



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements and Federal Single Audit Report**

### **Pierce County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 18, 2014**

**Report No. 1012564**





**Washington State Auditor**  
**Troy Kelley**

September 18, 2014

County Executive and Council  
Pierce County  
Tacoma, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on Pierce County's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

TROY KELLEY  
STATE AUDITOR

# Table of Contents

## **Pierce County January 1, 2013 through December 31, 2013**

Federal Summary .....	1
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards .....	3
Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	5
Independent Auditor's Report On Financial Statements .....	8
Financial Section.....	11

# Federal Summary

## Pierce County January 1, 2013 through December 31, 2013

The results of our audit of Pierce County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

#### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the County.

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.881	Moving to Work Demonstration Program
20.106	Airport Improvement Program
93.778	Office of Emergency Medical Assistance Program
97.067	Homeland Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,423,586.

The County qualified as a low-risk auditee under OMB Circular A-133.

# **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Pierce County  
January 1, 2013 through December 31, 2013**

County Executive and Council  
Pierce County  
Tacoma, Washington

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pierce 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, and have issued our report thereon dated June 27, 2014.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

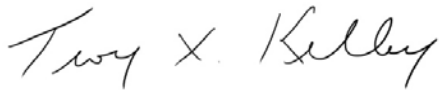
## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

June 27, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Pierce County  
January 1, 2013 through December 31, 2013**

County Executive and Council  
Pierce County  
Tacoma, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 5, 2014

# **Independent Auditor's Report on Financial Statements**

**Pierce County**  
**January 1, 2013 through December 31, 2013**

County Executive and Council  
Pierce County  
Tacoma, Washington

## ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pierce 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 on page 11.

### ***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 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.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pierce County, 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 and Roads Special Revenue funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

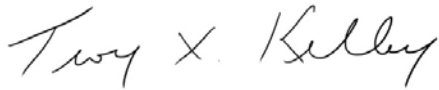
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

June 27, 2014

## **Financial Section**

### **Pierce County January 1, 2013 through December 31, 2013**

#### ***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2013

#### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Roads Special Revenue Fund – 2013

Statement of Net Position – Proprietary Funds – 2013

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – 2013

Statement of Cash Flows – Proprietary Funds – 2013

Combined Statement of Fiduciary Net Position – Fiduciary Funds – 2013

Combined Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds – 2013

Notes to Financial Statements – 2013

#### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013



---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Comprehensive Annual Financial Report for Pierce County provides an overview of County financial activities for the fiscal year ended December 31, 2013. The intent of this management discussion and analysis is to look at County financial performance as a whole. We encourage readers to consider the information contained in this discussion in conjunction with additional information contained in our transmittal letter and in the financial statements.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Government-wide statements are designed to provide readers with a broad overview of Pierce County finances in a manner similar to that of a private-sector business.

The statement of net position presents information on all of the County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in 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 changes in the government's net position 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. Thus, revenues and expenses are reported in this statement for some items that will actually result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various County activities and the degree to which activities are subsidized by general revenues.

Both government-wide financial statements distinguish between functions of Pierce County principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of operating costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, physical environment, legal, judicial, economic environment, transportation, health and human services, and culture and recreation. Business-type activities include water and sewer utilities, solid waste management and the associated landfill reserve, two airports, ferry services, and three golf courses.

#### **FUND FINANCIAL STATEMENTS**

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

#### **GOVERNMENTAL FUNDS**

Essentially the same functions reported as governmental activities in the government-wide financial statements are reported in governmental fund financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities as reported in government-wide statements.

The County maintains a general fund and several other individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Roads Fund, which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Pierce County established funds to account for transactions of two new separate legal entities in 2012. The Flood Control Zone District has taxing authority separate from Pierce County. The other is the South Sound 911 Construction Fund established to support the transfer of tax revenues to the new South Sound 911 district, established to provide emergency communications for multiple agencies. Both funds will report activity in 2013.

Budgetary comparison statements are presented for the General Fund and Roads Fund to demonstrate the flow of resources for the General Fund and major Special Revenue Funds in relation to the legally adopted budget.

