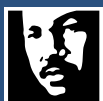


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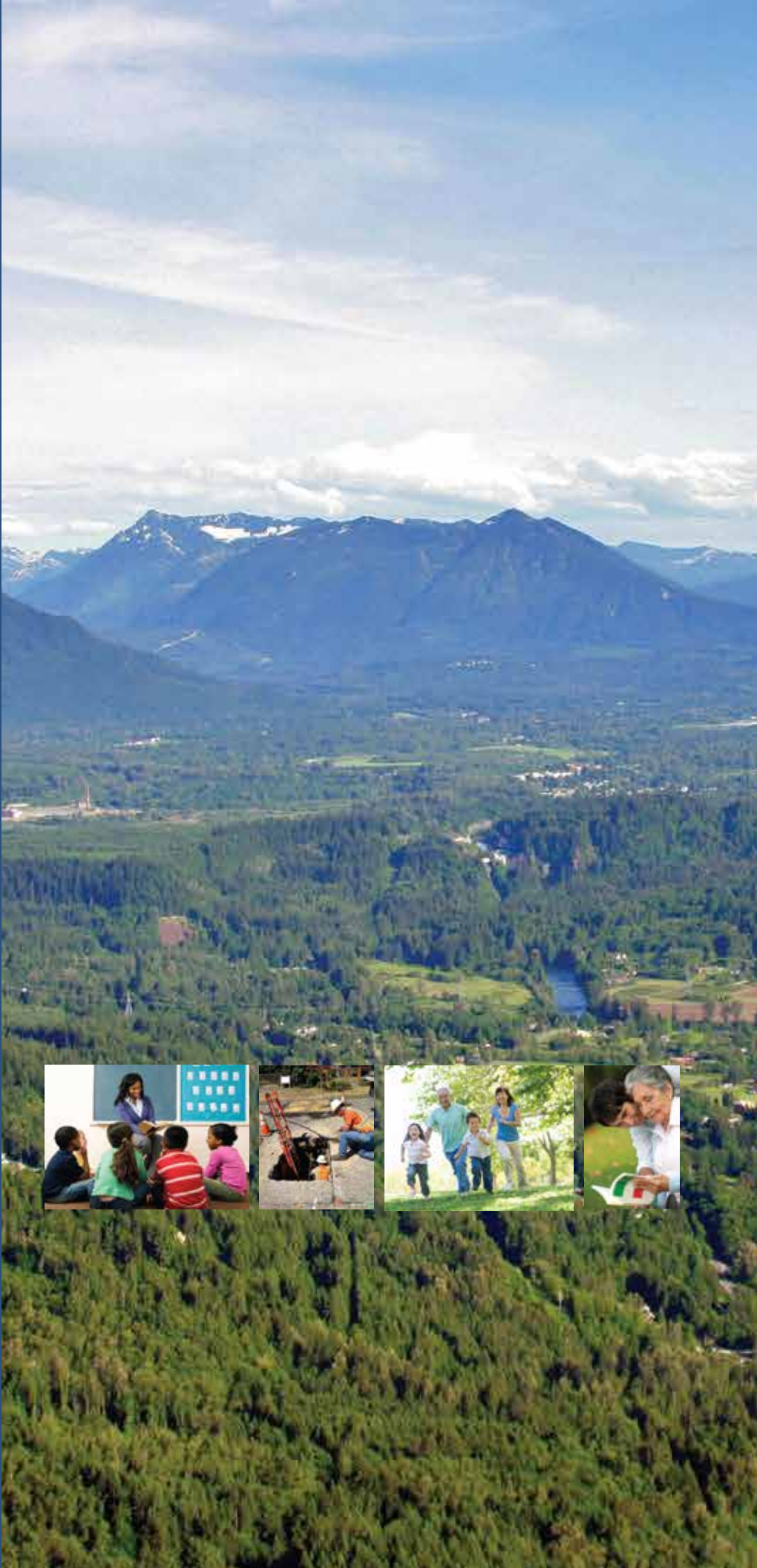
## Popular Annual Financial Report

January 1 - December 31, 2013  
King County, Washington



**King County**

Finance and Business  
Operations Division





ELECTED OFFICIALS (at time of publication)		
Office		Officials
Executive		<b>Dow Constantine</b>
Councilmember	District 1	<b>Rod Dembowski</b>
Councilmember	District 2	<b>Larry Gossett</b>
Councilmember	District 3	<b>Kathy Lambert</b>
Council Chair	District 4	<b>Larry Phillips</b>
Councilmember	District 5	<b>Dave Upthegrove</b>
Council Vice-Chair	District 6	<b>Jane Hague</b>
Councilmember	District 7	<b>Pete von Reichbauer</b>
Council Vice-Chair	District 8	<b>Joe McDermott</b>
Councilmember	District 9	<b>Reagan Dunn</b>
Prosecuting Attorney		<b>Dan Satterberg</b>
Assessor		<b>Lloyd Hara</b>
Elections		<b>Sherril Huff</b>
Sheriff		<b>John Urquhart</b>
Presiding Judge - Superior Court		<b>Susan Craighead</b>
Chief Presiding Judge - District Court		<b>Corinna Harn</b>

#### The Executive's Top Priorities are:



#### OUR MISSION

King County government provides fiscally responsible, quality-driven local and regional services for healthy, safe, and vibrant communities.

#### IN THIS REPORT

Elected Officials.....	1
Message to Readers of this Report.....	2
About the PAFR .....	3
Profile of King County .....	3
2013 Major Accomplishments .....	4
2013 Major Awards .....	5
Equity and Social Justice .....	5
Economic Conditions.....	7
Financial Condition .....	8
Results of Operations.....	9
General Fund Highlights .....	11
Property and Sales Taxes .....	14
Capital Assets .....	15
Long-Term Debt .....	16
Cash Management .....	17
Governmental Accounting Terms .....	18
King County At A Glance .....	19

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#### Find the CAFR and PAFR online at:

<http://www.kingcounty.gov/operations/Finance/FMServices.aspx>

**Cover design:** Sandra Kraus **Cover photo:**  
Three Forks Natural Area, Snoqualmie River and  
Cascade Mountains, Washington.



June 26, 2014

## To the Citizens of King County:

It is our pleasure to present to you King County's Popular Annual Financial Report (PAFR) for 2013. This report provides a glimpse of the County's financial results of operations during the fiscal year, its financial position at the end of the year, its major investments, borrowings, tax administration, the economic and demographic environment in which it operates, and the major mandates and initiatives that guide its day-to-day operations and future plans.

A tenet that permeates all of the County's activities is equity and social justice. The County's strategic plan was framed with the "Fair and Just" principle committed towards fairness and opportunity for all people and communities. This gave rise to the Equity and Social Justice program which was created to address the seemingly intractable issue of socio-economic inequities. Race, income, and neighborhood should not be precursors of whether we graduate from high school, become incarcerated, how healthy we are, or how long we will live. King County recognizes that its economy and quality of life depends on the ability of everyone to contribute; and it is actively promoting pro-equity initiatives such as affordable housing, safe communities, fair standards of living, reduction of racism and a healthy environment. More information is available in the Equity and Social Justice section which starts on page five.

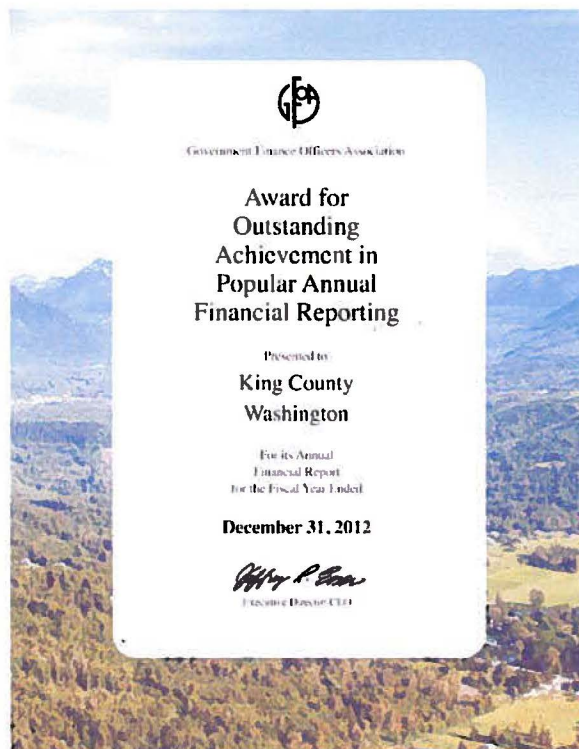
The County's economy continued to prosper in 2013 led by job growth, low inflation, an unemployment rate that is lower than the State's, median housing price recovery and a late surge in new housing construction. Like most of the nation's large counties, King County has rebounded quickly from the recent recession because of improvements in the global and national economies, the strength of local businesses, and the diversity of its industries.

