOPERATING EXPENSES					
Interest	16,612	15,554	-	-	-
(Gain) loss on disposal of capital assets	(964)	-	-	117	-
Miscellaneous	641	161	-	3	-
Total nonoperating expenses	16,289	15,715	-	120	-
Income (loss) before contributions and transfers	26,318	1,123	2,311	(2,605)	-
Capital grants and contributions	3,641	-	-	-	-
Transfers in	2,358	-	-	529	-
Transfers out	(1,421)	-	(6)	(36)	-
CHANGE IN NET POSITION	30,896	1,123	2,305	(2,112)	-
NET POSITION - JANUARY 1, 2013	116,475	(17,302)	3,936	(713)	375
NET POSITION - DECEMBER 31, 2013	\$ 147,371	\$ (16,179)	\$ 6,241	\$ (2,825)	\$ 375

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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	-	-	5,497	-	-
Geographic information systems fees	-	-	-	-	4,895
Building management fees	-	-	-	-	-
Building operation and maintenance service fees	-	-	-	-	-
Architect/engineering/renovation service fees	-	-	-	-	-
Benefit program employer contributions	207,152	-	-	-	-
Benefit program employee fees	10,989	-	-	-	-
Business resources management fees	-	-	-	-	-
Financial services	-	25,225	-	-	-
Insurance services	-	-	-	33,157	-
Equipment rental fees	-	-	-	-	-
Garage shop services	-	-	-	-	-
Printing and duplication	-	-	-	-	-
Workers' compensation employer contributions	-	-	-	-	-
Miscellaneous operating revenue	634	367	35	305	-
Total operating revenues	218,775	25,592	5,532	33,462	4,895
OPERATING EXPENSES					
Personal services	1,797	19,432	5,329	2,319	3,712
Materials and supplies	41	220	91	14	88
Contract services and other charges	210,218	1,880	137	22,119	633
Lease and maintenance of equipment	23	76	385	4	1
Internal services	593	4,782	89	2,541	519
Depreciation and amortization	346	42	1	2	29
Total operating expenses	213,018	26,432	6,032	26,999	4,982
OPERATING INCOME (LOSS)	5,757	(840)	(500)	6,463	(87)
NONOPERATING REVENUES					
Intergovernmental	-	11	-	-	221
Interest	(361)	32	(3)	96	-
Total nonoperating revenues	(361)	43	(3)	96	221
NONOPERATING EXPENSES					
Interest	-	1	-	-	-
(Gain) loss on disposal of capital assets	-	-	-	(8)	-
Miscellaneous	-	-	-	-	-
Total nonoperating expenses	-	1	-	(8)	-
Income (loss) before contributions and transfers	5,396	(798)	(503)	6,567	134
Capital grants and contributions	-	-	-	-	78
Transfers in	-	-	-	-	-
Transfers out	(1)	(22)	(4)	(2)	(3)
CHANGE IN NET POSITION	5,395	(820)	(507)	6,565	209
NET POSITION - JANUARY 1, 2013	43,232	1,715	455	18,912	1,208
NET POSITION - DECEMBER 31, 2013	\$ 48,627	\$ 895	\$ (52)	\$ 25,477	\$ 1,417

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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
\$ -	\$ 3,643	\$ 5,428	\$ -	\$ 294
-	(3,478)	(4,987)	-	(271)
-	165	441	-	23
64,752	-	-	-	-
303	-	-	-	-
6	-	-	-	-
138	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	12,696	9,445	-	3,436
-	353	389	-	-
19	-	-	-	-
-	-	-	31,450	-
1,516	135	589	1,625	19
66,734	13,349	10,864	33,075	3,478
43,392	2,305	3,986	3,246	397
4,224	4,801	2,719	72	389
3,433	57	304	17,441	8
3,424	116	142	31	42
6,991	1,055	879	1,971	148
317	4,043	2,277	-	4,160
61,781	12,377	10,307	22,761	5,144
4,953	972	557	10,314	(1,666)
-	-	-	-	-
-	6	8	3	7
-	6	8	3	7
1,057	-	-	-	-
-	(467)	(583)	-	(23)
-	88	389	-	-
1,057	(379)	(194)	-	(23)
3,896	1,357	759	10,317	(1,636)
-	2,815	15	-	733
1,761	68	-	-	-
(1,036)	(2)	(256)	(3)	(50)
4,621	4,238	518	10,314	(953)
(1,954)	19,302	17,478	15,566	14,265
\$ 2,667	\$ 23,540	\$ 17,996	\$ 25,880	\$ 13,312

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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	\$ 563,911	\$ 79,275	\$ 13,209	\$ 46,042
Cash payments to suppliers for goods and services	(333,014)	(7,636)	(6,338)	(18,004)
Cash payments for employee services	(118,341)	-	(4,787)	(30,070)
Other receipts	5,877	442	1	206
Other payments	(1)	-	-	-
Net cash provided (used) by operating activities	118,432	72,081	2,085	(1,826)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies received	232	-	-	-
Transfers in	2,358	-	-	529
Transfers out	(1,421)	-	(6)	(36)
Net cash provided (used) by noncapital financing activities	1,169	-	(6)	493
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(19,701)	(517)	-	(19)
Principal paid on general obligation bonds	(2,055)	-	-	-
Interest paid on general obligation bonds	(1,020)	-	-	-
Principal paid on revenue bonds	(56,455)	(56,455)	-	-
Interest paid on revenue bonds	(15,668)	(15,668)	-	-
Proceeds from capital debt	17,905	-	-	-
Capital grants and contributions	1,595	-	-	-
Proceeds from disposal of capital assets	1,081	-	-	-
Net cash provided (used) by capital and related financing activities	(74,318)	(72,640)	-	(19)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments (Including unrealized gains/losses reported as cash and cash equivalents)	(178)	13	3	20
Net cash provided by investing activities	(178)	13	3	20
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,105	(546)	2,082	(1,332)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2013	307,257	8,208	5,552	3,789
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2013	\$ 352,362	\$ 7,662	\$ 7,634	\$ 2,457
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 42,551	\$ 16,825	\$ 2,308	\$ (2,505)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation and amortization	20,154	8,756	-	178
Other nonoperating revenues/expenses	(1)	-	-	-
Change in assets - (increase) decrease				
Accounts receivable, net	641	(739)	-	16
Due from other funds	3,394	-	(1)	(4)
Due from other governments, net	748	-	-	-
Inventory of supplies	(12)	-	-	(21)
Prepayments	648	-	-	25
Change in liabilities - increase (decrease)				
Accounts payable	6,216	206	(295)	271
Retainage payable	84	-	-	84
Estimated claim settlements	(5,287)	-	-	-
Due to other funds	(1,018)	-	46	(80)
Wages payable	2,609	-	56	188
Taxes payable	9	-	-	3
Custodial accounts and other liabilities	607	-	-	-
Unearned revenues	47,033	47,033	-	-
Compensated absences payable	(227)	-	(41)	(64)
Other postemployment benefits	283	-	12	83
Total adjustments	75,881	55,256	(223)	679
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 118,432	\$ 72,081	\$ 2,085	\$ (1,826)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ 1,999	\$ -	\$ -	\$ -
Contributions of capital assets to government	683	161	-	3

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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
\$ 1	\$ 219,024	\$ 26,823	\$ 5,497	\$ 34,227	\$ 4,898	\$ 69,213
-	(206,823)	(7,352)	(687)	(22,748)	(1,457)	(19,803)
-	(25)	(19,576)	(5,314)	(2,280)	(3,668)	(42,767)
3	634	367	35	305	-	1,516
-	-	(1)	-	-	-	-
4	12,810	261	(469)	9,504	(227)	8,159
-	-	11	-	-	221	-
-	-	-	-	-	-	1,761
-	(1)	(22)	(4)	(2)	(3)	(1,036)
-	(1)	(11)	(4)	(2)	218	725
-	-	(175)	-	-	-	(13,086)
-	-	-	-	-	-	(2,055)
-	-	-	-	-	-	(1,020)
-	-	-	-	-	-	-
-	-	-	-	-	-	17,905
-	-	(16)	-	-	78	(31)
-	-	-	-	8	-	-
-	-	(191)	-	8	78	1,713
-	(362)	32	(2)	96	-	-
-	(362)	32	(2)	96	-	-
4	12,447	91	(475)	9,606	69	10,597
347	65,745	4,653	1,797	85,155	2,116	10,832
\$ 351	\$ 78,192	\$ 4,744	\$ 1,322	\$ 94,761	\$ 2,185	\$ 21,429
\$ -	\$ 5,757	\$ (840)	\$ (500)	\$ 6,463	\$ (87)	\$ 4,953
3	346	42	1	2	29	317
-	-	(1)	-	-	-	-
1	301	-	-	1,075	3	(14)
-	(36)	866	-	(5)	-	4,004
-	-	732	-	-	-	16
-	-	-	-	-	-	-
-	-	-	-	335	-	288
-	5,309	(134)	15	2,047	(214)	(12)
-	-	-	-	-	-	-
-	(1,257)	-	-	(107)	-	-
-	-	(260)	-	(345)	(2)	(2,007)
-	1,789	57	100	12	15	341
-	-	-	-	-	-	-
-	618	-	-	-	-	(11)
-	-	-	-	-	-	-
-	(20)	(250)	(94)	21	22	198
-	3	49	9	6	7	86
4	7,053	1,101	31	3,041	(140)	3,206
\$ 4	\$ 12,810	\$ 261	\$ (469)	\$ 9,504	\$ (227)	\$ 8,159
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	42	-	-	-	-

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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	\$ 15,690	\$ 15,214	\$ 31,449	\$ 3,349
Cash payments to suppliers for goods and services	(9,528)	(7,475)	(24,016)	(1,147)
Cash payments for employee services	(2,296)	(3,976)	(3,184)	(398)
Other receipts	135	589	1,625	19
Other payments	-	-	-	-
Net cash provided (used) by operating activities	4,001	4,352	5,874	1,823
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies received	-	-	-	-
Transfers in	68	-	-	-
Transfers out	(2)	(256)	(3)	(50)
Net cash provided (used) by noncapital financing activities	66	(256)	(3)	(50)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(4,807)	(601)	-	(496)
Principal paid on general obligation bonds	-	-	-	-
Interest paid on general obligation bonds	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Interest paid on revenue bonds	-	-	-	-
Proceeds from capital debt	-	-	-	-
Capital grants and contributions	1,553	-	-	11
Proceeds from disposal of capital assets	467	583	-	23
Net cash provided (used) by capital and related financing activities	(2,787)	(18)	-	(462)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments (Including unrealized gains/ losses reported as cash and cash equivalents)	5	8	2	7
Net cash provided by investing activities	5	8	2	7
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,285	4,086	5,873	1,318
CASH AND CASH EQUIVALENTS - JANUARY 1, 2013	8,805	5,732	99,411	5,115
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2013	\$ 10,090	\$ 9,818	\$ 105,284	\$ 6,433
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 972	\$ 557	\$ 10,314	\$ (1,666)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation and amortization	4,043	2,277	-	4,160
Other nonoperating revenues/expenses	-	-	-	-
Change in assets - (increase) decrease				
Accounts receivable, net	-	(2)	-	-
Due from other funds	(1,002)	(46)	(1)	(381)
Due from other governments, net	-	-	-	-
Inventory of supplies	(23)	31	-	1
Prepayments	-	-	-	-
Change in liabilities - increase (decrease)				
Accounts payable	(208)	(39)	(578)	(152)
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	(3,923)	-
Due to other funds	205	1,563	-	(138)
Wages payable	15	19	18	(1)
Taxes payable	5	1	-	-
Custodial accounts and other liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Compensated absences payable	(11)	(24)	36	-
Other postemployment benefits	5	15	8	-
Total adjustments	3,029	3,795	(4,440)	3,489
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 4,001	\$ 4,352	\$ 5,874	\$ 1,823
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ 1,262	\$ 15	\$ -	\$ 722
Contributions of capital assets to government	88	389	-	-

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, 2013
(IN THOUSANDS)

	TOTAL	EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
ASSETS				
Investments at fair value				
Certificates of deposit	\$ 120	\$ -	\$ -	\$ 120
Commercial paper	19,897	13,025	6,872	-
Repurchase agreements	23,452	23,452	-	-
U.S. Treasury notes	541,554	541,554	-	-
U.S. Treasury Zero Coupon Notes	13,542	13,542	-	-
U.S. Agency notes	1,274,418	1,274,418	-	-
U.S. Agency discount notes	187,459	187,459	-	-
U.S. Agency collateralized mortgage obligations	5,712	5,712	-	-
State Treasurer's investment pool	460,992	460,992	-	-
Total investments	2,527,146	2,520,154	6,872	120
Interest receivable	926	926	-	-
TOTAL ASSETS	2,528,072	2,521,080	6,872	120
NET POSITION				
Held in trust for pool participants	2,521,080	2,521,080	-	-
Held in trust for pool participants - impaired	6,872	-	6,872	-
Held in trust for individual investment account participants	120	-	-	120
TOTAL NET POSITION	\$ 2,528,072	\$ 2,521,080	\$ 6,872	\$ 120

INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)

	TOTAL	EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
ADDITIONS				
Contributions	\$ 5,378,216	\$ 5,378,096	\$ -	\$ 120
Net investment earnings (losses)				
Interest	13,151	13,151	-	-
Increase (decrease) in the fair value of investments	(10,353)	(12,457)	2,104	-
TOTAL ADDITIONS	5,381,014	5,378,790	2,104	120
DEDUCTIONS				
Distributions	5,371,606	5,369,672	1,823	111
Change in net position	9,408	9,118	281	9
Net position - January 1, 2013	2,518,664	2,511,962	6,591	111
Net position - December 31, 2013	\$ 2,528,072	\$ 2,521,080	\$ 6,872	\$ 120

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.

Debt Service Clearing Fund – 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

With the implementation of Oracle EBS in 2012, the Warrant Redemption Fund was closed as it was no longer necessary.