#### **PROPRIETARY FUNDS**

Pierce County maintains two types of proprietary funds; Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Sewer utilities, solid waste management, landfill reserve, airport, ferry services, and the golf courses are accounted for in Enterprise Funds. Internal Service Funds are a fund type used to accumulate and allocate costs internally among various County functions. Pierce County uses Internal Service Funds to account for equipment and fleet services, information technology services, facilities management, radio communications, general services, self-insurance, and workers compensation activities. Because these services predominantly benefit governmental rather than business-type functions, Internal Service Funds have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Utility Fund and Chambers Creek Regional Park Fund (formerly Chambers Bay Golf Course Fund) are considered to be major funds of the County. During 2013, operations of the County's Water Utility Fund were merged into the Sewer Utility Fund to consolidate closely related activities. Data from the remaining nonmajor Enterprise Funds and all nine Internal Service Funds are combined into individual, aggregated columns for presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

#### **FIDUCIARY FUNDS**

Resources held for the benefit of parties outside the government are accounted for in fiduciary funds. Because the resources of those funds are not available to support County programs, fiduciary funds are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Shown below are condensed versions of the government-wide statements of activities and net position for both governmental and business-type operations. The government-wide statements are presented in detail in the financial section of this report.

### STATEMENT OF ACTIVITIES

The following is a summary of the changes in net position from the statement of activities:

#### Government-Wide Financial Analysis Condensed Summary of Changes in Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$ 80,143	\$ 79,715	\$ 70,235	\$ 63,782	\$ 150,378	\$ 143,497
Operating Grants and Contributions	113,848	115,965	1,310	3,111	115,158	119,076
Capital Grants and Contributions	16,831	8,077	10,357	9,512	27,188	17,589
General Revenues:						
Taxes	275,608	254,917	142	96	275,750	255,013
Interest and Investment Earnings	382	2,193	542	56	924	2,249
Other General Revenue	391	2,203	(930)	3,000	(539)	5,203
Total Revenues	487,203	463,070	81,656	79,557	568,859	542,627
Expenses:						
General Government	38,869	42,988	—	—	38,869	42,988
Public Safety	151,898	150,523	—	—	151,898	150,523
Physical Environment	20,974	24,707	—	—	20,974	24,707
Transportation	57,907	59,924	—	—	57,907	59,924
Legal and Judicial	75,447	75,405	—	—	75,447	75,405
Economic Environment	41,083	35,199	—	—	41,083	35,199
Health and Human Services	33,509	31,362	—	—	33,509	31,362
Culture and Recreation	14,403	13,226	—	—	14,403	13,226
Interest on Long-Term Debt	4,372	6,195	—	—	4,372	6,195
Sewer Utility	—	—	50,923	49,078	50,923	49,078
Chambers Bay Golf Course	—	—	9,245	9,677	9,245	9,677
Solid Waste Management and Landfill Reserve	—	—	4,540	5,876	4,540	5,876
Airport	—	—	2,257	2,201	2,257	2,201
Ferry Services	—	—	3,753	4,838	3,753	4,838
Golf Course	—	—	1,905	2,173	1,905	2,173
Total Expenses	438,462	439,529	72,623	73,843	511,085	513,372
Change in Net Position Before Transfers	48,741	23,541	9,033	5,714	57,774	29,255
Transfers	(101)	250	101	(250)	—	—
Change in Net Position	48,640	23,791	9,134	5,464	57,774	29,255
Net Position - Beginning of Year	1,095,224	1,071,433	517,890	512,426	1,613,114	1,583,859
Net Position - End of Year	\$ 1,143,864	\$ 1,095,224	\$ 527,024	\$ 517,890	\$ 1,670,888	\$ 1,613,114

### Financial Highlights

Total government-wide expenses for 2013 were approximately \$511 million, consisting of \$438 million (85.8%) for governmental activities and \$73 million (14.2%) for business-type activities. Highlights:

- ✦ Total 2013 expenses for governmental activities decreased \$1.1 million (0.2%), and business-type activities expenses decreased \$1.2 million (1.6%) resulting in a net decrease in government-wide total expenses of \$2.3 million (1.8%) compared to 2012.