Significant accomplishments during 2013 included: enrollment of a record number of uninsured residents in affordable health care; increasing veterans' access to benefits; protection of forest lands; securing of levies for emergency medical services and parks; the creation of a new department of public defense, further deployment of RapidRide buses and routes, and construction of a modern transfer station.

Despite this progress, the County still faces significant budget challenges in the future, for two reasons: 1) Funds largely supported by the property tax have long-term structural imbalances due to the 1% growth limit on property tax revenue; and 2) reductions in state and federal funds are affecting some county agencies, notably Public Health and Community and Housing Services.

Last year the 2012 PAFR was recognized for outstanding achievement by the Government Finance Officers Association (GFOA), a clear testimony to the County's commitment to quality financial reporting, government transparency and citizen engagement.

As always we encourage readers to send questions, feedback or suggestions about the PAFR. Contact information is given on page one of this report.



  
Ken Guy  
Finance Director  
Finance and Business Operations Division

  
Pete Anthony  
Chief Accountant/Manager  
Financial Management Section

# ABOUT THE PAFR

The King County Popular Annual Financial Report (PAFR) provides an overview of the County's financial condition and a brief analysis of where revenues come from and how the money is spent. Included in this report are some trends in the local economy and major initiatives of the County. While the PAFR is not audited, the information used for this report is largely based on the audited 2013 King County Comprehensive Annual Financial Report (CAFR). The CAFR provides a more detailed and complete financial presentation prepared according to generally accepted accounting principles.

The King County PAFR focuses mainly on the primary government which is composed of the County's governmental funds (including the general fund); its business-type funds; and its blended component units such as the King County Flood Control Zone District, the King County Ferry District, and certain nonprofit building management corporations. Excluded are Harborview Medical Center and the Cultural Development Authority which have more independent operations. These are reported in the CAFR as discretely presented component units, part of a broader financial reporting entity.

The County's operations are broadly classified into two basic types according to how they are funded:

**1) Governmental activities** are operations and services that are funded for the most part by taxes, intergovernmental revenues or grants, and public benefit programs.

**2) Business-type activities** are operations that are typically designed and organized to recover costs from customers (e.g. disposal fees, bus fares, sewer rates).

The basic reports that are presented for each of these activities include a statement of net position and a statement of activities. Through these reports users can assess the County's overall financial condition and its operational accountabilities.

Both the 2013 CAFR and PAFR are available online at King County's website:

<http://www.kingcounty.gov/operations/Finance/FMSe rvices/CAFR.aspx>.

# PROFILE OF KING COUNTY

King 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 nearly 2 million people, it also ranks as the 14th most populous county in the nation. The County contains 39 incorporated cities accounting for 83% of its population.



Within appropriate jurisdictions, the County provides public transportation, road construction and maintenance, wastewater treatment, flood control, agricultural services, parks and recreational 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.

King County provides some services on a countywide basis and other services only to unincorporated



# 2013 MAJOR ACCOMPLISHMENTS



King County Executive Dow Constantine dedicates a hiking trail to legendary climber Jim Whittaker



KC Parks playground dedication at B.F. Day Elementary

In 2013, King County:

- Led the nation in **enrolling uninsured residents in affordable health care**.
- Created a regional initiative to **map services for military veterans and their families**, providing all 127,000 veterans in King County a clear path to the benefits and support they have earned.
- Reached an agreement to **conserve the largest piece of unprotected forestland** remaining in King County, the 43,000 acres of the White River Forest near Enumclaw.
- **Saved historic Snoqualmie Valley farmland from development** with the purchase of the 191-acre "Tall Chief" property north of Fall City.
- Partnered with the Trust for Public Land to **protect 216 acres from logging** on Squak Mountain.
- Joined with firearm retailers to promote **safe storage of guns** as a means of preventing deadly shootings, stemming from the Executive's directive to develop innovative strategies to reduce gun violence through a data-driven, public health approach.
- Secured **voter approval of levies for Emergency Medical Services/Medic One and King County Parks**.
- **Reached the ambitious energy efficiency goal** of using or producing renewable energy equal to one half of King County's overall energy needs.
- Created a **new Department of Public Defense** in line with a legal settlement.
- Adopted a budget that includes **reopening the Maple Valley police precinct** to bring Sheriff's deputies closer to the people they serve.



# 2013 MAJOR AWARDS



In 2013, King County's Healthy Incentives program earned the **Harvard University Innovation Award**. This successful program supports health improvements by encouraging employees to be proactive about their health and to use the quality healthcare available to them. It was also recognized locally with the **Leaders in Health Care Award** from Seattle Business Magazine for marked achievement in containing the cost of employee health care; saving a total of \$46 million from 2007-2011.

- **Good Government Check** from Washington Business Alliance for leadership in implementing modern business practices, such as Lean and strategic planning.
- **Smart Communities Award** from Governor Jay Inslee for the permanent protection of 43,000 acres of the White River Forest near Enumclaw, completing a "green wall against sprawl."
- **Crown Communities Award** from American City & County Magazine for making it easier for small firms to do business with King County, including cutting in half the time it takes to process contracts.
- **Performance Measurement Award** from American Society for Public Administration for innovative management practices.



King County will continue to face numerous challenges, including fluctuating energy prices, rising employee and programmatic healthcare costs, the cost of providing services to urban unincorporated areas, and the need to raise sufficient revenues to support utility, road infrastructure, public transportation, and general government activities. The priority for 2014 and beyond is to continue King County's legacy of delivering quality services that will keep its nearly 2 million residents prosperous, safe and healthy.

## EQUITY & SOCIAL JUSTICE

King County's Vision statement is "a diverse and dynamic community with a healthy economy and environment where all people and businesses have the opportunity to thrive." Its guiding principle is "Fair and Just" with a commitment to work toward fairness and opportunity for all people and communities. These principles are stated in *King County's Strategic Plan: Working Together for One King County* and are incorporated into all of the County's activities.

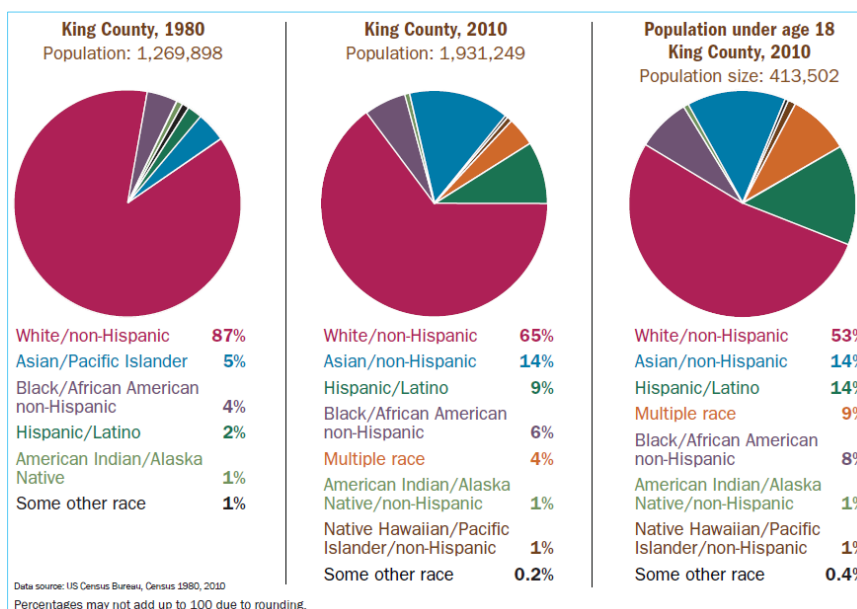
This region has many strengths and assets, including a strong business sector and diverse communities. But these cease to become assets when communities of color, low-income populations and limited English-proficient neighbors are left behind. The County has some ZIP codes where more than 7 in 10 residents are people of color, and other ZIP codes where less than 1 of every 10 residents is a person of color. The challenge for King County and its partners is creating a societal system where the optimum conditions exist for all residents to fulfill their potential.