AGENCY FUNDS – SPECIAL DISTRICTS/OTHER GOVERNMENTS

King County utilized approximately 680 active funds in 2013 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 21 school districts, each governed by an elected Board of Directors and administered by a superintendent. In 2013, enrollments showed approximately 274,000 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.

Washington State Major League Baseball Stadium - Public Facilities District (PFD) – was created by the Metropolitan King County Council (Ordinance 12000) on October 24, 1995. 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 had been reported as a Component Unit of the County prior to 2013. The bonds outstanding, for which the County had an indirect financial burden, have been paid and the PFD no longer qualifies as a Component Unit. Since the County is the *ex officio* treasurer for the PFD it will now be reported as a Special District.

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 1 OF 9)

	TOTAL AGENCY FUNDS			
	<u>BALANCE</u> <u>01/01/13</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>12/31/13</u>
ASSETS				
Cash and cash equivalents	\$ 149,329	\$ 21,731,582	\$ 21,745,507	\$ 135,404
Assets held in trust - external investment pool	2,511,962	2,525,587	2,516,469	2,521,080
Assets held in trust - external impaired investment pool	6,591	13,800	13,519	6,872
Investments	1,190	581	231	1,540
Assets held in trust - individual investment accounts	111	442,304	442,295	120
Taxes receivable - delinquent	73,804	3,532,022	3,535,175	70,651
Accounts receivable	4,817	123,479	123,843	4,453
Assessments receivable	5,881	2,254	1,179	6,956
Notes and contracts receivable	51	-	-	51
TOTAL ASSETS	<u>\$ 2,753,736</u>	<u>\$ 28,371,609</u>	<u>\$ 28,378,218</u>	<u>\$ 2,747,127</u>
LIABILITIES				
Warrants payable	\$ 100,470	\$ 3,971,572	\$ 3,985,160	\$ 86,882
Accounts payable	4,875	687,649	689,052	3,472
Wages payable	1,400	3,540,984	3,542,189	195
Custodial accounts - County agencies	68,446	5,548,647	5,546,335	70,758
Due to special districts/other governments	2,578,545	21,607,853	21,600,578	2,585,820
TOTAL LIABILITIES	<u>\$ 2,753,736</u>	<u>\$ 35,356,705</u>	<u>\$ 35,363,314</u>	<u>\$ 2,747,127</u>

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, 2013
(IN THOUSANDS)
(PAGE 2 OF 9)

ENHANCED 911 PSAP ESCROW				KING COUNTY FISCAL AGENT / DEBT SERVICE			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13	BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ 15,200	\$ 9,472	\$ 7,561	\$ 17,111	\$ -	\$ 920,567	\$ 920,567	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 15,200</u>	<u>\$ 9,472</u>	<u>\$ 7,561</u>	<u>\$ 17,111</u>	<u>\$ -</u>	<u>\$ 920,567</u>	<u>\$ 920,567</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	8,478	7,407	1,071	-	-	-	-
15,200	9,750	8,910	16,040	-	920,567	920,567	-
-	-	-	-	-	-	-	-
<u>\$ 15,200</u>	<u>\$ 18,228</u>	<u>\$ 16,317</u>	<u>\$ 17,111</u>	<u>\$ -</u>	<u>\$ 920,567</u>	<u>\$ 920,567</u>	<u>\$ -</u>

JUDICIAL ADMINISTRATION AGENCY				MISCELLANEOUS AGENCY FUNDS			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13	BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ 22,638	\$ 62,664	\$ 57,642	\$ 27,660	\$ 9,505	\$ 23,644	\$ 22,745	\$ 10,404
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	51	-	-	51
<u>\$ 22,638</u>	<u>\$ 62,664</u>	<u>\$ 57,642</u>	<u>\$ 27,660</u>	<u>\$ 9,556</u>	<u>\$ 23,644</u>	<u>\$ 22,745</u>	<u>\$ 10,455</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	3	2,049	2,038	14
-	-	-	-	-	-	-	-
22,638	80,240	75,218	27,660	9,553	26,450	25,562	10,441
-	-	-	-	-	-	-	-
<u>\$ 22,638</u>	<u>\$ 80,240</u>	<u>\$ 75,218</u>	<u>\$ 27,660</u>	<u>\$ 9,556</u>	<u>\$ 28,499</u>	<u>\$ 27,600</u>	<u>\$ 10,455</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 3 OF 9)

MISCELLANEOUS PROPERTY TAX FUNDS				
	<u>BALANCE</u> <u>01/01/13</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>12/31/13</u>
ASSETS				
Cash and cash equivalents	\$ 12,416	\$ 3,963,418	\$ 3,965,558	\$ 10,276
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>\$ 12,416</u>	<u>\$ 3,963,418</u>	<u>\$ 3,965,558</u>	<u>\$ 10,276</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	268	23,693	23,782	179
Wages payable	-	-	-	-
Custodial accounts - County agencies	12,148	3,963,890	3,965,941	10,097
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 12,416</u>	<u>\$ 3,987,583</u>	<u>\$ 3,989,723</u>	<u>\$ 10,276</u>

MISCELLANEOUS TAX DISTRIBUTION				
	<u>BALANCE</u> <u>01/01/13</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>12/31/13</u>
ASSETS				
Cash and cash equivalents	\$ 6,341	\$ 454,622	\$ 456,567	\$ 4,396
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>\$ 6,341</u>	<u>\$ 454,622</u>	<u>\$ 456,567</u>	<u>\$ 4,396</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	13	13	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	6,341	454,622	456,567	4,396
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 6,341</u>	<u>\$ 454,635</u>	<u>\$ 456,580</u>	<u>\$ 4,396</u>

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 4 OF 9)

PAYROLL AND ACCOUNTS PAYABLE CLEARING				CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13	BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ 57,300	\$ 4,287,162	\$ 4,297,577	\$ 46,885	\$ 2	\$ 17,712	\$ 17,714	\$ -
-	-	-	-	272,896	258,371	273,357	257,910
-	-	-	-	19	38	37	20
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
409	117	125	401	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 57,709</u>	<u>\$ 4,287,279</u>	<u>\$ 4,297,702</u>	<u>\$ 47,286</u>	<u>\$ 272,917</u>	<u>\$ 276,121</u>	<u>\$ 291,108</u>	<u>\$ 257,930</u>
\$ 53,230	\$ 2,448,461	\$ 2,456,097	\$ 45,594	\$ -	\$ -	\$ -	\$ -
2,749	309,867	309,951	2,665	-	-	-	-
1,400	3,532,506	3,534,782	(876)	-	-	-	-
330	91,713	92,140	(97)	-	-	-	-
-	-	-	-	272,917	302,853	317,840	257,930
<u>\$ 57,709</u>	<u>\$ 6,382,547</u>	<u>\$ 6,392,970</u>	<u>\$ 47,286</u>	<u>\$ 272,917</u>	<u>\$ 302,853</u>	<u>\$ 317,840</u>	<u>\$ 257,930</u>

SCHOOL DISTRICT IMPACT FEE				CITIES AND TOWNS			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13	BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ 2,236	\$ 1,318	\$ 1,333	\$ 2,221	\$ 16,662	\$ 963,076	\$ 969,002	\$ 10,736
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	15,736	784,627	784,907	15,456
-	-	-	-	4,408	123,362	123,718	4,052
-	-	-	-	8	67	62	13
-	-	-	-	-	-	-	-
<u>\$ 2,236</u>	<u>\$ 1,318</u>	<u>\$ 1,333</u>	<u>\$ 2,221</u>	<u>\$ 36,814</u>	<u>\$ 1,871,132</u>	<u>\$ 1,877,689</u>	<u>\$ 30,257</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,236	1,415	1,430	2,221	-	-	-	-
-	-	-	-	36,814	1,865,709	1,872,266	30,257
<u>\$ 2,236</u>	<u>\$ 1,415</u>	<u>\$ 1,430</u>	<u>\$ 2,221</u>	<u>\$ 36,814</u>	<u>\$ 1,865,709</u>	<u>\$ 1,872,266</u>	<u>\$ 30,257</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
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	FIRE DISTRICTS			BALANCE 12/31/13
	BALANCE 01/01/13	INCREASES	DECREASES	
ASSETS				
Cash and cash equivalents	\$ -	\$ 393,577	\$ 393,577	\$ -
Assets held in trust - external investment pool	131,972	120,509	132,187	120,294
Assets held in trust - external impaired investment pool	249	520	511	258
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	4,531	178,131	178,343	4,319
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 136,752	\$ 692,737	\$ 704,618	\$ 124,871
LIABILITIES				
Warrants payable	\$ 369	\$ 8,866	\$ 8,458	\$ 777
Accounts payable	24	77,595	77,607	12
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	136,359	751,401	763,678	124,082
TOTAL LIABILITIES	\$ 136,752	\$ 837,862	\$ 849,743	\$ 124,871

	HOSPITAL DISTRICTS			BALANCE 12/31/13
	BALANCE 01/01/13	INCREASES	DECREASES	
ASSETS				
Cash and cash equivalents	\$ -	\$ 75,043	\$ 75,043	\$ -
Assets held in trust - external investment pool	19,648	21,691	19,687	21,652
Assets held in trust - external impaired investment pool	141	291	287	145
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	1,062	47,719	47,844	937
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 20,851	\$ 144,744	\$ 142,861	\$ 22,734
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	20,851	723,687	721,804	22,734
TOTAL LIABILITIES	\$ 20,851	\$ 723,687	\$ 721,804	\$ 22,734

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
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KING COUNTY DIRECTORS' ASSOCIATION			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ -	\$ 122,694	\$ 122,694	\$ -
804	3,084	810	3,078
10	21	20	11
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 814</u>	<u>\$ 125,799</u>	<u>\$ 123,524</u>	<u>\$ 3,089</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
814	125,549	123,274	3,089
<u>\$ 814</u>	<u>\$ 125,549</u>	<u>\$ 123,274</u>	<u>\$ 3,089</u>

LIBRARY CAPITAL FACILITY DISTRICTS			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ -	\$ 1,425	\$ 1,425	\$ -
85	75	85	75
2	3	3	2
-	-	-	-
-	-	-	-
28	1,437	1,440	25
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 115</u>	<u>\$ 2,940</u>	<u>\$ 2,953</u>	<u>\$ 102</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
115	15,759	15,772	102
<u>\$ 115</u>	<u>\$ 15,759</u>	<u>\$ 15,772</u>	<u>\$ 102</u>

KING COUNTY LIBRARY SYSTEM			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ -	\$ 222,751	\$ 222,751	\$ -
101,534	87,018	101,689	86,863
236	488	480	244
-	-	-	-
-	-	-	-
2,680	136,125	136,292	2,513
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 104,450</u>	<u>\$ 446,382</u>	<u>\$ 461,212</u>	<u>\$ 89,620</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
104,450	611,075	625,905	89,620
<u>\$ 104,450</u>	<u>\$ 611,075</u>	<u>\$ 625,905</u>	<u>\$ 89,620</u>

MISCELLANEOUS SPECIAL DISTRICTS			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ 20	\$ 64,811	\$ 64,812	\$ 19
21,566	19,385	21,599	19,352
31	65	64	32
-	-	-	-
-	-	-	-
530	8,615	8,773	372
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 22,147</u>	<u>\$ 92,876</u>	<u>\$ 95,248</u>	<u>\$ 19,775</u>
\$ 147	\$ 11,823	\$ 11,962	\$ 8
6	11,113	11,113	6
-	-	-	-
-	-	-	-
21,994	87,673	89,906	19,761
<u>\$ 22,147</u>	<u>\$ 110,609</u>	<u>\$ 112,981</u>	<u>\$ 19,775</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
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NORTHSHORE PARK AND RECREATION SERVICE AREA				
	<u>BALANCE</u>			<u>BALANCE</u>
	<u>01/01/13</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>12/31/13</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 503	\$ 503	\$ -
Assets held in trust - external investment pool	179	177	179	177
Assets held in trust - external impaired investment pool	2	2	3	1
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	5	199	200	4
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 186</u>	<u>\$ 881</u>	<u>\$ 885</u>	<u>\$ 182</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	186	5,158	5,162	182
TOTAL LIABILITIES	<u>\$ 186</u>	<u>\$ 5,158</u>	<u>\$ 5,162</u>	<u>\$ 182</u>

PORT OF SEATTLE				
	<u>BALANCE</u>			<u>BALANCE</u>
	<u>01/01/13</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>12/31/13</u>
ASSETS				
Cash and cash equivalents	\$ 34	\$ 73,781	\$ 73,698	\$ 117
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	1,797	85,217	85,373	1,641
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 1,831</u>	<u>\$ 158,998</u>	<u>\$ 159,071</u>	<u>\$ 1,758</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	1,831	156,630	156,703	1,758
TOTAL LIABILITIES	<u>\$ 1,831</u>	<u>\$ 156,630</u>	<u>\$ 156,703</u>	<u>\$ 1,758</u>

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 8 OF 9)

SCHOOL DISTRICTS				STATE OF WASHINGTON			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13	BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ 983	\$ 7,996,482	\$ 7,996,239	\$ 1,226	\$ 5,992	\$ 1,143,900	\$ 1,145,539	\$ 4,353
1,571,357	1,626,393	1,574,260	1,623,490	-	-	-	-
4,943	10,268	10,102	5,109	-	-	-	-
1,190	581	231	1,540	-	-	-	-
111	442,304	442,295	120	-	-	-	-
28,696	1,357,486	1,358,543	27,639	18,739	932,466	933,460	17,745
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,607,280</u>	<u>\$ 11,433,514</u>	<u>\$ 11,381,670</u>	<u>\$ 1,659,124</u>	<u>\$ 24,731</u>	<u>\$ 2,076,366</u>	<u>\$ 2,078,999</u>	<u>\$ 22,098</u>
\$ 40,323	\$ 1,495,357	\$ 1,495,231	\$ 40,449	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	428	420	8
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,566,957	13,439,831	13,388,113	1,618,675	24,731	2,051,594	2,054,235	22,090
<u>\$ 1,607,280</u>	<u>\$ 14,935,188</u>	<u>\$ 14,883,344</u>	<u>\$ 1,659,124</u>	<u>\$ 24,731</u>	<u>\$ 2,052,022</u>	<u>\$ 2,054,655</u>	<u>\$ 22,098</u>