## Financial Highlights (Continued)

- ✦ Total 2013 government-wide program revenues plus general revenues equaled \$569 million and exceeded total 2013 government-wide expenses of \$511 million. This resulted in an increase in government-wide net position of \$58 million during 2013 compared to a \$29 million increase in net position for the prior year.
- ✦ Total program revenues for all activities in 2013 were \$293 million, and funded approximately 51.5% of the total expenses for Pierce County. In 2012 program revenues funded 54.6% of total expenses. The remaining 2013 expenses were financed through general revenues (primarily tax revenues).
- ✦ Funding for governmental activities in 2013 was provided by program revenues of \$211 million (43% of revenues), with general revenues providing the remaining 57% of governmental activities revenues. Governmental activities were funded 46% by program revenues and 54% by general revenues in 2013.
- ✦ Business-type activities generated program revenues of approximately \$82 million in 2013, which funded 100% of related expenses.

A comparison of governmental and business-type activities with associated program revenues as follows:

### Government-Wide Financial Analysis Comparative Statement of Activities (in thousands)

	2013				2012
	Program Revenues			Net Revenues (Expenses)	Net Revenues (Expenses)
	Expenses	Charges For Services	Grants And Contributions		
<b>Governmental Activities:</b>					
Public Safety	\$ 151,898	\$ 3,479	\$ 26,930	\$ (121,489)	\$ (111,975)
Legal and Judicial	75,447	16,087	12,290	(47,070)	(46,709)
Transportation	57,907	1,162	31,484	(25,261)	(35,992)
Health and Human Services	33,509	3	30,184	(3,322)	(2,436)
All Other Programs	119,701	59,412	29,791	(30,498)	(38,660)
	<u>\$ 438,462</u>	<u>\$ 80,143</u>	<u>\$ 130,679</u>	<u>(227,640)</u>	<u>(235,772)</u>
General Revenues and Transfers, Net				276,280	259,563
Change in Net Position				<u>\$ 48,640</u>	<u>\$ 23,791</u>

	2013				2012
	Program Revenues			Net Revenues (Expenses)	Net Revenues (Expenses)
	Expenses	Charges For Services	Grants And Contributions		
<b>Business-Type Activities:</b>					
Sewer Utility	\$ 50,923	\$ 54,098	\$ 6,015	\$ 9,190	\$ 8,842
Chambers Bay Golf Course	9,245	6,109	—	(3,136)	(4,031)
Ferry Services	3,753	3,178	664	89	(891)
Solid Waste Management and Landfill Reserve	4,540	4,110	487	57	(586)
All Other Programs	4,162	2,740	4,501	3,079	(772)
	<u>\$ 72,623</u>	<u>\$ 70,235</u>	<u>\$ 11,667</u>	<u>9,279</u>	<u>2,562</u>
General Revenues and Transfers, Net				(145)	2,902
Change in Net Position				<u>\$ 9,134</u>	<u>\$ 5,464</u>

## Financial Highlights

- ✦ As would be expected in governmental activities, the programs requiring the greatest general revenue support were public safety, and the legal and judicial system. Combined support for these programs was \$169 million in 2013 compared to \$159 million in 2012.
- ✦ The gap between total governmental activities expenses and related program revenues decreased slightly, from \$236 million in 2012 to \$228 million in 2013.
- ✦ The County generated a \$48.6 million increase in net position for governmental activities. General governmental revenues of \$276.3 million were up by \$16.7 million in 2013.
- ✦ Business-type activities reported a \$9.1 million increase in net position in 2013 compared to an increase of \$5.5 million in 2012. Sewer Utility net position increased \$0.4 million in 2013 and \$2.3 million in 2012.

## STATEMENT OF NET POSITION

The following is a summary of the government-wide statement of net position presented in detail in the financial section of this report:

### Government-Wide Financial Analysis Condensed Statement of Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 304,545	\$ 276,211	\$ 44,360	\$ 39,520	\$ 348,905	\$ 315,731
Restricted Assets	22	—	202,116	253,495	202,138	253,495
Capital Assets	1,089,371	1,048,471	598,521	537,623	1,687,892	1,586,094
Total Assets	1,393,938	1,324,682	844,997	830,638	2,238,935	2,155,320
Current Liabilities	36,751	76,375	26,625	20,406	63,376	96,781
Noncurrent Liabilities	213,323	153,083	291,348	292,342	504,671	445,425
Total Liabilities	250,074	229,458	317,973	312,748	568,047	542,206
Total Net Position	\$ 1,143,864	\$ 1,095,224	\$ 527,024	\$ 517,890	\$ 1,670,888	\$ 1,613,114