### Demographic trends in King County

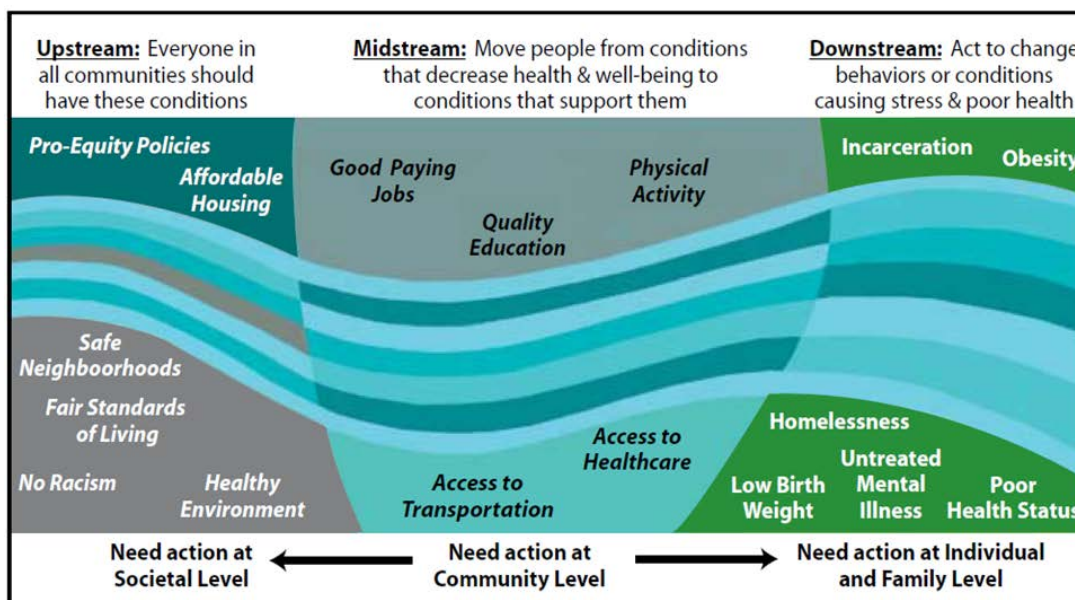
King County's population is not only growing, but is becoming more diverse by race and ethnicity. More than half of the county's recent growth comes from immigration – all parts of Asia, Latin America, Eastern Europe and Africa. Increasing numbers of residents speak languages other than English. In fact, there are over 170 different languages and dialects spoken in King County.



In 1980, 13% of the population was non-white. By 2010, that proportion had grown to 35%. This trend is likely to continue—nearly half of all people in King County under the age of 18 are non-white.



The chart below illustrates the determinants of equity and King County's goal to promote social justice.



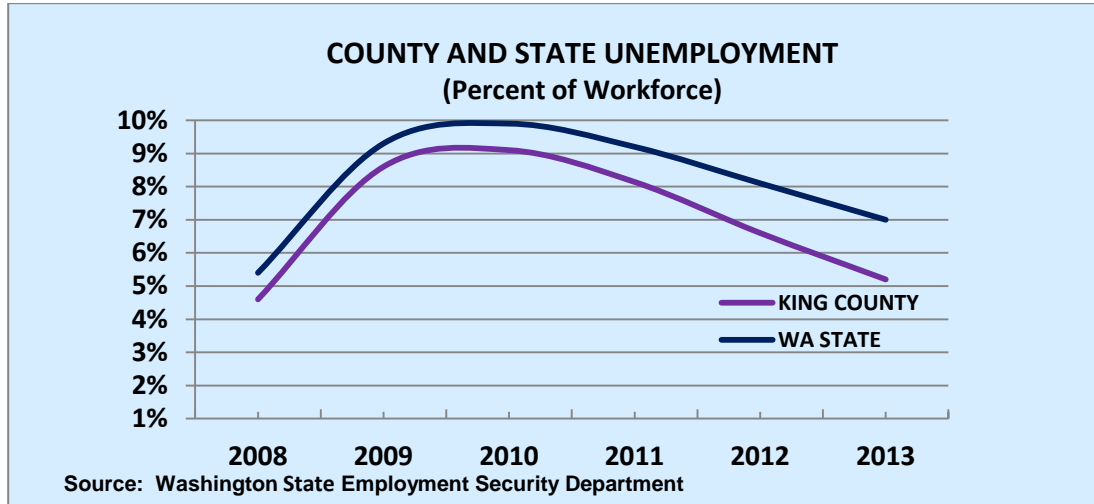
Examples of equity and social justice principles being integrated into the daily delivery of County services are:

- Educating residents about hazards (flooding, carbon-monoxide poisoning) in creative and **culturally appropriate ways**, such as the use of telenovela-style public service announcements which is popular among the county's Spanish speaking residents.
- **Engaging immigrant and refugee communities** to improve both health and criminal justice outcomes.
- Working to keep youth and adults out of jail to **address racial disproportionality** and relieve the criminal justice system through diversion programs in lieu of incarceration.
- **Removing barriers to diversify the workforce** through demographic distribution based hiring and innovative training strategies.
- **Helping smaller firms** compete for County contracts.

# ECONOMIC CONDITIONS

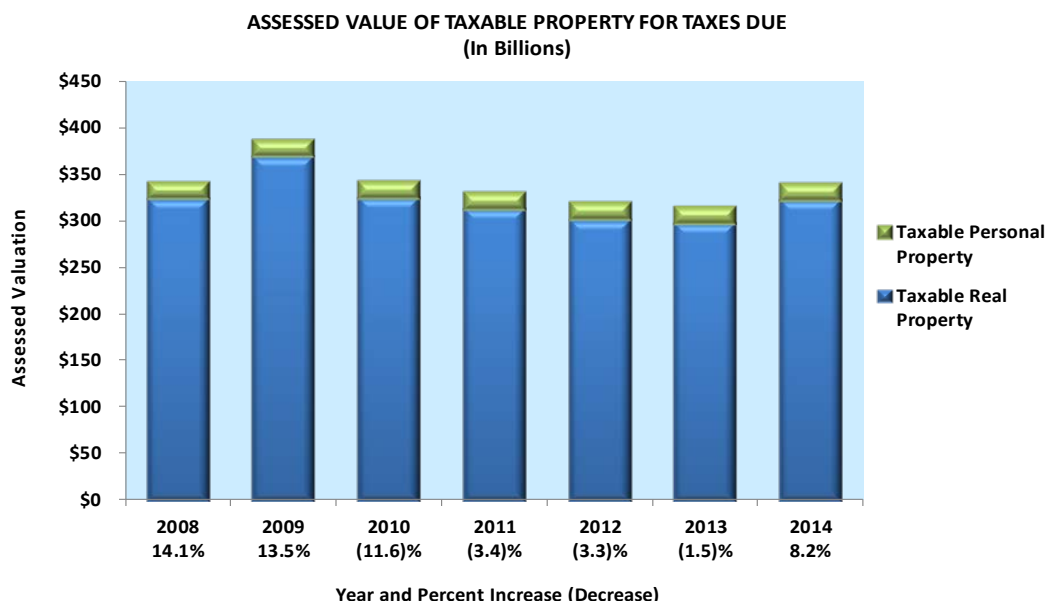
Economic conditions have a direct impact on the County's revenues and the demand for services. The County unemployment rate in 2013 was 5.2% and continues to steadily decline. This was less than the 7% unemployment rate for Washington State. The County's economy is improving due to the improvement in the global and national economies

and the unique composition of businesses in our region. The region's most prominent employers, Boeing, Microsoft and Amazon.com, retain strong demand for their products. Employment was up 3.2% in 2013 with growth in several industrial sectors including construction which grew over 6%.



Real estate prices climbed throughout 2013, the year-on-year index was up approximately 12%. Total assessed valuation (TAV) was down slightly by 1.5% for tax year 2013 but is up 8.2% for tax year

2014. New construction grew 3% in tax year 2013 and was up significantly in tax year 2014 by 72%. There are positive signs for continued growth in 2015 and beyond.





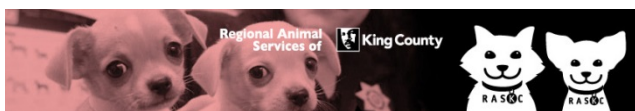
# FINANCIAL CONDITION

The County's government-wide assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2013 are depicted below.

STATEMENT OF NET POSITION			
(In Millions)			
	Govern- mental Activities	Business- type Activities	Total Primary Gov't
<b>Assets</b>			
Current and other assets	\$ 1,144	\$ 1,719	\$ 2,863
Capital assets	2,972	5,770	8,742
Total Assets	4,116	7,489	11,605
Deferred outflows of resources	25	97	122
<b>Liabilities</b>			
Long-term liabilities	1,405	4,453	5,858
Other liabilities	191	477	668
Total Liabilities	1,596	4,930	6,526
Deferred inflows of resources	-	52	52
<b>Net position</b>			
Net investment in capital assets	2,110	1,613	3,723
Restricted	500	214	714
Unrestricted	(65)	777	712
Total net position	\$ 2,545	\$ 2,604	\$ 5,149

Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) may serve over time as an indicator of a government's financial condition. The County's net position amounted to \$5.1 billion at the end of 2013, a 5.5% (\$267 million) increase over 2012.