SEWER AND WATER DISTRICTS				WA STATE PUBLIC STADIUM AUTHORITY			
BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13	BALANCE 01/01/13	INCREASES	DECREASES	BALANCE 12/31/13
\$ -	\$ 402,256	\$ 402,256	\$ -	\$ -	\$ 14,214	\$ 14,214	\$ -
166,795	161,338	167,083	161,050	8,359	8,645	8,375	8,629
464	960	945	479	23	49	48	24
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,734	-	503	3,231	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 170,993</u>	<u>\$ 564,554</u>	<u>\$ 570,787</u>	<u>\$ 164,760</u>	<u>\$ 8,382</u>	<u>\$ 22,908</u>	<u>\$ 22,637</u>	<u>\$ 8,653</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
172	151,507	151,679	-	-	803	803	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
170,821	511,924	517,985	164,760	8,382	10,037	9,766	8,653
<u>\$ 170,993</u>	<u>\$ 663,431</u>	<u>\$ 669,664</u>	<u>\$ 164,760</u>	<u>\$ 8,382</u>	<u>\$ 10,840</u>	<u>\$ 10,569</u>	<u>\$ 8,653</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(IN THOUSANDS)
(PAGE 9 OF 9)

	WATER DISTRICTS		
	<u>BALANCE</u> <u>01/01/13</u>	<u>INCREASES</u>	<u>DECREASES</u> <u>BALANCE</u> <u>12/31/13</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 504,286	\$ 504,286
Assets held in trust - external investment pool	216,767	214,256	217,150
Assets held in trust - external impaired investment pool	471	977	961
Investments	-	-	-
Assets held in trust - individual investment accounts	-	-	-
Taxes receivable - delinquent	-	-	-
Accounts receivable	-	-	-
Assessments receivable	2,139	2,187	614
Notes and contracts receivable	-	-	-
TOTAL ASSETS	<u>\$ 219,377</u>	<u>\$ 721,706</u>	<u>\$ 723,011</u> <u>\$ 218,072</u>
LIABILITIES			
Warrants payable	\$ 6,401	\$ 7,065	\$ 13,412
Accounts payable	1,653	103,301	104,366
Wages payable	-	-	-
Custodial accounts - County agencies	-	-	-
Due to special districts/other governments	211,323	936,743	930,636
TOTAL LIABILITIES	<u>\$ 219,377</u>	<u>\$ 1,047,109</u>	<u>\$ 1,048,414</u> <u>\$ 218,072</u>

	WA STATE MLB STADIUM - PUBLIC FACILITIES DISTRICT		
	<u>BALANCE</u> <u>01/01/13</u>	<u>INCREASES</u>	<u>DECREASES</u> <u>BALANCE</u> <u>12/31/13</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 12,204	\$ 12,204
Assets held in trust - external investment pool	-	4,645	8
Assets held in trust - external impaired investment pool	-	118	58
Investments	-	-	-
Assets held in trust - individual investment accounts	-	-	-
Taxes receivable - delinquent	-	-	-
Accounts receivable	-	-	-
Assessments receivable	-	-	-
Notes and contracts receivable	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 16,967</u>	<u>\$ 12,270</u> <u>\$ 4,697</u>
LIABILITIES			
Warrants payable	\$ -	\$ -	\$ -
Accounts payable	-	7,280	7,280
Wages payable	-	-	-
Custodial accounts - County agencies	-	-	-
Due to special districts/other governments	-	12,230	7,533
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 19,510</u>	<u>\$ 14,813</u> <u>\$ 4,697</u>

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.

Financial Trends 178 - 187

Information to help the reader understand how the County’s financial performance and well-being have changed over time.

Revenue Capacity 188 - 194

Information to help the reader assess the County’s most significant local revenue source, the property tax.

Debt Capacity 195 - 201

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.

Operating Information 202 - 204

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.

Demographic and Economic Information 205 - 216

Demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place. Includes data on Equity and Social Justice in King County.

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)

	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 79,723	\$ 85,516	\$ 88,278	\$ 95,864
Law, safety and justice	474,808	476,101	509,234	544,838
Physical environment	58,092	51,897	56,322	63,326
Transportation	71,487	90,803	96,401	107,471
Economic environment	76,519	87,420	92,460	94,555
Mental and physical health	504,252	346,672	361,817	381,286
Culture and recreation	38,888	36,902	40,974	50,100
Interest and other debt service costs	49,383	54,538	52,361	53,299
Total governmental activities expenses	<u>1,353,152</u>	<u>1,229,849</u>	<u>1,297,847</u>	<u>1,390,739</u>
Business-type activities:				
Airport	12,356	15,537	15,392	14,620
Public Transportation	508,290	529,679	535,471	588,234
Solid Waste	78,074	95,457	102,127	116,252
Water Quality	222,238	228,438	243,496	242,808
Other	6,155	5,788	6,687	8,025
Total business-type activities expenses	<u>827,113</u>	<u>874,899</u>	<u>903,173</u>	<u>969,939</u>
Total primary government expenses	<u>\$ 2,180,265</u>	<u>\$ 2,104,748</u>	<u>\$ 2,201,020</u>	<u>\$ 2,360,678</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 53,612	\$ 58,896	\$ 48,625	\$ 65,440
Law, safety and justice	108,617	106,315	118,722	125,103
Physical environment	53,744	43,231	42,517	44,564
Transportation	17,641	19,157	16,725	17,003
Economic environment	31,791	34,830	39,424	48,586
Mental and physical health	175,296	183,590	206,589	226,341
Culture and recreation	5,838	5,700	6,538	7,264
Interest and other debt service costs	4,651	4,049	8,339	4,864
Operating grants and contributions:				
General government	3,888	3,166	3,020	4,010
Law, safety and justice	25,931	34,230	27,595	33,675
Physical environment	2,560	3,016	2,075	2,033
Transportation	15,287	15,540	16,351	18,100
Economic environment	30,683	29,123	23,353	21,635
Mental and physical health	100,133	102,909	106,272	95,420
Culture and recreation	91	908	343	608
Interest and other debt service costs	3,760	4,407	4,554	4,734
Capital grants and contributions:				
General government	2,357	1,558	5,868	1,010
Physical environment	1,997	5,386	8,014	5,406
Transportation	91,813	147,870	87,979	76,403
Economic environment	-	-	-	-
Culture and recreation	941	1,799	-	89
Total governmental activities program revenues	<u>730,631</u>	<u>805,680</u>	<u>772,903</u>	<u>802,288</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

2008	2009	2010	2011	2012	2013
\$ 168,271	\$ 106,076	\$ 193,521	\$ 153,910	\$ 147,395	\$ 189,712
580,105	607,191	605,396	594,366	629,924	587,478
67,498	76,404	79,897	78,823	77,111	88,381
112,666	111,562	101,338	100,724	78,937	68,363
99,839	105,515	103,153	112,081	104,707	98,219
421,355	458,184	456,678	457,507	469,234	480,482
56,285	53,313	54,071	56,917	60,273	48,748
51,455	54,010	49,979	51,670	38,509	41,728
<u>1,557,474</u>	<u>1,572,255</u>	<u>1,644,033</u>	<u>1,605,998</u>	<u>1,606,090</u>	<u>1,603,111</u>
15,842	24,725	22,296	28,101	29,909	28,339
667,651	673,436	697,611	716,949	740,384	764,580
110,348	91,347	101,210	96,871	108,837	102,030
257,249	287,792	290,873	321,057	396,260	433,210
10,660	12,649	13,262	13,183	13,912	15,432
<u>1,061,750</u>	<u>1,089,949</u>	<u>1,125,252</u>	<u>1,176,161</u>	<u>1,289,302</u>	<u>1,343,591</u>
<u>\$ 2,619,224</u>	<u>\$ 2,662,204</u>	<u>\$ 2,769,285</u>	<u>\$ 2,782,159</u>	<u>\$ 2,895,392</u>	<u>\$ 2,946,702</u>
\$ 57,139	\$ 66,962	\$ 54,187	\$ 65,478	\$ 72,711	\$ 74,483
128,424	148,236	155,182	155,857	143,737	150,358
48,286	42,878	47,598	43,607	55,526	53,825
18,716	15,976	13,814	16,571	13,656	28,093
29,148	26,955	27,836	35,276	29,958	20,854
248,617	262,928	266,270	266,583	300,604	294,291
7,710	6,688	6,799	6,487	8,163	8,908
911	881	706	1,695	1,783	8,924
5,457	6,863	4,863	3,446	4,459	9,598
32,147	32,327	30,128	24,815	30,981	23,853
4,290	4,629	3,826	8,595	9,389	11,015
17,593	23,472	17,091	18,406	17,305	14,122
22,347	29,218	29,459	39,314	35,842	31,016
101,541	104,254	106,618	105,483	107,108	84,859
133	430	195	230	143	1,395
4,961	5,238	5,406	5,524	8	4
284	162	112	1,464	-	3,496
4,125	6,091	22,006	1,210	1,358	3,507
73,749	68,870	88,710	70,392	63,814	92,079
-	461	1,626	-	-	-
101	8	76	116	1,941	730
<u>805,679</u>	<u>853,527</u>	<u>882,508</u>	<u>870,549</u>	<u>898,486</u>	<u>915,410</u>

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

	2004	2005	2006	2007
Business-type activities:				
Charges for services:				
Airport	\$ 11,496	\$ 11,308	\$ 12,481	\$ 13,921
Public Transportation	113,335	131,321	143,831	160,231
Solid Waste	90,595	91,207	94,316	93,376
Water Quality	222,415	224,595	242,852	264,440
Other	4,607	5,913	6,685	6,823
Operating grants and contributions:				
Public Transportation	35,715	14,141	56,400	55,771
Water Quality	-	-	-	-
Capital grants and contributions:				
Airport	1,305	6,352	21,248	2,533
Public Transportation	73,557	73,230	12,780	11,431
Solid Waste	537	529	988	690
Water Quality	15,942	3,264	2,242	1,164
Other	40	612	108	28
Total business-type activities program revenues	<u>569,544</u>	<u>562,472</u>	<u>593,931</u>	<u>610,408</u>
Total primary government program revenues	<u>\$ 1,300,175</u>	<u>\$ 1,368,152</u>	<u>\$ 1,366,834</u>	<u>\$ 1,412,696</u>
Net (Expenses)/Revenue				
Governmental activities	\$ (622,521)	\$ (424,169)	\$ (524,944)	\$ (588,451)
Business-type activities	<u>(257,569)</u>	<u>(312,427)</u>	<u>(309,242)</u>	<u>(359,531)</u>
Total primary government net expenses	<u>\$ (880,090)</u>	<u>\$ (736,596)</u>	<u>\$ (834,186)</u>	<u>\$ (947,982)</u>
General revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 433,593	\$ 447,041	\$ 468,740	\$ 499,339
Retail sales and use taxes	128,610	138,572	150,111	164,804
Business and other taxes	50,165	52,716	56,801	53,745
Penalties and interest - delinquent taxes	16,790	14,901	15,322	15,611
Interest earnings	18,395	28,352	46,009	36,348
Payment to escrow				
Transfers	486	992	(2,531)	1,200
Special item				
Total governmental activities	<u>648,039</u>	<u>682,574</u>	<u>734,452</u>	<u>771,047</u>
Business-type activities:				
Property taxes	-	-	-	-
Retail sales and use taxes	314,192	341,149	367,264	442,042
Interest earnings	9,737	16,397	28,833	22,718
Transfers	<u>(486)</u>	<u>(992)</u>	<u>2,531</u>	<u>(1,200)</u>
Total business-type activities	<u>323,443</u>	<u>356,554</u>	<u>398,628</u>	<u>463,560</u>
Total primary government	<u>\$ 971,482</u>	<u>\$ 1,039,128</u>	<u>\$ 1,133,080</u>	<u>\$ 1,234,607</u>
Change in Net Position				
Governmental activities	\$ 25,518	\$ 258,405	\$ 209,508	\$ 182,596
Business-type activities	<u>65,874</u>	<u>44,127</u>	<u>89,386</u>	<u>104,029</u>
Total Primary government	<u>\$ 91,392</u>	<u>\$ 302,532</u>	<u>\$ 298,894</u>	<u>\$ 286,625</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

2008	2009	2010	2011	2012	2013
\$ 18,075	\$ 20,774	\$ 20,766	\$ 19,204	\$ 17,812	\$ 20,440
173,011	205,170	223,278	244,511	278,143	299,382
98,821	92,343	109,949	88,961	98,827	109,131
284,995	307,556	305,738	338,226	390,705	431,743
7,535	7,418	7,639	7,664	8,746	9,222
72,458	90,570	57,514	61,374	58,347	35,752
-	-	-	-	190	72
11,513	6,490	5,300	15,558	17,628	7,680
28,474	27,035	17,635	127,892	59,846	47,149
857	603	650	533	630	-
2,311	1,843	2,431	7,325	-	271
-	2,320	1,175	1,691	3,608	2,819
698,050	762,122	752,075	912,939	934,482	963,661
\$ 1,503,729	\$ 1,615,649	\$ 1,634,583	\$ 1,783,488	\$ 1,832,968	\$ 1,879,071
\$ (751,795)	\$ (718,728)	\$ (761,525)	\$ (735,449)	\$ (707,604)	\$ (687,701)
(363,700)	(327,827)	(373,177)	(263,222)	(354,820)	(379,930)
\$ (1,115,495)	\$ (1,046,555)	\$ (1,134,702)	\$ (998,671)	\$ (1,062,424)	\$ (1,067,631)
\$ 580,958	\$ 605,207	\$ 592,081	\$ 594,130	\$ 593,654	\$ 624,036
193,827	179,077	180,914	180,948	161,467	170,581
41,557	36,555	32,432	40,498	42,332	45,880
15,740	17,679	21,328	21,889	21,476	20,869
34,714	19,524	10,063	8,050	8,356	3,948
2,858	896	2,423	505	2,856	767
				3,809	(733)
869,654	858,938	839,241	846,020	833,950	865,348
18,626	19,255	23,301	23,792	25,217	24,645
432,934	376,968	375,943	399,812	413,047	442,975
23,071	14,056	9,024	7,033	5,700	712
(2,858)	(896)	(2,423)	(505)	(2,857)	733
471,773	409,383	405,845	430,132	441,107	469,065
\$ 1,341,427	\$ 1,268,321	\$ 1,245,086	\$ 1,276,152	\$ 1,275,057	\$ 1,334,413
\$ 117,859	\$ 140,210	\$ 77,716	\$ 110,571	\$ 126,346	\$ 177,647
108,073	81,556	32,668	166,910	86,287	89,135
\$ 225,932	\$ 221,766	\$ 110,384	\$ 277,481	\$ 212,633	\$ 266,782