## Financial Highlights

- ✦ Approximately \$1.14 billion (68%) of 2013 total net position are related to governmental activities, with \$527 million (32%) related to business-type activities. These percentages are virtually unchanged from 2012 or 2011.
- ✦ As indicated earlier, government-wide net position increased by \$58 million in 2013, primarily due to the \$48.6 million increase generated by governmental activities. The increase generated by governmental activities was primarily related to the \$40.1 million increase in the County's investment in capital assets for governmental activities, as illustrated in the table on the following page.
- ✦ At year-end 2013, governmental activities capital assets accounted for 78% of total governmental activities assets and 95% of total governmental activities net position. These percentages were almost identical to 2012 and 2011.

Government-wide net position can be further summarized as follows:

**Government-Wide Financial Analysis**  
**Summary of Net Position**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Net Investment in Capital Assets	\$ 943,719	\$ 914,286	\$ 424,366	\$ 419,708	\$ 1,368,085	\$ 1,333,994
Restricted	76,327	70,182	72,008	66,580	148,335	136,762
Unrestricted	123,818	110,756	30,650	31,602	154,468	142,358
Total Net Position	<u>\$ 1,143,864</u>	<u>\$ 1,095,224</u>	<u>\$ 527,024</u>	<u>\$ 517,890</u>	<u>\$ 1,670,888</u>	<u>\$ 1,613,114</u>

**Financial Highlights**

- ✦ Net position for governmental activities at year-end 2013 total \$1.14 billion, of which \$124 million (10.8%) is unrestricted.
- ✦ The 2013 net position for business-type activities total \$527 million, with \$35.3 million (6.7%) unrestricted.
- ✦ Entitywide unrestricted net position increased \$16.7 million in 2013, consisting of a \$13.1 million increase for governmental activities and a \$3.6 million increase for business-type activities.
- ✦ Net investment in Governmental Capital Assets increased \$29.4 million from 2012 to 2013, a 2.2% increase due to major construction projects for sewer, radio communications, and road widening.

**FINANCIAL ANALYSIS OF MAJOR COUNTY FUNDS**

**GENERAL FUND**

**Revenues.** The General Fund receives unrestricted County revenue which is used to finance activities such as law enforcement, detention facilities, the judicial system, planning and development regulation, parks, recreation programs, various human and health services, and general governmental services. Revenue and all other financing sources for the General Fund totaled \$280.8 million in 2013, which is a 1.7% increase over the prior year. Revenue categories with the changes from last fiscal year are summarized as follows:

**General Fund**  
**Summary of Revenues and Other Financing Sources**  
(in thousands)

Category	Amount		Increase (Decrease)	
	2013	2012	Amount	Percent
Revenue:				
Property and Other Taxes	\$ 127,582	\$ 128,638	\$ (1,056)	(0.8) %
Sales Tax	60,073	52,237	7,836	15.0 %
Licenses and Permits	9,175	8,491	684	8.1 %
Intergovernmental	34,711	39,359	(4,648)	(11.8) %
Charges for Services	36,987	32,215	4,772	14.8 %
Fines and Forfeits	5,157	5,425	(268)	(4.9) %
Interest	198	2,106	(1,908)	(90.6) %
Miscellaneous Revenue	2,626	4,355	(1,729)	(39.7) %
Total Revenue	276,509	272,826	3,683	1.3 %
Other Financing Sources	4,331	3,211	1,120	34.9 %
Total Funding Sources (Budget Basis)	<u>\$ 280,840</u>	<u>\$ 276,037</u>	<u>\$ 4,803</u>	1.7 %

Discussion of the major changes from the prior year as follows:

- ✦ **Intergovernmental.** The 11.8% decrease is due to jurisdictions sending misdemeanor inmates to other facilities.
- ✦ **Sales Tax.** The major factor contributing to the 15.0% increase is an increase in consumer confidence with the lowering of the unemployment rate from 8.9% to 8.1% and an increase in the Consumer Price Index of 1.4%.
- ✦ **Charges for Services.** The 14.8% increase is primarily due to increases in permit activity conducted by Planning and Land Services.

As illustrated in Figure 1 below, the 1.7% revenue increase for 2013 shows a continued positive trend starting in 2010 since the major recession during 2008 and 2009, indicating a continued improvement in the local economy.