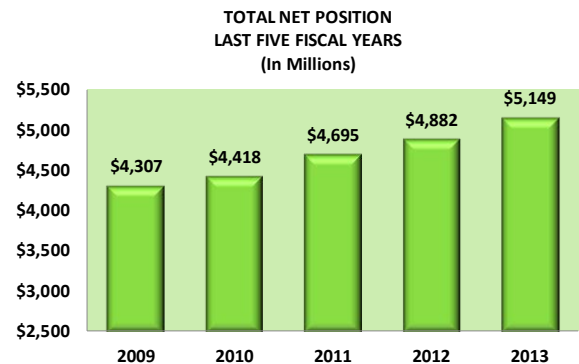
In both governmental and business-type activities, net investment in capital assets makes up the biggest portion of net position. This amount is associated with the County's equity in its capital assets. Because capital assets are acquired to provide services over several periods or indefinitely, this portion is not available for future spending. Although this portion of net position is calculated net of related debt, the resources needed to pay down the debt must come from other more liquid resources.



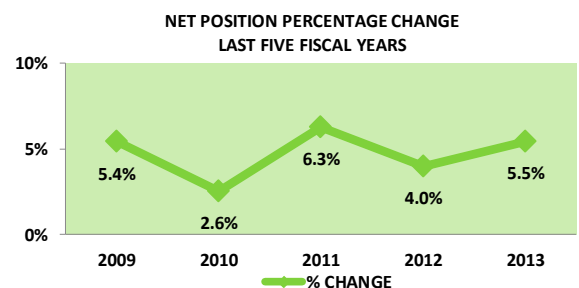
A smaller portion of net position represents net position that is legally restricted as to use by law or contract, such as bond proceeds for capital construction, resources reserved for debt service, or funds mandated for specific programs.

The remaining portion of net position is unrestricted representing resources that are available for programming. In certain situations, however, the calculation of unrestricted net position can sometimes result in a deficit, such as when debt is incurred to acquire assets for another government; or when capital assets are retired before full debt redemption. Over time the deficit gets reduced as liabilities are gradually liquidated. Balances in the unrestricted net position for business-type activities cannot be used to reduce the unrestricted net asset deficit in governmental activities.

The chart below shows the primary government total net position at the end of the last five fiscal years.



Over the past five years total net position has increased on average by 5% per year.



# RESULTS OF OPERATIONS

Overall financial results of the County's government-wide operations are presented in the following condensed statement of activities which shows the total 2013 expenses incurred, how much was paid from program revenues raised or collected from customers, and the portion funded by taxes and other general revenues.

STATEMENT OF ACTIVITIES (In Millions)			
	Govern- mental Activities	Business- type Activities	Total Primary Gov't
Expenses	\$ (1,603)	\$ (1,344)	\$ (2,947)
Program Revenues	915	964	1,879
Net Expenses	(688)	(380)	(1,068)
General Revenues:			
Property Taxes	624	24	648
Other	242	444	686
Transfers and others	-	1	1
Subtotal	866	469	1,335
Change in Net Position	178	89	267
Net Position, beginning (restated)	2,367	2,515	4,882
Net Position, ending	\$ 2,545	\$ 2,604	\$ 5,149

The \$267 million increase in the County's total net position in 2013 resulted from revenues exceeding related expenses and reflects the ability of the County to meet principal and interest payments on borrowing and other obligations as they come due.

Approximately 58% of the County's total revenues came from program revenues such as charges for goods and services, operating and capital grants, and contributions (including state and federal assistance); and 42% came from general revenues (mostly property taxes and retail sales and use taxes).



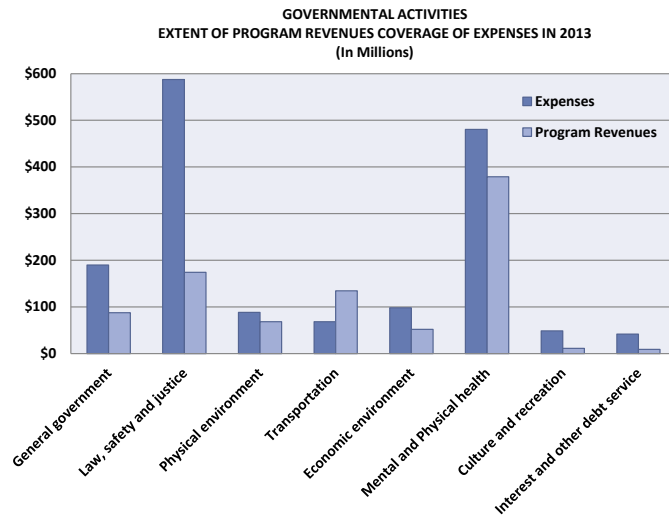
King County provides some services regionally and others exclusively to unincorporated areas. Some are available to cities on a contractual basis. The table below gives some of the major services provided by the County.

LIST OF SERVICES	
GOVERNMENTAL ACTIVITIES BY FUNCTION	
General government	Executive and council functions, elections, assessments, records and licensing
Law, safety and justice	Superior Court, District Court, criminal detention, E911 emergency, sheriff protection, public defense, misdemeanor prosecution, law enforcement
Physical environment	Natural resources management, flood control, surface water management, river improvement, animal control
Transportation	Roads and bridges maintenance
Economic environment	Building permits, zoning, housing and community development, veterans' relief, youth employment programs
Mental and physical health	Public health clinics and programs, mental health program, environmental health, hazardous waste management
Culture and recreation	Parks, public art, historic preservation
BUSINESS-TYPE ACTIVITIES	Wastewater treatment, public transportation, landfill and solid waste disposal, airport, institutional network, radio communications and ferry

**Governmental activities** accounted for 67% of the total growth in net position countywide. Program revenues for governmental activities totaled \$915 million, with \$640 million coming from users or customers who directly benefited from the programs and \$275 million from other governments and organizations that subsidized certain programs through operating and capital grants and contributions.

The cost of all governmental activities was \$1.6 billion, a \$2 million decrease over 2012. The County paid the \$688 million remaining "public benefit" portion of governmental activities from \$624 million in property taxes, \$171 million in retail sales and use taxes, and \$71 million in other revenues.

The bar chart below compares governmental activities expenses by program classification with the extent of funding from program revenues. Portions of expenses that exceed program revenues are covered by general revenues.



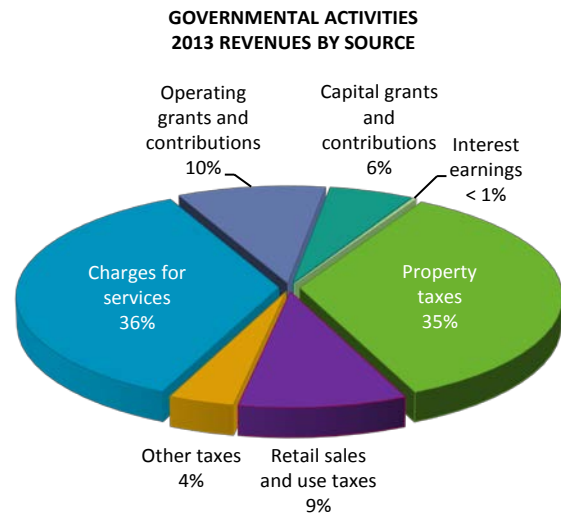
The largest expense was for Law, safety and justice, a function that required the greatest usage of general government revenues. The second largest expense was for Mental and physical health; the primary revenue sources for this program are charges for services and operating grants and contributions, which paid for 85% of the activities for that function. In 2013, Transportation received \$73 million in infrastructure and right-of-way capital assets from developers, which enabled program revenues to exceed expenses by \$66 million. These capital contributions accounted for 41% of the 2013 increase in governmental activities net position.

The net amount of program revenues, program expenses, and general revenues comprise the \$178 million increase in 2013 governmental activities net position.



King County Water Taxi

Revenues are classified by source. In 2013, charges for services provided 36% and property taxes 35% of total governmental activities revenues.



The bar chart below displays the five-year trend of governmental program revenues and general revenues. In 2013, program revenues increased by approximately 2%.





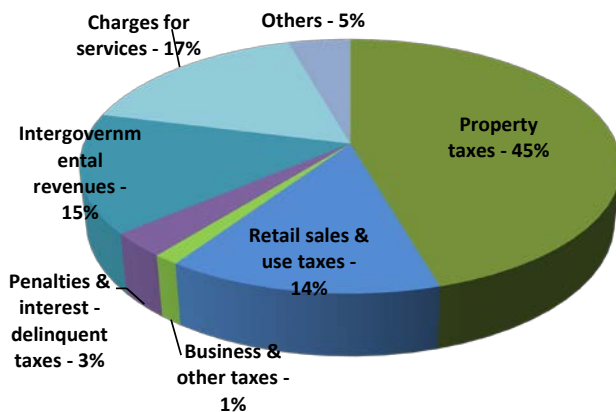
# GENERAL FUND HIGHLIGHTS

## WHERE THE MONEY COMES FROM

To determine the financial health and stability of the County, it is important to focus on the General Fund. The General Fund is the primary operating fund and supports the regular day-to-day operations of the County. It is used to account for all revenues and expenditures of the County, except those required to be accounted for in other funds. Information in this section provides the reader with a general understanding of where the money comes from and where it goes in providing services.