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Net investment in capital assets	\$ 1,448,891	\$ 1,525,984	\$ 1,642,456	\$ 1,762,158
Restricted	261,656	289,894	338,188	394,932
Unrestricted	<u>(465,720)</u>	<u>(408,832)</u>	<u>(364,090)</u>	<u>(357,940)</u>
Total governmental activities net position	<u>\$ 1,244,827</u>	<u>\$ 1,407,046</u>	<u>\$ 1,616,554</u>	<u>\$ 1,799,150</u>
Business-type activities				
Net investment in capital assets	\$ 1,516,280	\$ 1,524,744	\$ 1,566,302	\$ 1,551,017
Restricted	283,104	311,665	329,262	419,118
Unrestricted	<u>87,157</u>	<u>94,259</u>	<u>124,490</u>	<u>153,948</u>
Total business-type activities net position	<u>\$ 1,886,541</u>	<u>\$ 1,930,668</u>	<u>\$ 2,020,054</u>	<u>\$ 2,124,083</u>
Primary government				
Net investment in capital assets	\$ 2,965,171	\$ 3,050,728	\$ 3,208,758	\$ 3,313,175
Restricted	544,760	601,559	667,450	814,050
Unrestricted	<u>(378,563)</u>	<u>(314,573)</u>	<u>(239,600)</u>	<u>(203,992)</u>
Total primary government net position	<u>\$ 3,131,368</u>	<u>\$ 3,337,714</u>	<u>\$ 3,636,608</u>	<u>\$ 3,923,233</u>

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

2008	2009	2010	2011	2012	2013
\$ 1,814,117	\$ 1,889,721	\$ 1,922,455	\$ 1,920,793	\$ 1,905,722	2,109,711
437,707	443,686	441,052	440,959	452,529	499,601
(334,815)	(276,188)	(228,572)	(116,673)	13,174	(65,063)
<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>	<u>\$ 2,544,249</u>
\$ 1,698,018	\$ 1,604,179	\$ 1,580,093	\$ 1,622,274	\$ 1,627,435	\$ 1,612,685
564,854	649,948	259,357	311,596	267,262	214,515
(94,361)	(4,060)	443,285	515,775	641,235	777,194
<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>	<u>\$ 2,604,394</u>
\$ 3,512,135	\$ 3,493,900	\$ 3,502,548	\$ 3,543,067	\$ 3,533,157	\$ 3,722,396
1,002,561	1,093,634	700,409	752,555	719,791	714,116
(429,176)	(280,248)	214,713	399,102	654,409	712,131
<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>	<u>\$ 5,148,643</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</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	\$ 7,815	\$ 18,693	\$ 24,219	\$ 27,346
Unreserved				
Designated	21,422	28,681	23,230	23,319
Undesignated	93,721	96,617	96,315	89,983
Total General Fund	<u>\$ 122,958</u>	<u>\$ 143,991</u>	<u>\$ 143,764</u>	<u>\$ 140,648</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	\$ 110,956	\$ 103,513	\$ 108,317	\$ 101,045
Unreserved				
Designated				
Special revenue funds	15,949	25,141	26,951	37,129
Debt service funds	-	-	-	-
Capital project funds	-	-	-	-
Undesignated				
Special revenue funds	73,948	58,618	67,268	84,541
Debt service funds	34,029	28,635	30,413	27,666
Capital project funds	49,758	57,069	43,678	80,946
Total all other governmental funds	<u>\$ 284,640</u>	<u>\$ 272,976</u>	<u>\$ 276,627</u>	<u>\$ 331,327</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.

2008	2009	2010	2011	2012	2013
N/A	N/A	N/A	\$ 3,800	\$ 3,800	\$ 300
N/A	N/A	N/A	3,309	2,702	2,506
N/A	N/A	N/A	23,694	21,761	24,982
N/A	N/A	N/A	7,420	8,827	8,264
N/A	N/A	N/A	96,545	102,554	78,318
\$ 16,064	\$ 14,915	\$ 16,632	N/A	N/A	N/A
7,396	3,207	4,001	N/A	N/A	N/A
73,765	64,304	67,610	N/A	N/A	N/A
<u>\$ 97,225</u>	<u>\$ 82,426</u>	<u>\$ 88,243</u>	<u>\$ 134,768</u>	<u>\$ 139,644</u>	<u>\$ 114,370</u>
N/A	N/A	N/A	\$ 12,333	\$ 14,648	\$ 14,241
N/A	N/A	N/A	392,138	406,890	392,824
N/A	N/A	N/A	77,227	86,439	80,368
N/A	N/A	N/A	16,105	33,157	45,224
N/A	N/A	N/A	(10,460)	(8,917)	(6,571)
\$ 93,564	\$ 120,349	\$ 94,384	N/A	N/A	N/A
43,682	42,170	71,036	N/A	N/A	N/A
-	-	-	N/A	N/A	N/A
-	-	-	N/A	N/A	N/A
138,512	183,034	165,317	N/A	N/A	N/A
32,762	36,704	42,694	N/A	N/A	N/A
94,692	26,694	77,148	N/A	N/A	N/A
<u>\$ 403,212</u>	<u>\$ 408,951</u>	<u>\$ 450,579</u>	<u>\$ 487,343</u>	<u>\$ 532,217</u>	<u>\$ 526,086</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(IN THOUSANDS)

	2004	2005	2006	2007	2008
Revenues					
Taxes	\$ 630,440	\$ 653,194	\$ 690,873	\$ 733,432	\$ 831,135
Licenses and permits	19,720	17,059	18,226	19,576	19,601
Intergovernmental revenues	418,362	417,407	442,094	453,577	493,554
Charges for services	222,836	228,126	229,734	255,194	234,883
Fines and forfeits	7,350	6,362	8,084	9,616	9,536
Interest earnings	15,845	24,274	38,072	29,065	27,794
Miscellaneous revenues	42,289	46,189	51,081	57,504	56,071
Total revenues	1,356,842	1,392,611	1,478,164	1,557,964	1,672,574
Expenditures					
General government services	118,763	137,416	141,318	157,751	147,633
Law, safety and justice	423,737	429,541	467,053	496,376	534,238
Physical environment	55,760	51,408	56,601	63,924	91,301
Transportation	66,937	88,473	95,758	106,396	113,898
Economic environment	75,940	87,080	91,955	94,187	99,465
Mental and physical health	501,582	344,036	361,334	381,817	420,053
Culture and recreation	36,974	34,744	38,981	47,512	53,194
Debt service					
Redemption of long-term debt	65,252	78,160	80,192	87,195	79,071
Interest	51,985	55,248	53,427	41,638	40,614
Other debt service costs	15,087	557	11,623	12,837	15,096
Capital outlay	201,397	83,936	86,746	74,135	105,673
Total expenditures	1,613,414	1,390,599	1,484,988	1,563,768	1,700,236
Excess (deficiency) of revenues over (under) expenditures	(256,572)	2,012	(6,824)	(5,804)	(27,662)
Other Financing Sources (Uses)					
Transfers in	154,901	146,014	169,156	178,186	218,146
Transfers out	(153,989)	(144,458)	(166,282)	(175,063)	(213,003)
General government debt issued	246,435	2,134	4,716	48,395	48,755
Premium on bonds sold	17,807	2,112	1,633	3,890	170
Refunding bonds issued	102,315	22,510	38,330	54,565	-
General long-term debt - capital leases	62,805	184	-	-	-
Sale of capital assets	5,504	4,307	2,274	4,548	2,080
Payment to refunded bonds escrow agent	(107,317)	(24,360)	(39,579)	(57,133)	-
Total other financing sources (uses)	328,461	8,443	10,248	57,388	56,148
Net change in fund balances	\$ 71,889	\$ 10,455	\$ 3,424	\$ 51,584	\$ 28,486
Debt service as a percentage of noncapital expenditures	8.30%	10.21%	9.56%	8.65%	7.51%

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

2009	2010	2011	2012	2013
\$ 836,073	\$ 826,408	\$ 837,350	\$ 818,822	\$ 861,622
19,628	20,936	20,576	21,652	22,155
543,951	560,068	570,794	597,549	572,424
247,083	232,227	249,612	249,755	269,853
10,142	9,001	8,635	8,499	7,376
15,219	7,340	6,005	6,550	3,456
55,496	60,202	58,373	88,590	79,705
<u>1,727,592</u>	<u>1,716,182</u>	<u>1,751,345</u>	<u>1,791,417</u>	<u>1,816,591</u>
163,615	145,108	157,215	191,558	203,740
560,059	556,471	553,127	570,926	590,701
107,804	107,297	101,516	98,962	123,241
118,817	107,388	106,888	90,737	77,468
105,145	102,804	111,682	104,787	98,656
460,206	460,584	467,409	481,747	490,932
49,168	51,069	53,260	57,067	44,188
117,736	62,901	50,772	56,913	70,686
36,227	30,805	29,835	25,186	33,000
22,261	15,990	42,791	2,720	608
85,161	115,399	122,310	138,279	119,746
<u>1,826,199</u>	<u>1,755,816</u>	<u>1,796,805</u>	<u>1,818,882</u>	<u>1,852,966</u>
<u>(98,607)</u>	<u>(39,634)</u>	<u>(45,460)</u>	<u>(27,465)</u>	<u>(36,375)</u>
171,100	142,569	157,027	142,955	187,571
(171,715)	(139,773)	(155,565)	(137,706)	(188,847)
84,810	82,465	109,085	51,980	-
5,831	6,521	5,793	59,146	7,261
42,869	41,250	25,700	256,615	92,940
-	-	-	-	-
2,719	(392)	17,141	547	5,638
<u>(46,067)</u>	<u>(45,561)</u>	<u>(28,242)</u>	<u>(296,322)</u>	<u>(99,593)</u>
<u>89,547</u>	<u>87,079</u>	<u>130,939</u>	<u>77,215</u>	<u>4,970</u>
<u>\$ (9,060)</u>	<u>\$ 47,445</u>	<u>\$ 85,479</u>	<u>\$ 49,750</u>	<u>\$ (31,405)</u>
8.84%	5.71%	4.81%	4.89%	5.98%

**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
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
2013	222,163,087	56,215,135	8,654,663	10,009,341	8,601,970	9,102,010

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		
\$ 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%	1.50
341,971,517	403,965,414	84.7%	1.72
330,414,999	365,786,645	90.3%	1.68
319,460,937	346,131,439	92.3%	1.84
314,746,206	350,086,007	89.9%	1.95

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

	2004	2005	2006	2007	2008	2009
County Direct Rates						
General	\$ 1.43	\$ 1.38	\$ 1.33	\$ 1.29	\$ 1.21	\$ 1.10
Emergency Medical Services	.15	.15	.14	.13	.19	.18
Road District	.28	.28	.28	.27	.24	.22
Total County Direct Rates	1.86	1.81	1.75	1.69	1.64	1.50
State School Fund Rates	2.76	2.69	2.50	2.33	2.13	1.96
Port of Seattle Rates	.25	.25	.23	.23	.22	.20
Ferry District Rates	-	-	-	-	.06	.05
King County Library System Rates	.54	.53	.53	.50	.45	.42
Cities and Towns Rates	.39-3.36	.37-3.35	.36-3.16	.35-3.22	.33-2.77	.30-2.58
School Districts Rates	2.16-5.39	1.89-5.81	2.02-5.37	1.73-4.95	1.39-4.73	1.18-4.54
Water Districts Rates	.20	.18	.18	-	-	-
Fire Districts Rates	.78-1.69	.76-1.66	.72-1.68	.69-1.67	.77-1.68	.74-1.65
Hospital Districts Rates	.09-.70	.09-.70	.47-.59	.46-.56	.43-.59	.40-.53
Flood Zone Districts Rates	.05	.05	.05	.04	.10	.09
Park & Recreation Districts Rates	.05-.44	.04-.42	.04-.47	.04-.45	.03-.49	.01-.44
Miscellaneous Districts Rates	.05-.11	.05-.11	.05-.40	.04-.48	.04-.44	.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.