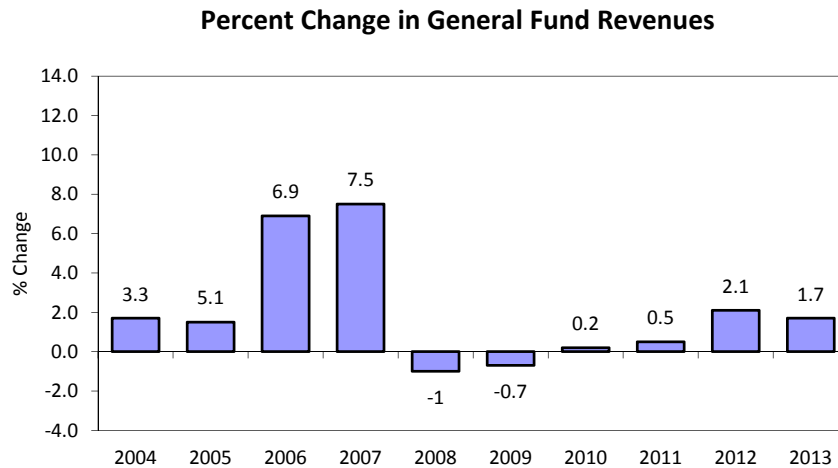


Figure 1

The chart below presents the percentage of 2013 funding sources by category for the General Fund. The chart illustrates continued strong dependence on property and sales taxes, a combined 66.8%, as major revenue sources, which is 1.1 percent lower than 2012.

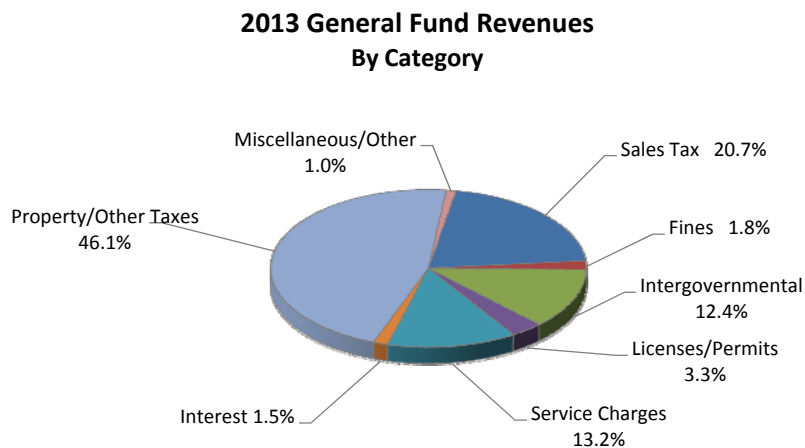


Figure 2

**Expenditures.** During 2013, General Fund expenditures and transfers out totaled \$272 million, a decrease of \$2.5 million (0.9%) from 2012. Transfers are classified into related functional areas and are included in the comparison of expenditures.

Comparisons of expenditures for the last two years follow:

**General Fund  
Summary of Expenditures and Transfers Out**  
(in thousands)

Functional Area	Amount		Increase (Decrease)	
	2013	2012	Amount	Percent
General Government	\$ 34,867	\$ 34,626	\$ 241	0.7 %
Public Safety	134,688	138,484	(3,796)	(2.7) %
Physical Environment	1,795	1,820	(25)	(1.3) %
Legal and Judicial	77,135	76,907	228	0.3 %
Health and Human Services	2,616	2,649	(33)	(1.2) %
Culture and Recreation	7,088	7,016	72	1.0 %
Economic Environment	13,635	12,865	770	6.0 %
Total Expenditures and Transfers Out (Budget Basis)	<u>\$ 271,824</u>	<u>\$ 274,367</u>	<u>\$ (2,543)</u>	(0.9) %

General Fund expenditures decreased in 2013 from 2012 (\$2.5 million). In most categories the decreases reflect very moderate changes in program or staffing levels. In the area of Public Safety there was a \$3.8 million decrease primarily in the Corrections Bureau and Sheriff's Department to off-set decreases in revenue. The increase in Economic Environment of (\$770 thousand) is due to the increased number of permits in Planning and Land Services from 2012 levels.