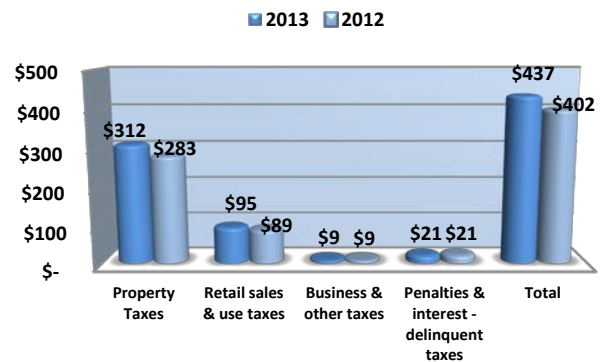
The revenues of the General Fund are classified by source. Of the \$685 million of revenues in the General Fund in 2013, the major sources came from property taxes which accounted for \$312 million or 45%, charges for services, \$114 million or 17%, intergovernmental revenues, \$104 million or 15%, and retail sales and use taxes, \$95 million or 14%. The remaining sources were from business and other taxes, \$9 million or 1%, penalties & interest for delinquent taxes, \$21 million or 3%, and other revenues of \$30 million or 5%.

2013 GENERAL FUND REVENUES BY SOURCE



Of the General Fund's total revenues, revenues from taxes collected totaled \$437 million and \$402 million for the years ended 2013 and 2012, respectively. The following chart shows the major types of taxes collected for 2013 and 2012:

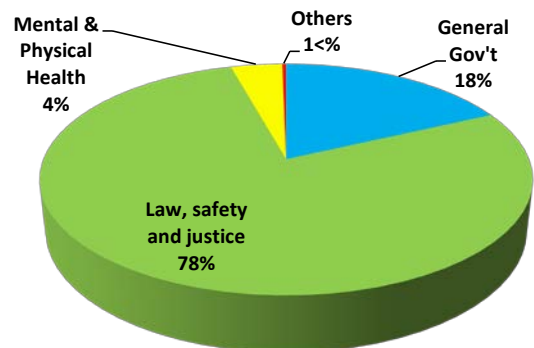
GENERAL FUND TAX REVENUES BY SOURCE  
LAST TWO FISCAL YEARS  
(In Millions)



## WHERE THE MONEY GOES

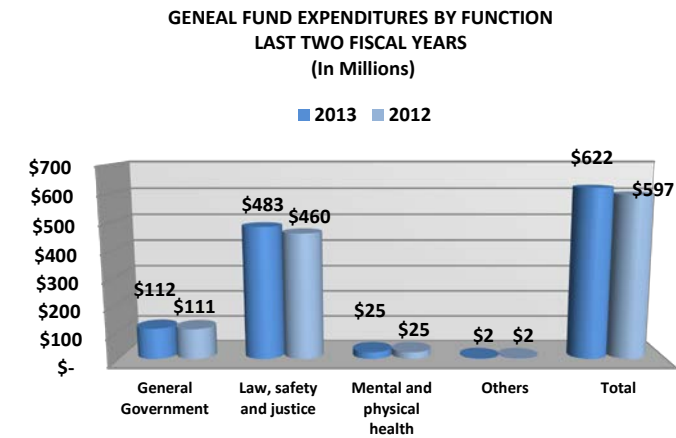
The County provides a variety of services to its residents and businesses in the County. The expenditures of the General Fund are classified by function. In 2013, the General Fund total expenditures were \$622 million. Of this amount, \$483 million or 78% was for Law, safety and justice, \$112 million or 18% was for general government, \$25 million or 4% was for Mental and physical health and \$2 million or less than 1% for others.

GENERAL FUND  
2013 EXPENDITURES BY FUNCTION  
(In Millions)

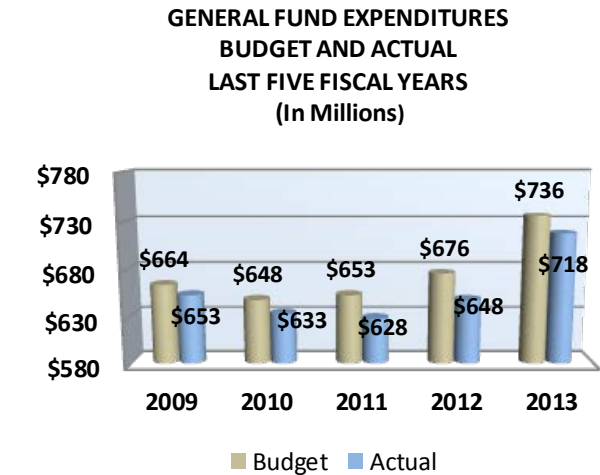


General Fund expenditures increased by approximately \$25 million or 4% in 2013 mainly due to the increase in Law, safety and justice of \$23 million or

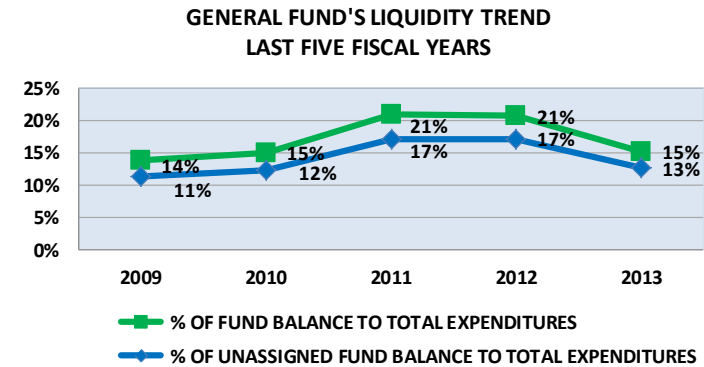
3.9% and a 0.2% increase in general government expenditures.



For the year ended December 31, 2013, a General Fund budget to actual comparison of expenditures shows that actual expenditures were less than budgeted estimates by \$18 million, mainly due to transfers out of \$8.7 million, law, safety and justice of \$5 million, and general government services of \$2.5 million.



As a measure of the General Fund's liquidity, it can be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. For 2013, the unassigned fund balance represents 13% of total General Fund expenditures, a modest decrease from the 17% of a year ago. Total fund balance (excluding the Rainy Day Fund) represents approximately 15% of total General Fund expenditures for 2013, a decrease from the 21% of a year ago. The following chart shows a five-year trend of the general fund's liquidity.



**Business-type activities** are functions that are intended to recover all or a significant portion of their costs through user fees and charges to the external users of the goods and services. These functions are the County's public transportation system (buses, water taxis, light rail), wastewater treatment facilities, solid waste disposal facilities, the international airport and other services.

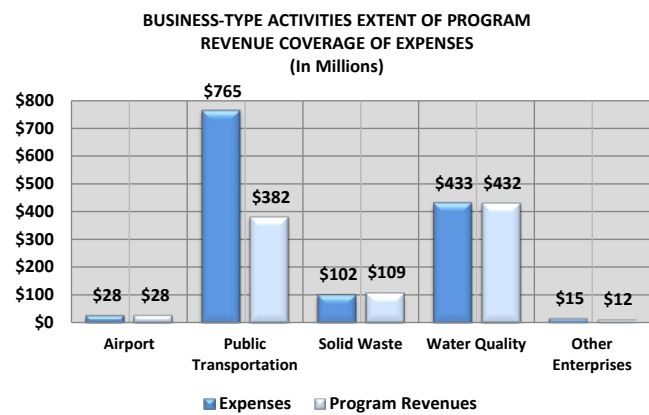


At the end of 2013, business-type activities accounted for 33% or \$89 million of the \$267 million of total growth in net position countywide. Business-type activities' total revenues were \$1.43 billion and the cost of all business-type activities was \$1.34 billion. Of the \$1.34 billion in costs, 72% or \$964 million was funded by program revenues. Of total program revenues, \$870 million was from users or customers who directly benefited from the programs, and \$94 million was from other governments and organizations that subsidized certain programs through grants and contributions.

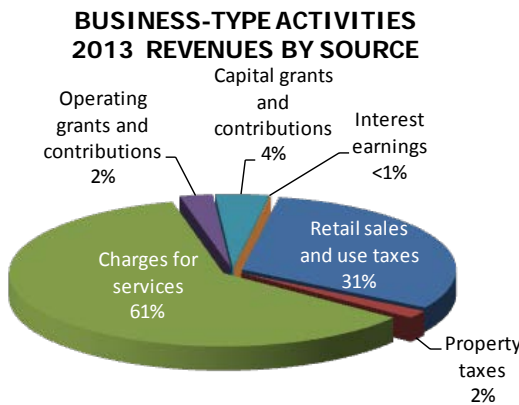


King County International Airport (Boeing Field)

The following chart shows the County's business-type expenses and the extent of coverage from program revenues (user charges). For those funds with excess expenses, the difference is paid from general revenues. In 2013, the public transportation program operations were supported by \$443 million of retail sales and use taxes and \$23 million of property taxes.