2010	2011	2012	2013
\$ 1.28	\$ 1.34	\$ 1.42	\$ 1.54
0.19	0.19	0.19	0.19
0.25	0.15	0.23	0.22
1.72	1.68	1.84	1.95
2.22	2.28	2.42	2.57
.22	0.22	0.23	0.23
-	0.004	0.004	0.004
.49	0.57	0.57	0.57
.33-2.92	.39-3.06	.39-3.28	.40-3.29
1.74-5.28	1.80-6.00	1.81-6.14	1.83-7.55
-	-	-	-
.83-1.90	.88-1.90	.14-1.94	.15-2.41
.46-.63	.48-.56	.31-.50	.50-.52
0.10	0.11	0.12	0.13
.01-.52	.02-.80	.02-.74	.02-.50
.04-.47	.04-.50	.05-.50	.10-.50

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

YEAR	TAXES LEVIED FOR THE YEAR (ORIGINAL LEVY)	ADJUSTMENTS	TOTAL ADJUSTED TAX LEVY	COLLECTED WITHIN THE YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS
				AMOUNT	PERCENTAGE OF ORIGINAL LEVY	
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	(3,799)	586,574	575,431	97.47%	11,092
2009	609,355	(3,140)	606,215	594,263	97.52%	11,850
2010	622,795	(6,646)	616,149	604,359	97.04%	11,492
2011	624,564	2,606	627,170	606,573	97.12%	9,065
2012	620,502	(2,251)	618,251	607,960	97.98%	6,951
2013	627,890	(11,146)	616,744	616,551	98.19%	-

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
\$ 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%
586,523	99.99%	51	0.01%
606,113	99.98%	102	0.02%
615,851	99.95%	298	0.05%
615,638	98.16%	11,532	1.84%
614,911	99.46%	3,340	0.54%
616,551	99.97%	193	0.03%

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

TAXPAYER	2013			2004		
	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 %	\$ 2,718,434	1	1.21 %
Microsoft	2,826,189	2	0.88	1,299,089	3	0.58
Puget Sound Energy	1,793,515	3	0.56	1,329,225	2	0.59
Alaska Airlines	813,750	4	0.25	384,080	5	0.17
AT&T Mobility LLC	771,005	5	0.24	-	-	-
CenturyLink (a)	695,292	6	0.22	1,219,045	4	0.54
Kemper Development (b)	558,829	7	0.17	-	-	-
T-Mobile	506,575	8	0.16	-	-	-
Union Square LLC	487,184	9	0.15	367,126	6	0.16
W2007 Seattle (c)	392,475	10	0.12	-	-	-
EOP Northwest Properties	-	-	-	506,346	7	0.23
Bank of America	-	-	-	432,957	8	0.19
McElroy George & Associates, Inc.	-	-	-	329,174	9	0.15
Spieker Properties	-	-	-	287,510	10	0.13
Total	11,791,265		3.67	8,872,986		3.95
Total Assessed Valuation of other taxpayers	307,669,673		96.33	216,121,612		96.05
Total 2012 Assessed Valuation for taxes due in 2013	<u>\$ 319,460,937</u>		<u>100.00 %</u>			
Total 2002 Assessed Valuation for taxes due in 2003				<u>\$ 224,994,598</u>		<u>100.00 %</u>

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		
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%	1,160
2011	1,698,189	82,295	385,525	-	-	2,166,009	0.59%	1,115
2012	1,763,614	73,395	321,780	-	-	2,158,789	0.62%	1,103
2013	1,763,383	-	265,325	-	-	2,028,708	0.58%	1,024

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, 2013
(IN THOUSANDS)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED^(a) PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT	ESTIMATED SHARE OF OVERLAPPING DEBT
DEBT REPAID WITH PROPERTY TAXES			
King County – net overlapping debt:			
Port of Seattle	\$ 283,815	100.00%	\$ 283,815
School Districts:			
Bellevue SD	596,468	100.00%	596,468
Lake Washington SD	470,164	100.00%	470,164
Issaquah SD	331,554	100.00%	331,554
Renton SD	306,808	100.00%	306,808
Northshore SD	298,201	64.72%	192,990
Highline SD	263,630	100.00%	263,630
Shoreline SD	206,677	100.00%	206,677
Federal Way SD	177,054	100.00%	177,054
Kent SD	176,796	100.00%	176,796
Auburn SD	130,733	92.74%	121,236
Other school districts	401,959	95.08%	382,200
Total school districts	3,360,045		3,225,578
Cities and towns: ^(b)			
City of Seattle	852,465	100.00%	852,465
City of Bellevue	221,311	100.00%	221,311
City of Renton	74,075	100.00%	74,075
City of Kent	71,804	100.00%	71,804
City of Redmond	65,280	100.00%	65,280
City of Auburn	59,807	100.00%	59,807
City of Kirkland	43,961	100.00%	43,961
City of Bothell	42,285	50.63%	21,410
City of Shoreline	35,327	100.00%	35,327
Other cities and towns	170,926	99.98%	170,886
Total cities and towns	1,637,241		1,616,326
Hospital districts	230,175	100.00%	230,175
King County Library System	127,607	98.07%	125,145
Fire districts	80,845	100.00%	80,845
Library capital facility districts	5,335	100.00%	5,335
Parks and recreation service area district	1,866	64.71%	1,208
Park Districts	4,214	100.00%	4,214
TOTAL KING COUNTY – NET OVERLAPPING DEBT	5,731,143		5,572,639
KING COUNTY – NET DIRECT DEBT	716,042 ^(c)	100.00%	716,042
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 6,447,185		\$ 6,288,681

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. Debt incurred by other governmental units, although overlapping, has 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 debt amounts are provided by the cities and towns.

(c) \$ 1,006,698 General long-term debt – general obligation bonds, lease revenue bonds, and installment purchase capital leases

(48,480) Hotel/motel tax financed – Kingdome Limited Tax GO bonds

(223,390) General obligation debt financed by component unit

(18,786) Funds available in GO Debt Service Funds excluding \$33.056 million of hotel/motel and special taxes

\$ 716,042 NET DIRECT DEBT

**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			
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	-	-			
2013	741,373	265,325	-	-			

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
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%	2,448
2011	1,015,642	2,709,714	3,186	129,276	4,991,825	4.38%	2,570
2012	1,064,570	2,841,755	3,087	136,002	5,139,633	4.26%	2,626
2013	1,022,010	2,866,085	2,983	146,672	5,044,448	4.18%	2,545

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

Because personal income data is not available for 2013, the percentages use the personal income amount for 2012.

King County, Washington

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

	2004	2005	2006	2007	2008
Assessed Valuation ^(a)	\$ 248,911,783	\$ 270,571,111	\$ 298,755,199	\$ 340,995,440	\$ 386,889,728
Limited Tax General Obligations for Metropolitan Functions					
Debt Limit - 0.75% of Assessed Value	\$ 1,866,838	\$ 2,029,283	\$ 2,240,664	\$ 2,557,466	\$ 2,901,673
Debt applicable to limit	574,074	790,025	696,657	718,376	699,144
Less: Amounts set aside to repay LTGO debts	(18,779)	(18,173)	(20,126)	(20,482)	(16,541)
Total net debt applicable to the limit	555,295	771,852	676,531	697,894	682,603
Legal Debt Margin ^(b) of LTGO	\$ 1,311,543	\$ 1,257,431	\$ 1,564,133	\$ 1,859,572	\$ 2,219,070
Total net debt applicable to the limit					
limit	29.75%	38.04%	30.19%	27.29%	23.52%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit - 1.5% of Assessed Value	\$ 3,733,677	\$ 4,058,567	\$ 4,481,328	\$ 5,114,932	\$ 5,803,346
Debt applicable to limit ^(c)	1,547,231	1,801,177	1,858,302	1,817,183	1,734,629
Less: Amounts set aside to repay LTGO debts	(45,646)	(50,758)	(47,664)	(51,449)	(46,110)
Total net debt applicable to the limit	1,501,585	1,750,419	1,810,638	1,765,734	1,688,519
Legal Debt Margin ^(b) of LTGO	\$ 2,232,092	\$ 2,308,148	\$ 2,670,690	\$ 3,349,198	\$ 4,114,827
Total net debt applicable to the limit					
as a percentage of the debt limit	40.22%	43.13%	40.40%	34.52%	29.10%
Total General Obligations (GO) for Metropolitan Functions					
Debt Limit - 2.5% of Assessed Value	\$ 6,222,795	\$ 6,764,278	\$ 7,468,880	\$ 8,524,886	\$ 9,672,243
Debt applicable to limit	574,074	790,025	696,657	718,376	699,144
Less: Amounts set aside to repay GO debts	(18,779)	(18,173)	(20,126)	(20,482)	(16,541)
Total net debt applicable to the limit	555,295	771,852	676,531	697,894	682,603
Legal Debt Margin ^(b) of total GO	\$ 5,667,500	\$ 5,992,426	\$ 6,792,349	\$ 7,826,992	\$ 8,989,640
Total net debt applicable to the limit					
limit	8.92%	11.41%	9.06%	8.19%	7.06%
Total General Obligations (GO) for County Purposes					
Debt Limit - 2.5% of Assessed Value	\$ 6,222,795	\$ 6,764,278	\$ 7,468,880	\$ 8,524,886	\$ 9,672,243
Debt applicable to limit ^(c)	1,338,709	1,345,162	1,461,755	1,363,072	1,270,260
Less: Amounts set aside to repay GO debts	(47,317)	(47,303)	(41,515)	(41,597)	(39,206)
Total net debt applicable to the limit	1,291,392	1,297,859	1,420,240	1,321,475	1,231,054
Legal Debt Margin ^(b) of total GO	\$ 4,931,403	\$ 5,466,419	\$ 6,048,640	\$ 7,203,411	\$ 8,441,189
Total net debt applicable to the limit					
as a percentage of the debt limit	20.75%	19.19%	19.02%	15.50%	12.73%

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

	2009	2010	2011	2012	2013
Assessed Valuation ^(a)	\$ 341,971,517	\$ 330,414,999	\$ 319,460,937	\$ 314,746,207	\$ 340,643,616
Limited Tax General Obligations for Metropolitan Functions					
Debt Limit – 3/4% of Assessed Value	\$ 2,564,786	\$ 2,478,112	\$ 2,395,957	\$ 2,360,597	\$ 2,554,827
Debt applicable to limit	985,702	1,099,943	1,059,464	1,132,185	1,092,797
Less: Amounts set aside to repay LTGO debts	(21,904)	(20,829)	(19,310)	(20,128)	(25,148)
Total net debt applicable to the limit	963,798	1,079,114	1,040,154	1,112,057	1,067,649
Legal Debt Margin ^(b) of LTGO	\$ 1,600,988	\$ 1,398,998	\$ 1,355,803	\$ 1,248,540	\$ 1,487,178
Total net debt applicable to the limit					
limit	37.58%	43.55%	43.41%	47.11%	41.79%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit – 1½% of Assessed Value	\$ 5,129,573	\$ 4,956,225	\$ 4,791,914	\$ 4,721,193	\$ 5,109,654
Debt applicable to limit ^(c)	1,998,947	2,106,580	2,211,173	2,181,468	2,070,328
Less: Amounts set aside to repay LTGO debts	(53,730)	(64,177)	(64,943)	(62,179)	(57,509)
Total net debt applicable to the limit	1,945,217	2,042,403	2,146,230	2,119,289	2,012,819
Legal Debt Margin ^(b) of LTGO	\$ 3,184,356	\$ 2,913,822	\$ 2,645,684	\$ 2,601,904	\$ 3,096,835
Total net debt applicable to the limit					
as a percentage of the debt limit	37.92%	41.21%	44.79%	44.89%	39.39%
Total General Obligations (GO) for Metropolitan Functions					
Debt Limit – 2½% of Assessed Value	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523	\$ 7,868,655	\$ 8,516,090
Debt applicable to limit	985,702	1,099,943	1,059,464	1,132,185	1,092,797
Less: Amounts set aside to repay GO debts	(21,904)	(20,829)	(19,310)	(20,128)	(25,148)
Total net debt applicable to the limit	963,798	1,079,114	1,040,154	1,112,057	1,067,649
Legal Debt Margin ^(b) of total GO	\$ 7,585,490	\$ 7,181,261	\$ 6,946,369	\$ 6,756,598	\$ 7,448,441
Total net debt applicable to the limit					
limit	11.27%	13.06%	13.02%	14.13%	12.54%
Total General Obligations (GO) for County Purposes					
Debt Limit – 2½% of Assessed Value	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523	\$ 7,868,655	\$ 8,516,090
Debt applicable to limit ^(c)	1,217,955	1,193,132	1,303,129	1,190,973	1,104,336
Less: Amounts set aside to repay GO debts	(41,554)	(53,891)	(52,267)	(48,774)	(39,292)
Total net debt applicable to the limit	1,176,401	1,139,241	1,250,862	1,142,199	1,065,044
Legal Debt Margin ^(b) of total GO	\$ 7,372,887	\$ 7,121,134	\$ 6,735,661	\$ 6,726,456	\$ 7,451,046
Total net debt applicable to the limit					
as a percentage of the debt limit	13.76%	13.79%	15.66%	14.52%	12.51%

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>	
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	137%
2013	421,986	2,682	117,183	307,485	57,630	158,393	142%

INTEREST EARNED ON INVESTMENTS: By interpretation of applicable rate covenant, interest earned on investments for all years excludes the effects of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

DEBT SERVICE: By interpretation of applicable rate covenant, debt service excludes the principal and interest on bonds refunded in the current year.

COVERAGE: The Water Quality Enterprise is obligated by bond ordinance to collect net revenue equal to at least 1.15 times the defined debt service requirements payable from revenues of the Enterprise.

**WATER QUALITY ENTERPRISE
ADDITIONAL COVERAGE RATIOS
DECEMBER 31, 2013**

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 Water Quality. It is an adopted policy of Water Quality to achieve a debt service coverage ratio of 1.25.

Coverage (1.15 required by covenant, adopted policy 1.25)	1.42
---	------

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)	1.33
--------------------------------	------

The Enterprise is required to generate revenues sufficient to pay all costs of operation of the sewage treatment system and debt service on obligations of the Enterprise.

Coverage (1.00 required by covenant)	1.25
--------------------------------------	------

In 2001, the Enterprise issued an additional tier of revenue bonds. The bond covenants of the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, require that sewage disposal rates provide net revenue equal to at least 1.10 times the annual debt service requirements for all Junior Lien obligations after payment of Senior Lien requirements. In 2010, the Enterprise issued Multi-Modal Limited Tax General Obligation Sewer Revenue Bonds, series 2010A and 2010B which incorporate the identical requirement as Junior Lien obligations. In 2011 and 2012, the Enterprise issued \$100M of Junior Lien Variable Rate Demand Sewer Revenue Bonds which incorporate the identical requirement as Junior Lien obligations.