The chart below graphically illustrates relative budget allocations to various County functional activities. Combined expenditures for public safety and legal/judicial functions constitute approximately 78% of total General Fund expenditures. This trend of spending on public safety and legal/judicial functions is expected to continue into the next few years with increased demand for sheriff services, growing court caseloads, and operation of the jail.

**2013 General Fund Expenditures/Transfers  
By Functional Activity**

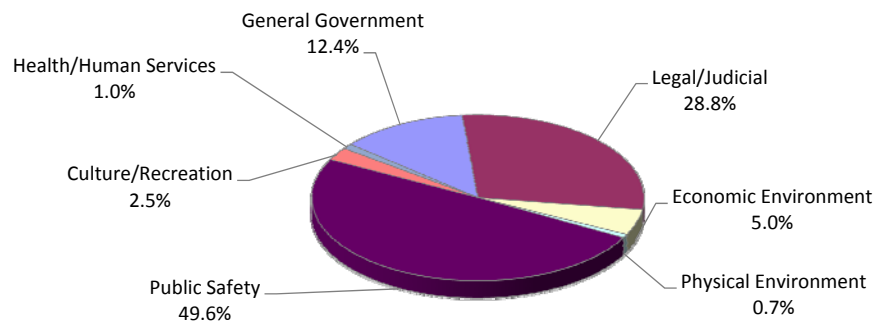


Figure 3

As previously indicated, total 2013 expenditures and transfers decreased 0.9% from 2012 levels after a small increase in 2012 that followed several years of decline during the recession beginning in 2008. Corresponding percentage changes for the last decade are presented below:

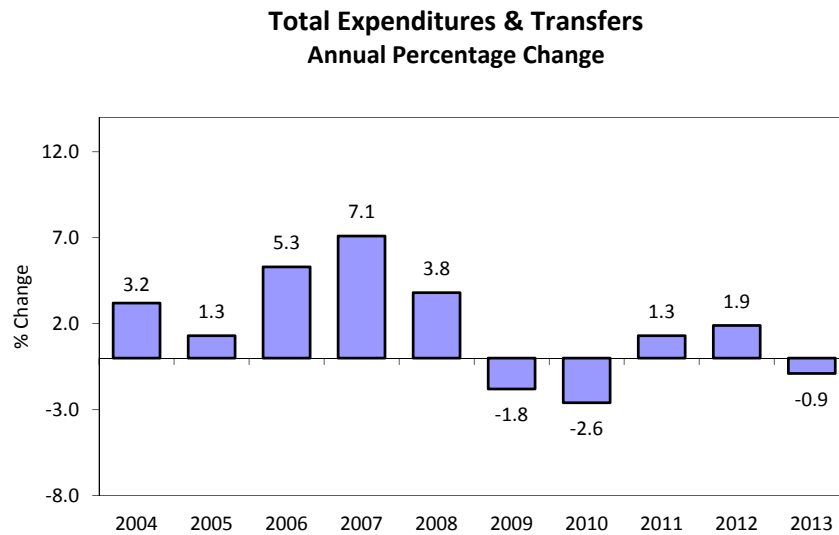


Figure 4

The 2013 “bottom-line” fiscal result for the General Fund was positive, generating a positive increase in “surplus” of over \$9.0 million summarized as follows:

**General Fund  
Summary of Changes in Fund Balance  
(in thousands)**

	2013	2012
Revenues	\$ 276,509	\$ 272,826
Expenditures	264,077	266,523
Excess of Revenues Over Expenditures	12,432	6,303
Other Financing Sources (Uses), Net	(3,416)	(4,633)
Changes in Fund Balance (Budget Basis)	\$ 9,016	\$ 1,670

Although revenues have increased 2010 through 2013, the fiscal turnaround from economic conditions in 2008 and 2009 is still progressing very slowly. Even with Increases in revenue, many cutbacks in expenditures have been enacted by the County over the past few years. These cutbacks have resulted in a situation where our revenue can support our expenditure base.

The annual difference between resources (all revenues and transfers in) and uses (all expenditures and transfers out) over the past ten years is presented below. The trend prior to 2008 had generally been positive, with moderately large “surpluses” in most years, or small “deficits” in the remainder. However the sharp downturn in the economy in 2008 and 2009 had a significant negative impact upon County revenues, which resulted in deficits in those two years. The recent trend was reversed in fiscal 2010 and has continued the positive trend through fiscal year 2013.