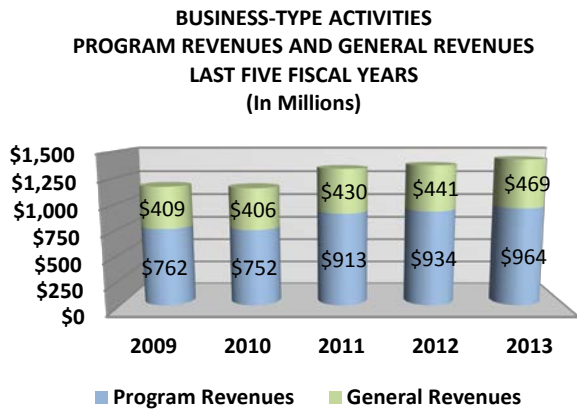
The pie chart shows revenue distribution by source for business-type activities. Of the \$1.43 billion in



revenues, direct charges for services accounted for \$870 million or 61% of revenues, \$443 million or 31% was comprised of retail sales and use taxes, capital grants and contributions was \$58 million or

4%, operating grants and contributions was \$36 million or 2.5%, property taxes was \$25 million or 2% and interest earnings was \$712 thousand or less than 1%.

The chart below shows a five-year trend in business-type activities' program revenues and general revenues. In 2013, program revenues increased by approximately 3% and general revenues increased by approximately 6%.



Vashon Island Center Forest Picnic Shelter



Metro Transit Buses



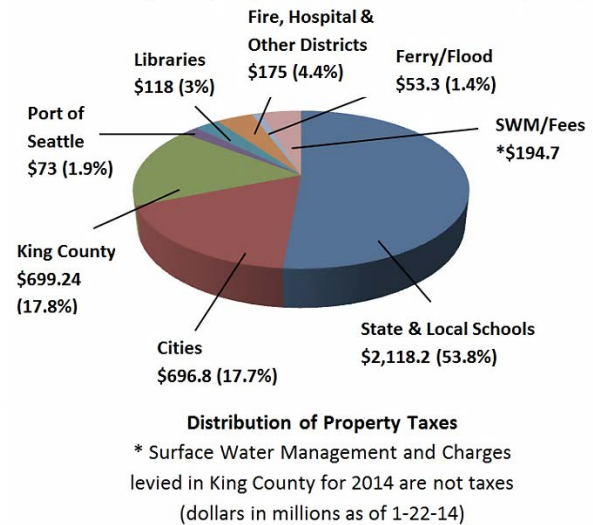
# PROPERTY AND SALES TAXES

A large part of each property tax dollar goes to pay off construction bonds for school buildings and other public projects. Depending on where a taxpayer lives, the specific taxes levied in an area, and local real estate values, it's possible that property taxes can increase, even if the appraised value of a home decreases. That's because about half of property tax is determined by levies that are voter-approved for such services as schools, parks, water districts, emergency medical service and fire/rescue, among others.

There are 165 local taxing districts in King County. Only 17 cents of every property tax dollar supports the King County General Fund. The other 83 cents is divided between the State, Cities and other local jurisdictions.

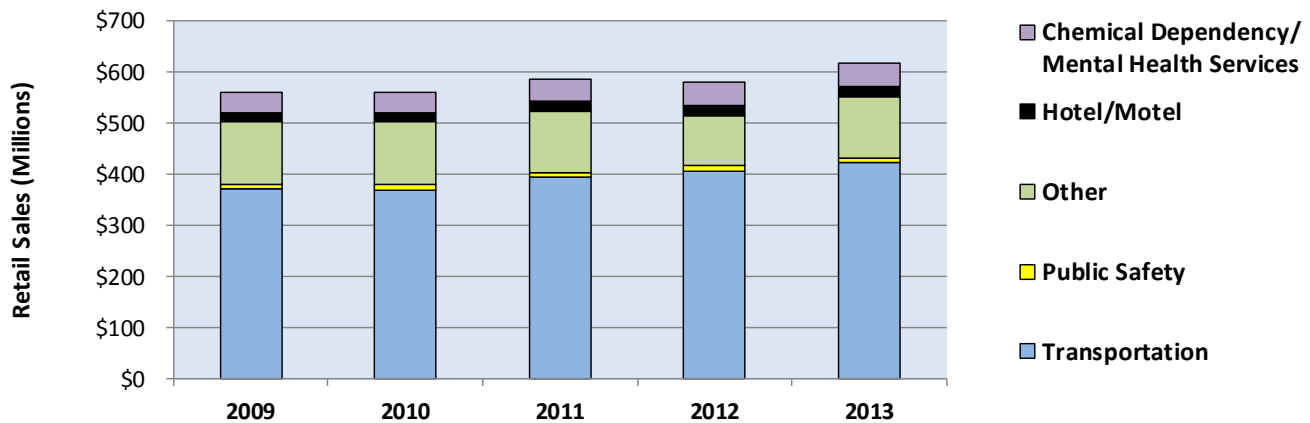
Property taxes tend to be quite stable since the amount of revenue received is based on the previous year's levy amount plus 1%, and the property tax on the value of new construction. Retail sales taxes, on the other hand, are more volatile because they are dependent on the level of retail sales which tend to

## Where do your property tax dollars and fees go?



reflect the business cycle. Taxable sales increased by 7% in King County in 2013 with construction sales showing moderately strong growth at 16%. Retailing, food service and accommodation sales also experienced solid gains.

## DISTRIBUTION OF LOCAL RETAIL SALES AND USE TAXES (In Millions)



Note: Other Taxes consist of Local Sales and Use taxes for Public Safety, Auto Rental, etc.

# CAPITAL ASSETS

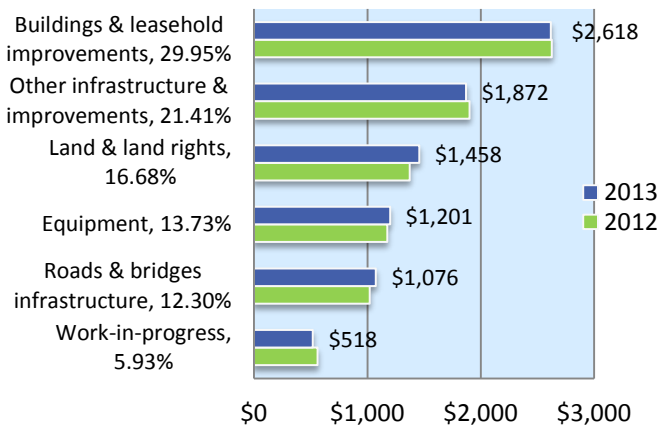
The County owns capital assets to provide vital services and promote a good quality of life for its citizens. The County's capital assets range from the industrial-scale plants built for wastewater treatment and waste disposal, to the public infrastructure network of roads and bridges, and to the conservation-oriented acquisitions of open space land and land rights. The County's investment in capital assets at December 31, 2013, amounted to \$8.7 billion increased by 1% from year 2012. Business-type capital assets typically generate the revenues that allow County enterprises to recover their operating and capital costs. Governmental capital assets, on the other hand, are non-revenue generating and therefore are preserved or maintained using general revenues.



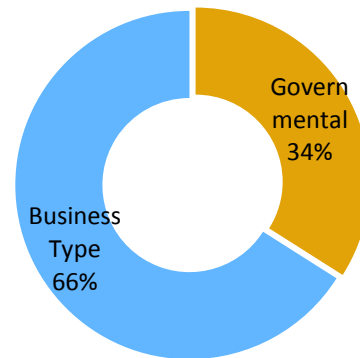
South Park Bridge opening June 30, 2014

## CAPITAL ASSETS BY CATEGORY

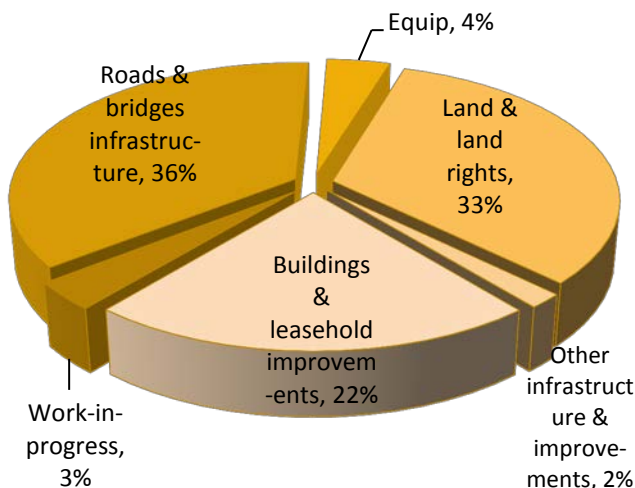
Net of Accumulated Depreciation  
(In Millions)