Coverage (1.10 required by covenant)	31.03
--------------------------------------	-------

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

	2004	2005	2006	2007	2008
Public Works					
Miles of Paved Roads	1,804	1,801	1,795	1,803	1,710
Miles of Unpaved Roads	55	55	54	51	51
Bridges	187	187	187	184	183
Building Permits					
Permits	3,725	3,359	2,982	2,900	1,867
Value of Buildings (in thousands)	\$ 831,500	\$ 716,076	\$ 575,524	\$ 562,836	\$ 327,942
Justice and Law Enforcement					
Sheriff's Office					
Number of Employees - Commission	717	704	734	714	743
Number of Employees - Civilian	366	355	305	312	313
Motor Pool Fleet - Vehicles	690	651	703	670	662
Motor Pool Fleet - Boats	6	5	8	8	8
Motor Pool Fleet - Helicopters	5	5	5	6	7
Adult Detention					
Average Daily Adult Custodial Population	2,456	2,603	2,667	2,727	2,575
Average Length of Stay (in days)	18	19	19	19	20
Bookings	49,616	50,628	53,433	53,697	48,234
Parks and Land Use					
Number of Parks	204	222	225	220	228
Acres of Parks	121,218	121,597	120,788	120,745	164,676
Public Transportation					
Size of Fleet - Buses	1,391	1,536	1,545	1,519	1,508
Size of Fleet - Active Commuter Vans	662	732	934	1,024	1,207
Annual Bus Trips	101,516,627	104,087,362	109,388,007	117,492,162	126,516,426
Annual Commuter Van Trips	1,688,996	1,795,611	2,173,189	2,605,018	3,148,550
Wastewater Treatment					
Total Sewer Customers (Residences & Residential Customer Equivalents)	687,909	689,817	690,934	702,946	706,800
New Sewer Connections Equivalents	11,000	9,600	10,900	12,200	11,331
Monthly Sewer Rate	\$23.40	\$25.60	\$25.60	\$27.95	\$27.95
Residential Connection Charge (Monthly for 15 years)	\$18.00	\$34.05	\$34.05	\$42.00	\$46.25
Total Sewer Revenues (in thousands)	\$192,912	\$212,069	\$212,117	\$227,665	\$240,001
Number of Treatment Plants	3	3	3	3	4
Total Treatment Capacity					
Million of Gallons per Day (MGD)	766	766	766	767	767
Average Daily Flow (MGD)	175	170	198	178	162
Peak Daily Flow (MGD)	507	483	542	636	444

Source: Various King County Agencies.

2009	2010	2011	2012	2013
1,694	1,581	1,479	1,451	1,441
51	51	51	53	51
182	180	181	182	181
1,324	1,341	1,123	2,021	1,303
\$ 233,635	\$ 245,912	\$ 235,562	\$ 366,207	\$ 257,261
729	683	645	637	650
290	346	376	287	385
638	642	632	632	629
8	8	8	8	8
7	7	5	4	4
2,402	2,352	2,201	1,946	1,960
21	20	21	22	21
44,797	43,018	38,089	33,506	34,282
223	218	215	219	220
168,842	169,719	170,273	170,574	171,196
1,560	1,465	1,505	1,503	1,482
1,088	1,075	1,228	1,283	1,365
119,485,069	117,001,651	119,839,513	123,127,290	126,600,000
3,187,454	2,851,000	3,118,006	3,450,656	3,537,343
703,800	704,400	707,300	708,900	718,160
8,949	6,974	5,855	7,915	7,224
\$31.90	\$31.90	\$36.10	\$36.10	\$39.79
\$47.64	\$49.07	\$50.45	\$53.50	\$53.50
\$256,160	\$253,684	\$285,607	\$321,066	\$353,200 **
4	4	5	5	5
767	767	767*	895	895 *
169	178	173*	188	167 *
525	639	472*	523	500 *

* Brightwater numbers are included for 2012.

** Includes rate stabilization of \$ 13.9 million

Brightwater started full operation of wastewater treatment and conveyance on 11/2/2012.

Prior to the date of full operation when the BW tunnel was unavailable, all Brightwater effluent was discharged to the South Pland or West Point sewer systems. Brightwater flow averaged 10.9 mgd during this "recycle" period of operation.

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

	<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>	<u>2013</u>
FUNCTION/PROGRAM										
General government	1,548	1,560	1,506	1,568	1,585	1,657	1,597	1,558	1,497	1,559
Law, safety & justice	3,585	3,556	3,683	3,730	3,857	3,905	3,801	3,619	3,871	3,647
Physical environment	1,497	1,488	1,652	1,670	1,692	1,394	1,363	1,345	1,275	1,283
Transportation	4,322	4,373	4,509	4,589	4,931	4,918	4,851	4,850	4,554	4,525
Economic environment	431	409	316	311	303	376	294	288	186	187
Mental and physical health	1,446	1,512	1,397	1,336	1,455	1,461	1,474	1,416	1,406	1,284
Culture and recreation	161	156	151	157	176	210	207	209	204	211
Total	<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>	<u>12,696</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.

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

CALENDAR YEAR	POPULATION	PERSONAL INCOME (1,000s)	PER CAPITA PERSONAL INCOME	AVERAGE EARNINGS PER JOB	UNEMPLOYMENT RATE	
					COUNTY	STATE
2004	1,775,297	\$ 89,382,811	\$ 50,348	\$ 58,267	5.2%	6.2%
2005	1,795,268	89,432,163	49,815	59,391	4.7%	5.5%
2006	1,822,987	99,609,451	54,641	62,550	4.2%	4.9%
2007	1,847,986	106,693,888	57,735	64,480	3.6%	4.6%
2008	1,875,020	109,927,858	58,628	65,742	4.4%	5.4%
2009	1,912,012	103,120,593	53,933	66,204	8.6%	9.4%
2010	1,931,249	106,401,739	54,927	68,569	9.1%	9.9%
2011	1,942,600	113,922,436	57,837	71,192	8.2%	9.2%
2012	1,956,998 *	120,627,950	61,639	65,830	6.8%	8.1%
2013	1,981,900 *	N/A	N/A	N/A	5.2%	7.0%

CALENDAR YEAR	MEDIAN HOUSEHOLD INCOME ESTIMATES	POPULATION 65 YEARS OLD AND OVER	BIRTHS	DEATHS	STUDENTS ENROLLED IN PUBLIC SCHOOLS	STUDENTS ENROLLED IN PRIVATE SCHOOLS
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	210,679	25,002	11,421	259,827	39,429
2011	66,294	216,344	24,400	11,924	262,963	40,276
2012	68,313 *	227,291	24,702	12,045	267,655	40,428
2013	70,365 *	237,192	25,098	12,131	271,130	40,464

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 & 2013 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	2013			2004		
	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Trade, transportation and utilities	224,233	1	18.19%	220,817	1	19.52%
Professional and business services	200,658	2	16.27%	163,533	2	14.46%
Government	167,183	3	13.56%	162,208	3	14.34%
Educational and health services	162,567	4	13.18%	130,075	4	11.50%
Leisure and hospitality	120,100	5	9.74%	103,525	6	9.15%
Manufacturing	105,675	6	8.57%	103,608	5	9.16%
Information	82,350	7	6.68%	68,575	8	6.06%
Financial activities	71,533	8	5.80%	79,117	7	6.99%
Construction	54,075	9	4.39%	59,317	9	5.24%
Total	<u>1,188,374</u>		<u>96.38%</u>	<u>1,090,775</u>		<u>96.42%</u>
Total Employment	<u>1,233,017</u>			<u>1,131,067</u>		

Source: Washington State Employment Security Department, Labor Market and Economic Analysis.

Note: The State of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the County's employment base.

The number of employees are annual averages based on total nonfarm employment, and are not seasonally adjusted.

**TEN LARGEST CUSTOMERS OF THE WATER QUALITY ENTERPRISE
DECEMBER 31, 2013**

	<u>PERCENT OF REVENUE</u>
City of Seattle	39.8%
City of Bellevue	8.8%
Alderwood Water & Wastewater District	5.3%
City of Kent	5.2%
Soos Creek Water & Sewer District	4.9%
City of Auburn	4.2%
City of Renton	4.1%
Northshore Utility District	4.0%
City of Redmond	4.0%
Ronald Wastewater District	<u>2.7%</u>
Total	<u><u>83.0%</u></u>

Equity and Social Justice Statistics

Through adoption of the King County Strategic Plan 2010-2014: Working Together for One King County, King County has transformed its work on equity and social justice from an initiative to an integrated effort that applies the countywide strategic plan's principle of "fair and just" in everything the County does in order to achieve equitable opportunities for all people and communities.

Determinants of equity

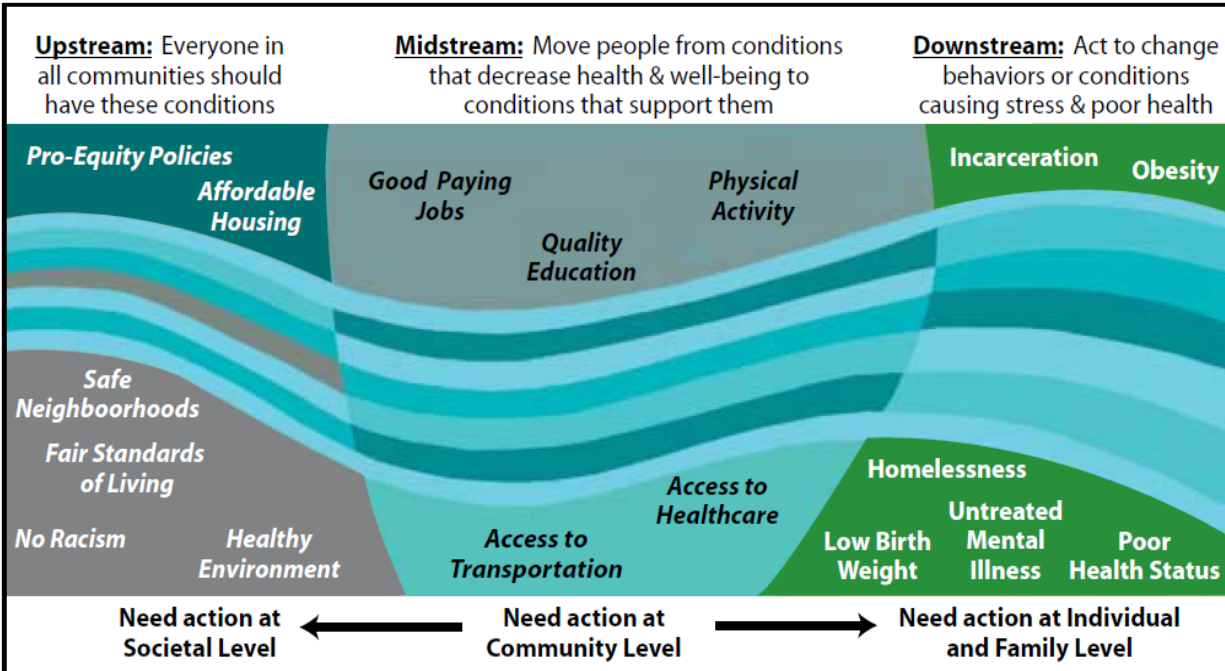
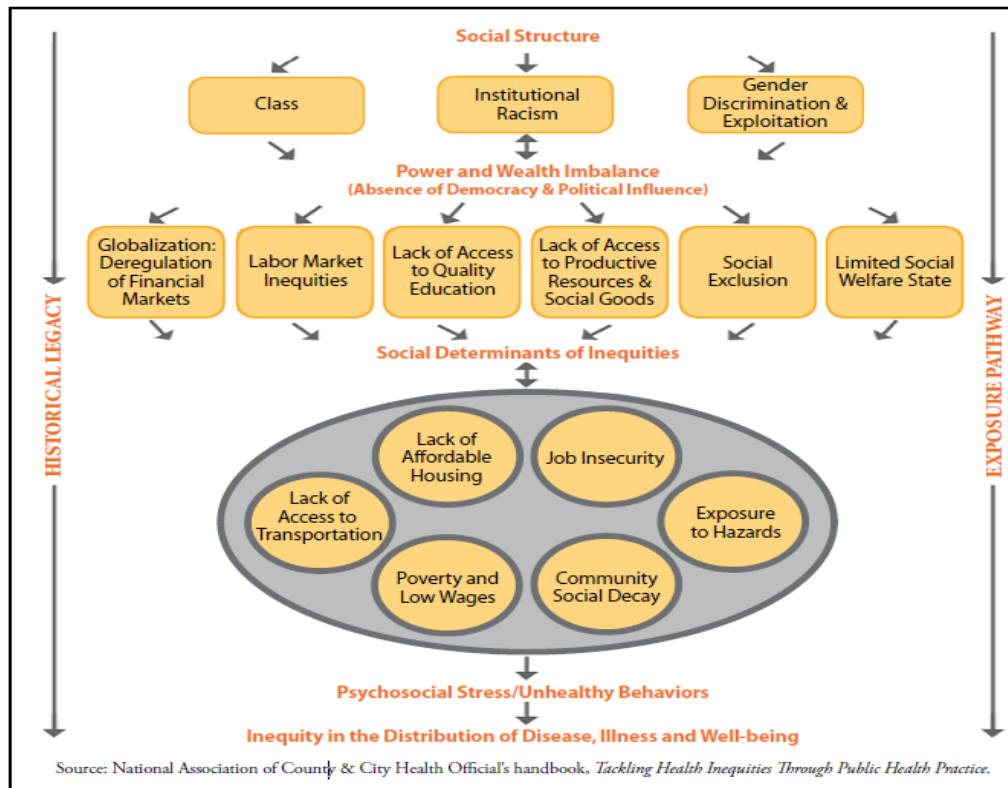
Our region has many strengths and assets, including a strong business sector and diverse communities. But many of our communities are being left behind. In King County, where you live, how much you make, and the color of your skin are major predictors of your life experience and your chances of living well and thriving.

Inequities hurt everybody – not just people on the lower rungs of the social and economic ladder. For our region to continue to prosper in the future, we need everyone to have a fair shot at success, regardless of where they started out in life.

King County has identified fourteen determinants of equity:

- Family wage jobs and job training
- Affordable, safe, quality housing
- Early childhood development
- Quality education
- Equitable law and justice system
- Access to affordable, healthy, local food
- Access to health and human services
- Access to parks and natural resources
- Access to safe and efficient transportation
- Community and public safety
- Economic development
- Strong, vibrant neighborhoods
- Healthy built and natural environments
- Equity in county practices

The supplemental charts that follow are examples of countywide statistics related to some of the social determinants above and are intended to assist users in understanding the broader socio-economic environment within which King County government operates and supports the integrated effort that it launched to promote equity and social justice through the fair and just principles under the Strategic Plan.



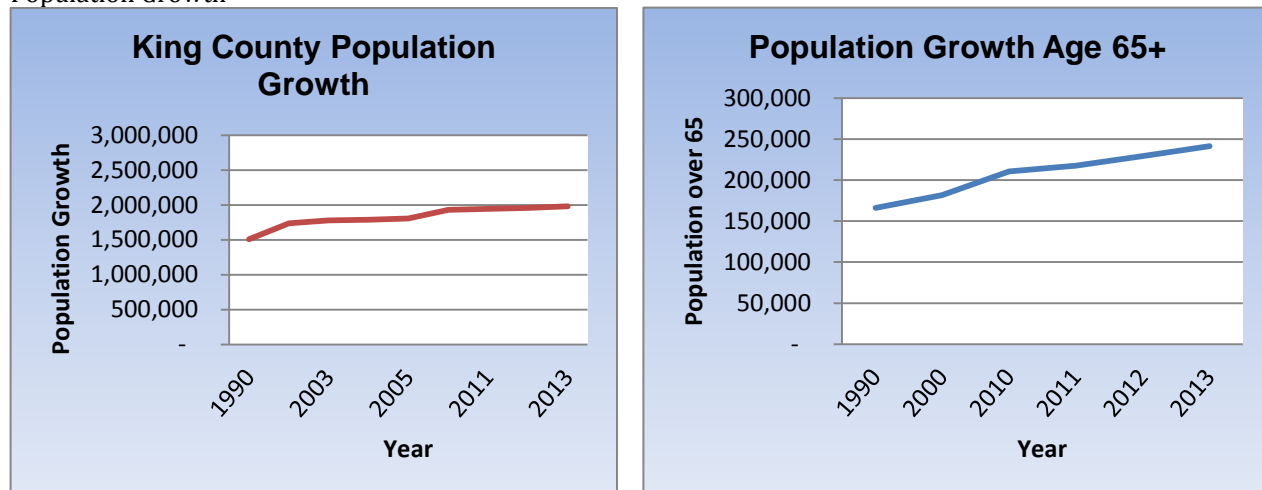
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¹ 2008 Equity Report

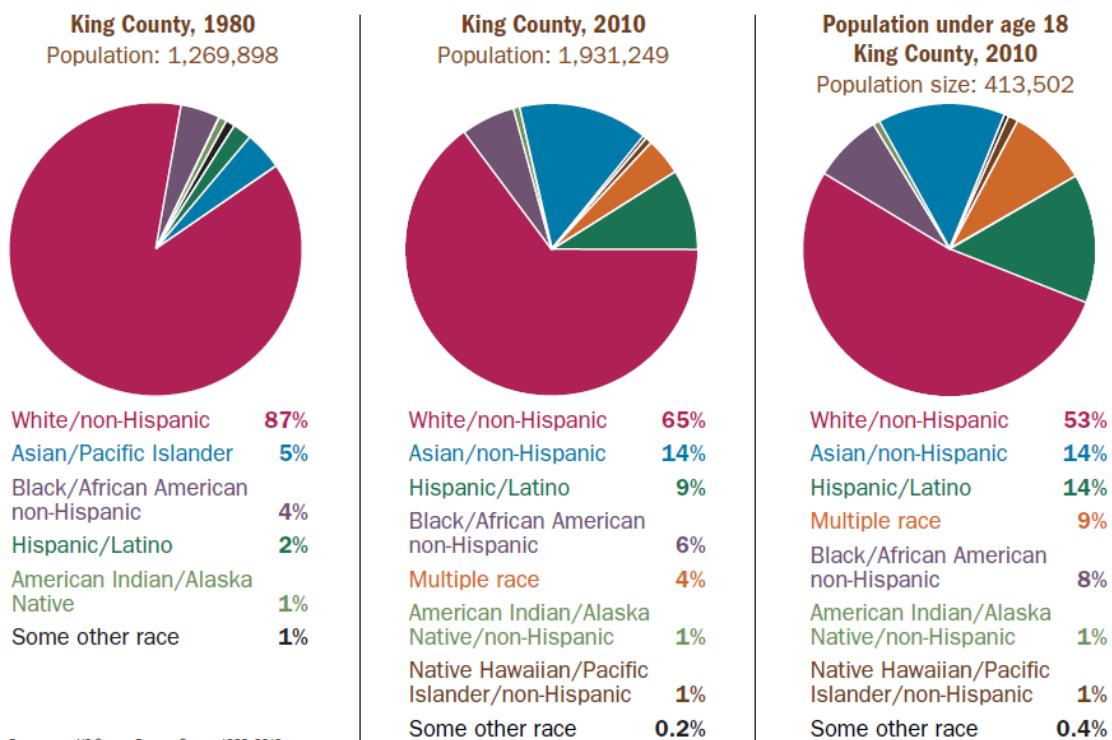
General Demographics

King County Office of the Executive State of the County Statistics

Population Growth²



Current Population Demographic:



Data source: US Census Bureau, Census 1980, 2010
Percentages may not add up to 100 due to rounding.

²Source: <http://www.ofm.wa.gov/pop/april1/poptrends.pdf>

Family wage jobs and job training

Households need to be economically self-sufficient and have the capacity to meet basic needs without government support.

Minimum Wage Increase

New minimum wage ▼	Seattle providers	King County providers
\$11	\$913,000	\$2,898,000
\$12	\$2,739,000	\$8,694,000
\$13	\$4,565,000	\$14,490,000
\$14	\$6,390,000	\$20,286,000
\$15	\$8,216,000	\$26,082,000

This chart represents the effect of an increase in minimum wage on nonprofit supported-living providers. Because most nonprofits receive state funding, they must meet specific guidelines mandated for service delivery, and therefore cannot cut services to account for the wage increase.

The values reflect the **additional** amount of funding required to continue services.³

Hourly Wages	1 Adult	1 Adult, 1 Child	1 Adult, 2 Children	1 Adult, 3 Children	2 Adults	2 Adults, 1 Child	2 Adults, 2 Children	2 Adults, 3 Children
Living Wage	\$9.64	\$20.53	\$24.76	\$31.75	\$14.85	\$18.31	\$19.63	\$24.14
Poverty Wage	\$5.21	\$7.00	\$8.80	\$10.60	\$7.00	\$8.80	\$10.60	\$12.40
Minimum Wage	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55	\$8.55

Typical Expenses

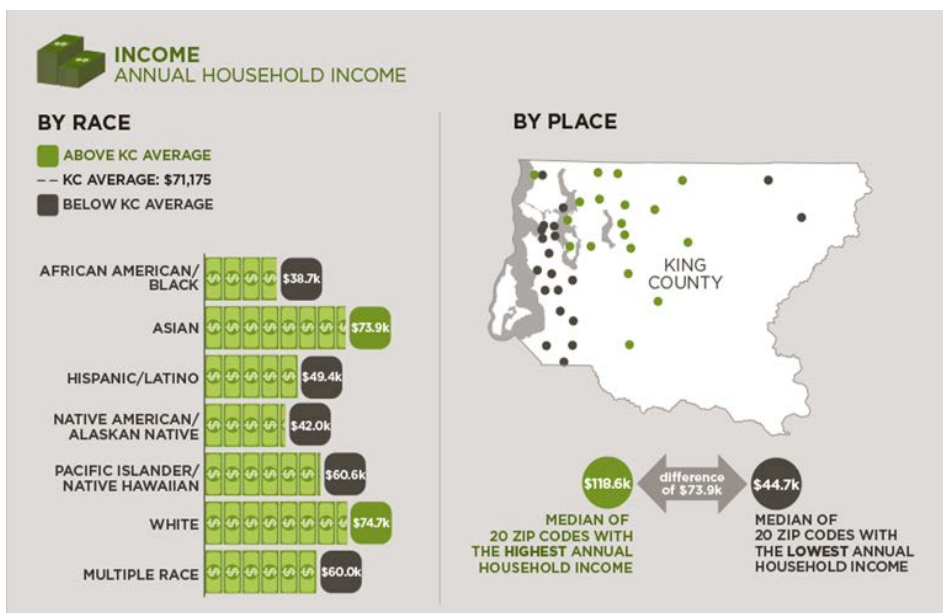
These figures show the individual expenses that went into the living wage estimate. Their values vary by family size, composition, and the current location.

Monthly Expenses	1 Adult	1 Adult, 1 Child	1 Adult, 2 Children	1 Adult, 3 Children	2 Adults	2 Adults, 1 Child	2 Adults, 2 Children	2 Adults, 3 Children
Food	\$242	\$357	\$536	\$749	\$444	\$553	\$713	\$904
Child Care	\$0	\$600	\$917	\$1,233	\$0	\$0	\$0	\$0
Medical	\$110	\$409	\$430	\$412	\$276	\$398	\$372	\$387
Housing	\$770	\$1,056	\$1,056	\$1,492	\$878	\$1,056	\$1,056	\$1,492
Transportation	\$285	\$555	\$639	\$686	\$555	\$639	\$686	\$698
Other	\$84	\$200	\$253	\$339	\$144	\$187	\$210	\$254
Required monthly income after taxes	\$1,491	\$3,177	\$3,831	\$4,911	\$2,297	\$2,833	\$3,037	\$3,735
Required annual income after taxes	\$17,892	\$38,124	\$45,972	\$58,932	\$27,564	\$33,996	\$36,444	\$44,820
Annual taxes	\$2,162	\$4,587	\$5,531	\$7,100	\$3,327	\$4,091	\$4,385	\$5,397
Required annual income before taxes	\$20,054	\$42,711	\$51,503	\$66,032	\$30,891	\$38,087	\$40,829	\$50,217

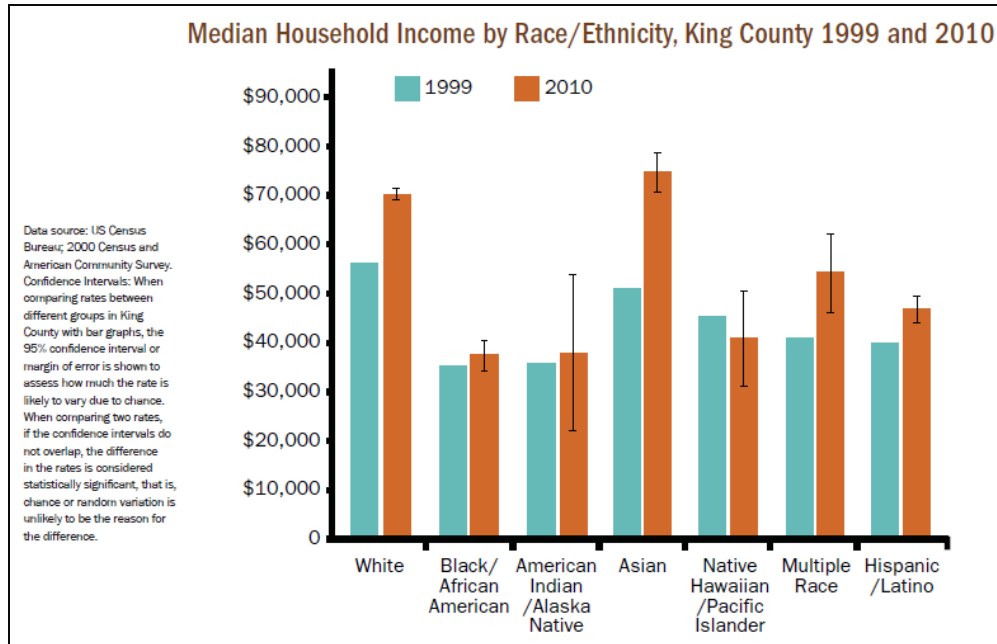
³ Based on the number of hours agencies currently provide in Seattle and King County per year: 1.7 million and 5.4 million, respectively. <http://blogs.seattletimes.com/opinionnw/2014/03/24/nonprofits-minimum-wage-15/>

Typical Hourly Wages Per Occupation

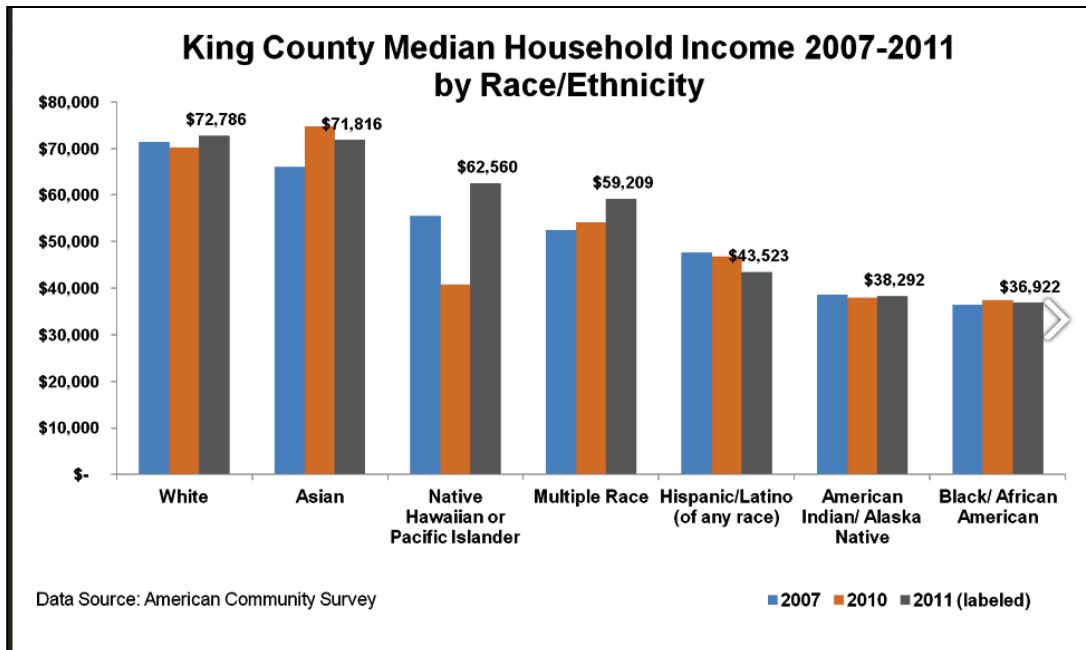
Occupational Area	Typical Hourly Wage
Management	\$48.90
Business and Financial Operations	\$30.93
Computer and Mathematical	\$40.44
Architecture and Engineering	\$37.18
Life, Physical and social Science	\$28.69
Community and Social Services	\$20.16
Legal	\$33.03
Education, Training and Library	\$22.39
Arts, Design, Entertainment, Sports and Media	\$21.74
Healthcare Practitioner and Technical	\$32.47
Healthcare Support	\$14.03
Protective Service	\$23.29
Food Preparation and Serving Related	\$10.51
Building and Grounds Cleaning and maintenance	\$12.68
Personal care and Services	\$11.23
Sales and Related	\$13.43
Office and Administrative Support	\$16.47
Farming, Fishing and Forestry	\$11.38
Construction and Extraction	\$23.92
Installation, Maintenance and Repair	\$22.14
Production	\$16.75
Transportation and Material Moving	\$15.78