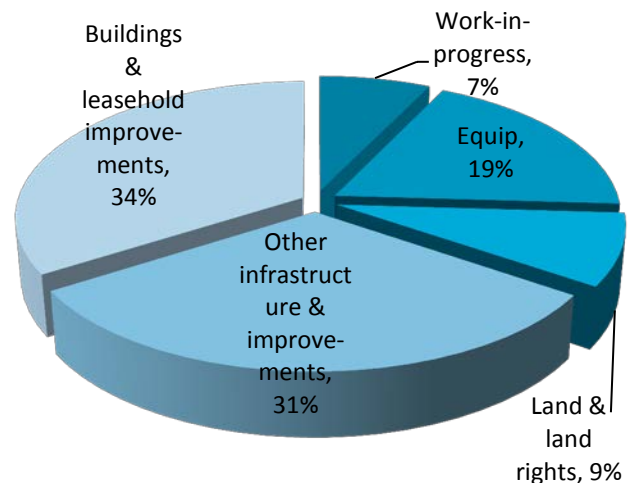
## CAPITAL ASSETS BY FUND TYPE



## GOVERNMENTAL ACTIVITIES



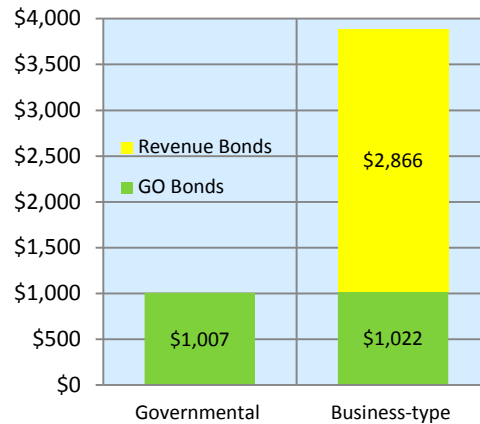
## BUSINESS TYPE ACTIVITIES



# LONG - TERM DEBT

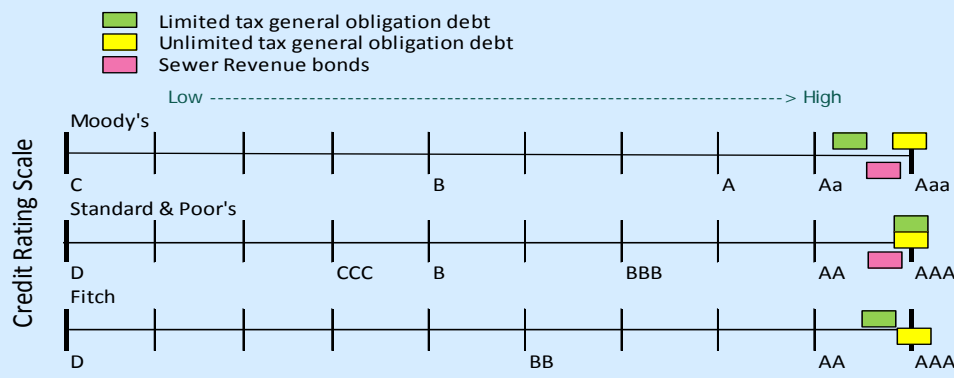
At the end of 2013 the County has a total of \$4.9 billion in bonds and notes outstanding. This amount is comprised of \$2.0 billion in general obligation (GO) bonds and \$2.9 billion in revenue bonds. GO bonds are backed by the full faith, credit, and taxing power of the government while revenue bonds are secured by specific revenue sources, such as sewer fees, lease payments, etc. The County uses revenue bonds to finance the major portion of its wastewater treatment facilities. GO bonds include unlimited tax (UTGO) debt and limited tax (LTGO) debt. UTGO requires an approving vote of the people. LTGO can be issued by resolution of the County Council up to 1.5 % of the assessed value of taxable property within the County for general county purposes and 0.75 % for metropolitan functions.

**KING COUNTY GO & REVENUE BONDS**  
(In Millions)



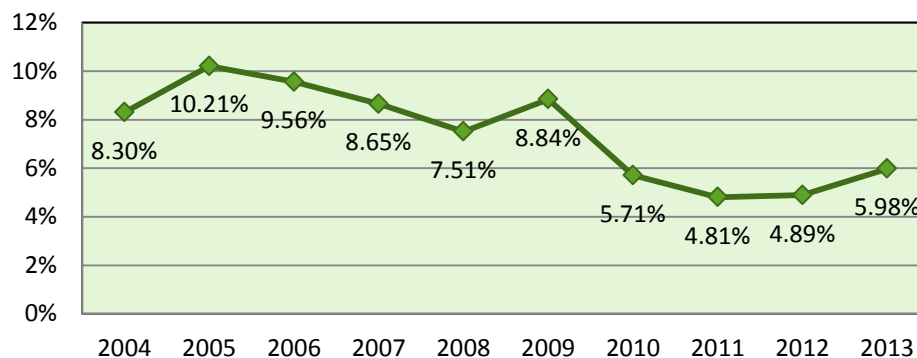
All of the County's bond issuances consistently receive exceptional ratings from the leading industry credit rating agencies allowing the County to borrow at favorable interest rates. Depending on the size of the borrowing, a lower interest rate can result in substantial savings for the County. Current bond ratings for the County as of the date of this report are shown below.

**KING COUNTY BOND CREDIT RATING**



In 2013, out of every dollar spent by the County for Governmental funds, just 6% was spent on debt expenditures for principal and interest.

**DEBT SERVICE AS PERCENTAGE of NONCAPITAL EXPENDITURES**  
Excludes Business-Type Activities





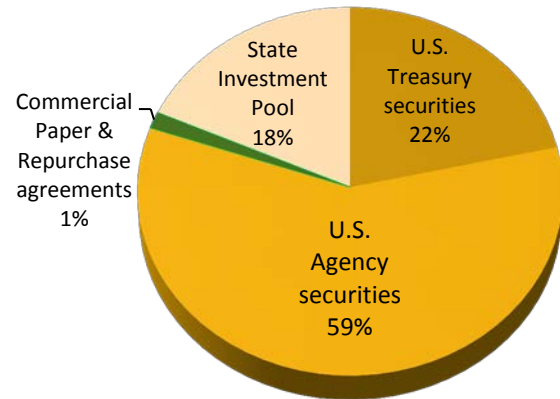
# CASH MANAGEMENT

The County's investment objectives in order of priority are safety, liquidity and yield. An investment policy guides decisions on sector allocations, credit quality, and maturity distributions.

For investment purposes and to manage liquidity, the County pools the cash balances of all its funds and other legally separate local governments in an investment pool. The King County Investment Pool (the Pool) is one of the largest in the State of Washington with a fair value, as of December 31, 2013, of \$4.8 billion. The Pool is managed by the King County Treasury Operations Section and overseen by the Executive Finance Committee (EFC). The EFC sets policies and procedures for the effective management and control of the Pool's activities. The Pool is not registered with the Securities and Exchange Commission (SEC).

It is County policy to invest all County funds in the Pool. At year-end the Pool held 80% of investments in U.S. Treasury and Agency securities. The State Investment Pool is an independent pool which also

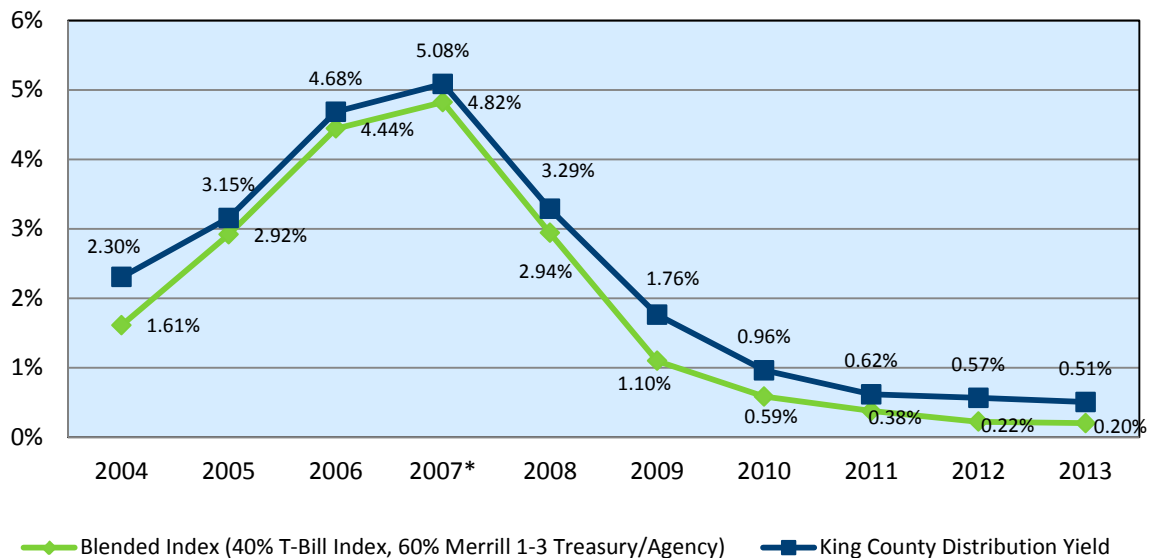
**INVESTMENT POOL ALLOCATION BY TYPE**



**Pool Fair Value = \$4.8 billion (entire pool)**

has significant holding in federal securities. With a conservative investment strategy, the County's return has exceeded the return of its performance benchmark as displayed below.