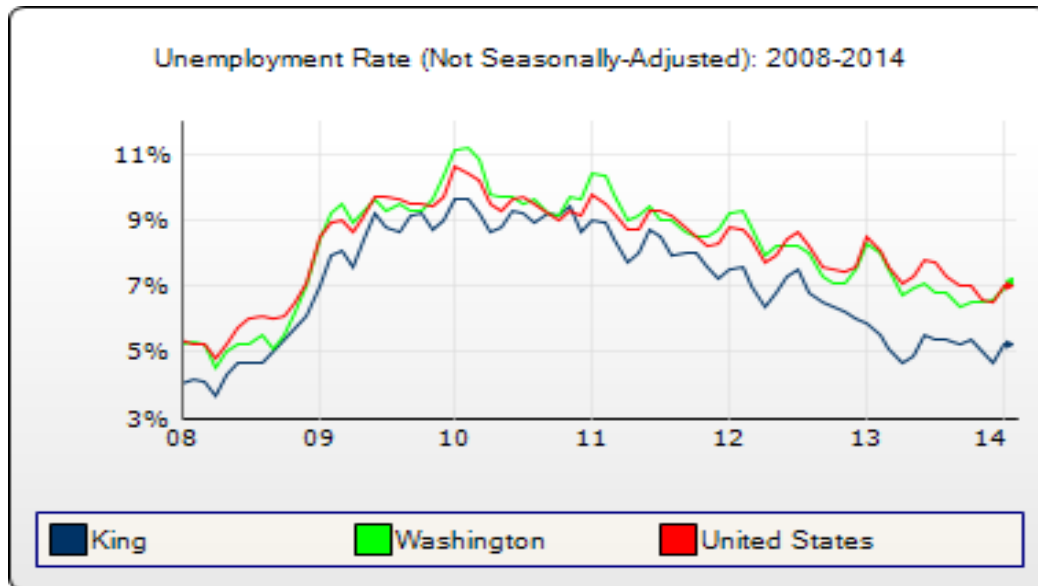
The data to the left reflects the impact of place on an individual's income. A vast majority of income that fell below King County's average is concentrated in the twenty ZIP codes with the lowest annual household income, primarily in South King County.



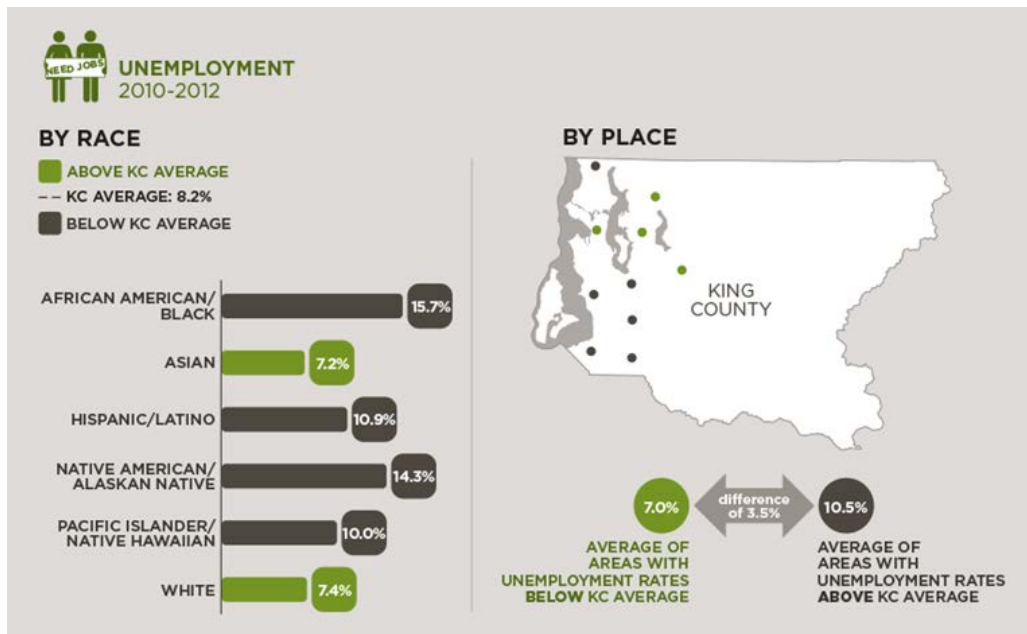
This illustration demonstrates an increasing disparity in household income between people of color, Whites and Asians. Income is, however, steadily increasing for all ethnicities.

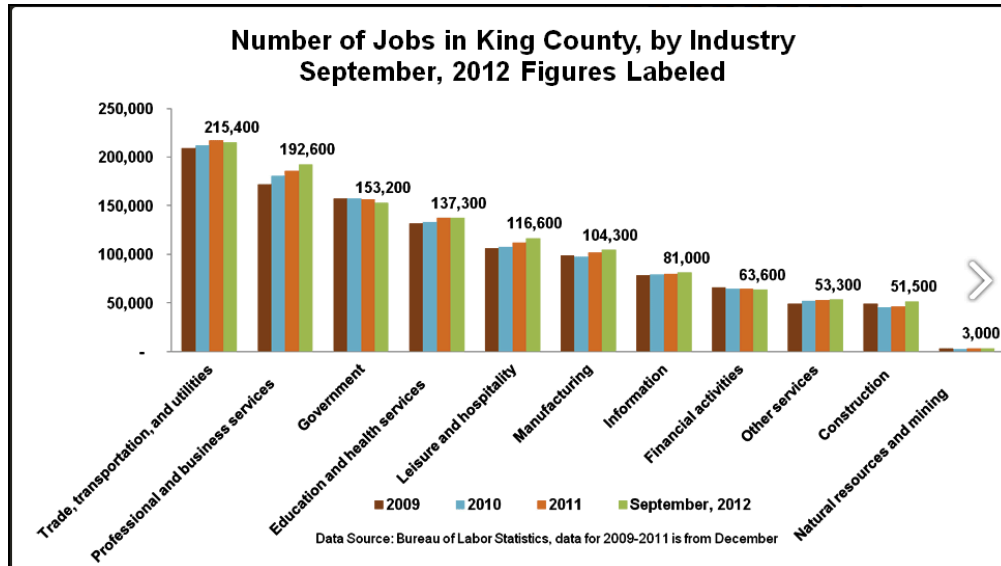


Unemployment



Jobs in King County have steadily increased from 2009-2012. However, South King County still faces a higher unemployment rate than the rest of the County. As of March 2013, County unemployment was down to 5.1%, which is lower than the national average.

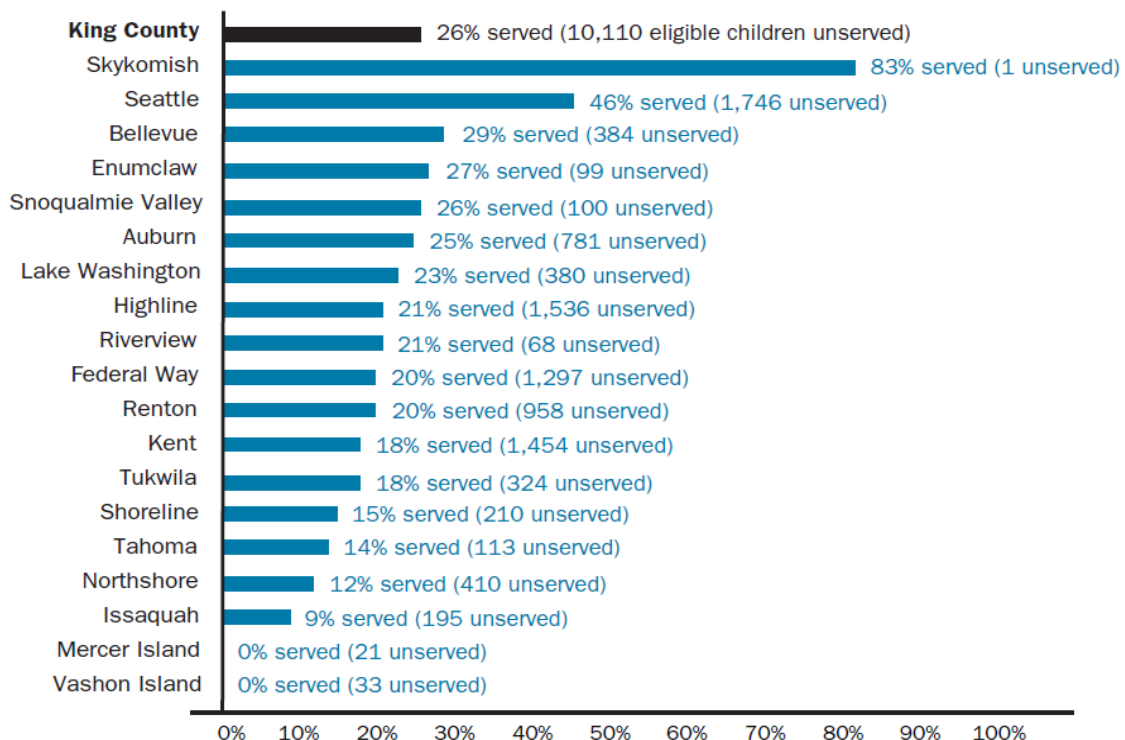




Early childhood development

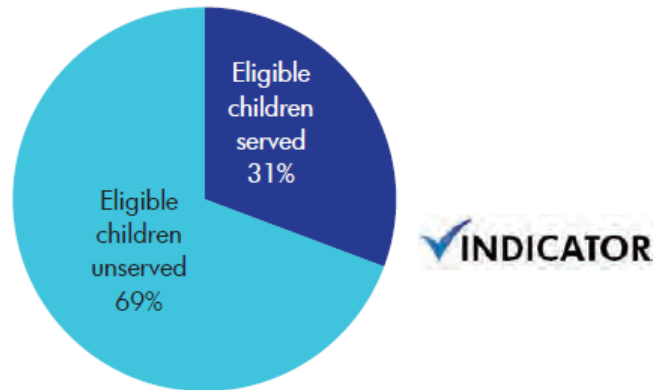
Early intervention services are conducive to higher graduation rates and long-term success. For low-income children, one in four who were eligible were served through Head Start and ECEAP, however, over 10,000 qualified children were unable to be served due to inadequate funding.

**Estimated Percent of Children Eligible for Head Start and ECEAP Served and
Number Unserved Eligible Children, King County 2011**



Data source: Puget Sound Educational Service District

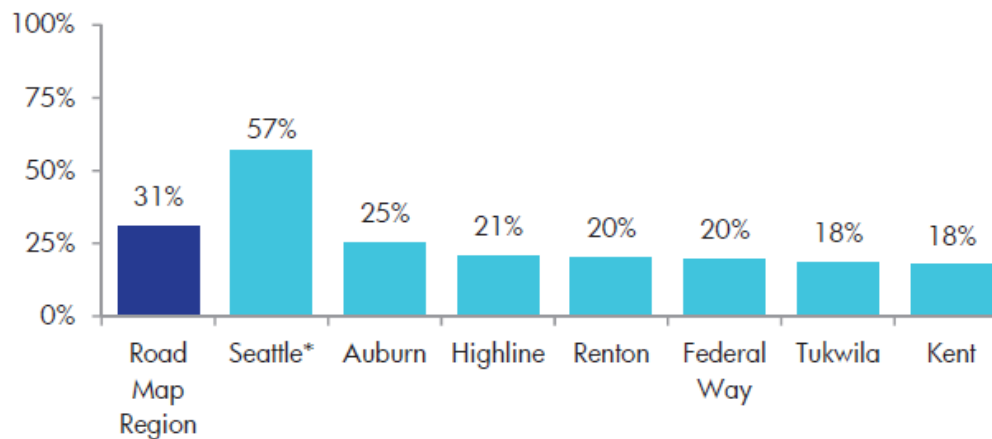
Exhibit 5: Low-Income Children Enrolled in Formal Early Learning Programs



Source: Puget Sound Educational Service District and City of Seattle, 2009-2010

Note: Programs include Early Childhood Education and Assistance Program, Head Start, and Seattle Step Ahead. Seattle data are for the entire Seattle School District.

Exhibit 6: Low-Income Children Enrolled in Formal Early Learning Programs by District



Source: Puget Sound Educational Service District and City of Seattle, 2009-2010

Note: Programs include Early Childhood Education and Assistance Program, Head Start, and Seattle Step Ahead. Seattle data are for the entire Seattle School District.