**KING COUNTY INVESTMENT POOL AVERAGE YIELD VS. CUSTOM INDEX**



\* From 2007 on, excludes performance of the impaired commercial paper securities.

Source: King County Investment & Debt Management Section

# GOVERNMENTAL ACCOUNTING TERMS

**Accrual basis** of accounting is where financial transactions or events are recorded in the period they are incurred rather than at the time when cash is received or disbursed.

**Assets** are resources with present service capacity that the County controls. For example, cash from taxes paid by citizens is an asset can be put to use to provide public safety.

**Capital assets** are tangible or intangible nonfinancial assets that have a useful life of more than one year and are used in providing services and for County administration.

**Change in Net Position** represents the increase or decrease in net position over the previous year.

**Current assets** include cash or near cash items that can be used to liquidate liabilities due within a year.

**Current liabilities** are liabilities due within one year.

**Fund balance** is used only in governmental funds, such as in the general fund, to denote the difference between fund assets, liabilities, deferred outflows of resources, and deferred inflows of resources.



**Government-wide reporting** provides an aggregate view of the County's financial activities by consolidating all of its governmental and business-type activities. Traditional governmental fund statements are converted to full accrual mainly by including all long-term debt and capital assets.

**Liabilities** are present obligations of the County to sacrifice resources that it has little or no discretion to avoid such as the amounts the County owes to creditors.



Public art at Bellevue Pump Station

**Long-term liabilities** include items such as bonds, loans, compensated absences, and other County obligations.

**Net investment in capital assets** is the portion of net position that represents the County's equity interest in its capital assets (capital assets less the amount of debt used to acquire them).

**Net position (Assets and Deferred outflows of resources minus Liabilities and Deferred inflows of resources)** represents the County's equity interest in the assets it employs in providing services to its citizens.

**Restricted net position** is the portion of net position subject to external restrictions (e.g. state law, bond covenants).

**Statement of Activities** reports on the County's total expenses and shows the extent of funding from program revenues and from general revenues.

**Statement of Net Position** reports the County's assets and liabilities with the difference reported as "net position" (Similar to the traditional "balance sheet").

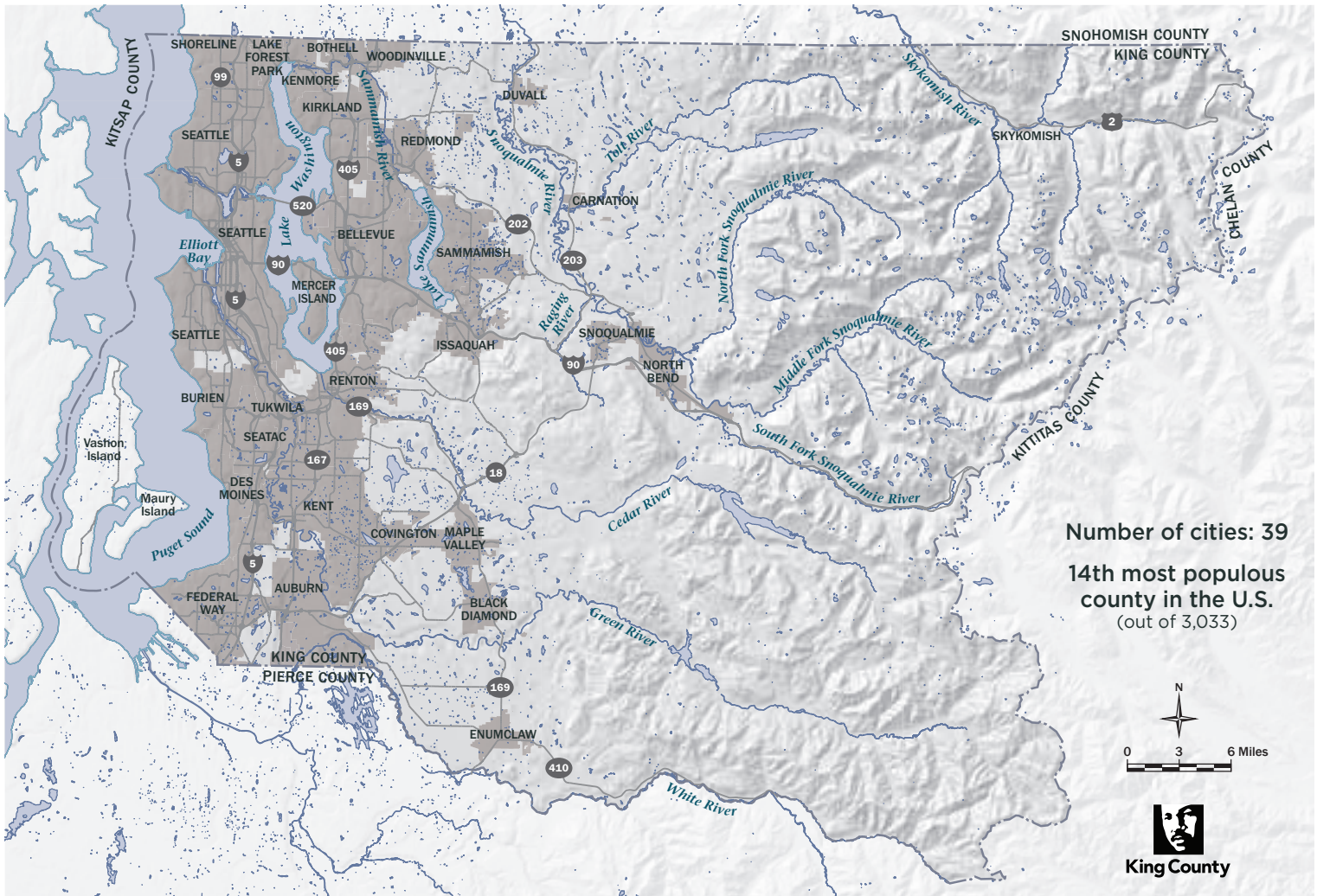
**Unrestricted net position** is the portion of net position not tied to capital assets or subject to legal restrictions, hence, available to be programmed for services.



Brightwater Treatment Plant



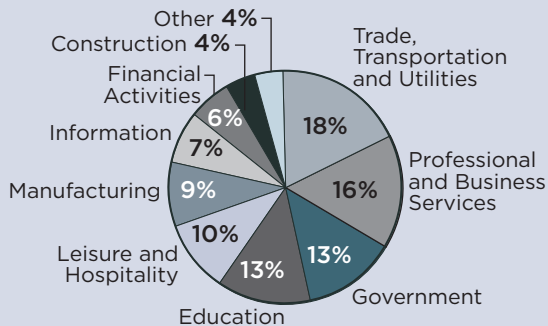
# KING COUNTY AT A GLANCE



## ABOUT KING COUNTY

Miles of Paved Roads.....	1,441
Bridges .....	181
Building Permits Issued .....	1,303
Number of Parks .....	220
Acres of Parks .....	171,196
Number of Buses.....	1,482
Annual Bus Trips.....	126,600,000
Wastewater Treatment Plants .....	5

## 2013 EMPLOYERS BY MAJOR INDUSTRY



## DEMOGRAPHICS

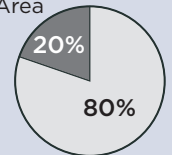
	2012	2013
Population	1,956,998	1,981,900
-65-yrs & over	227,291	237,192
Births	24,702	25,098
Deaths	12,045	12,131
Public school enrollment	267,655	271,130
Private school enrollment	40,428	40,464
Median Household Income	\$68,313	\$70,365
Unemployment	6.80%	5.20%

Source: WA St ESD, OFM & OSPI

## LAND AREA

2,134 square miles

Incorporated Area



Unincorporated Area

## 2013 PRINCIPAL PROPERTY TAX PAYERS

The Boeing Company  
Microsoft Corporation  
Puget Sound Energy/Gas/Electric  
Alaska Airlines  
AT&T Mobility LLC

## KING COUNTY GOVERNMENT 2013 FINANCIAL DATA (in millions)

Assessed Valuation.....	\$314,746
Total Property Tax Levy .....	\$617
General Fund Appropriation .....	\$736