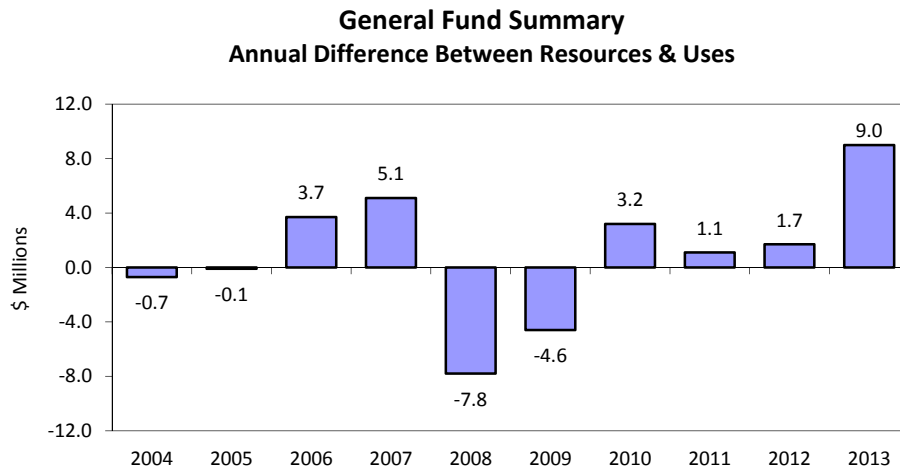


Figure 5

**Budget Comparisons.** The 2013 General Fund expenditure budget approved by the County Council totaled \$275 million including expenditures and transfers out. Subsequent budget revisions were approved to reallocate expenditures with no significant change in the \$275 General Fund budget for 2013. A summary of expenditure budget revisions follows:

- ✦ \$165,000 increase for improvements to the County Jail.
- ✦ \$40,000 increase for the Tacoma Pierce County Health Department for increased tuberculosis treatments.
- ✦ \$3 million decrease in the Corrections Bureau budget was allocated to other General Fund departments.

The details of 2013 budget revisions for revenues and transfers-in are as follows:

<b>General Fund</b>	
<b>Summary of Budget Revisions for Revenue and Other Resources</b>	
(in thousands)	
	<b>2013</b>
Grants, Service Contracts and Reimbursements, Transfers In	\$ (2,861)
Excise And Other Taxes	1,778
Miscellaneous Revenue	72
Use of Unreserved Fund Balance	1,257
Budget Revisions for Revenue and Other Resources	<u>\$ 246</u>



The revenue adjustments required a corresponding change in the budget for expenditures and transfers-out summarized as follows:

**General Fund**  
**Summary of Budget Revisions for Expenditures and Transfers Out**  
(in thousands)

	<u>2013</u>
Sheriff and Corrections Bureau	\$ (2,352)
Juvenile, Courts, Prosecuting Attorney and Assigned Council	538
Planning and Land Use Services	370
Auditor and Elections	239
Parks and Recreation	174
All Other Departments, Net	<u>1,153</u>
Budget Revisions for Expenditures and Transfers Out	<u>\$ 122</u>

**General Fund Balance.** Fund balance serves several purposes. Fund balance provides working capital until receipt of first half property tax payments at the end of April. During the first four months of each year the General Fund expends approximately \$30 million more for payroll and services than is received in revenues. Fund balance provides necessary cash to finance these normal activities without borrowing. Fund balance also provides a reserve for unanticipated emergency expenditures. Finally, fund balance can be used to support subsequent budgets, especially to finance one-time expenditures. At December 31, 2013, no significant availability limitations were placed on the use of fund balance for such purposes.

The General Fund unassigned fund balance is \$39.7 million as of December 31, 2013. This amount reflects an increase of \$9 million from 2012, which results directly from the 2013 operating surplus mentioned earlier.

The following graph illustrates the trend in unassigned fund balance over the past decade. The trend was very steady through 2006. We then saw the economic bubble in 2007, which was fully offset by the economic collapse in 2008 and 2009. We returned to a more normal situation in 2010 and continuing through 2012. In 2013, we had a combination of prior year operational constraints and an increase in economic activity.

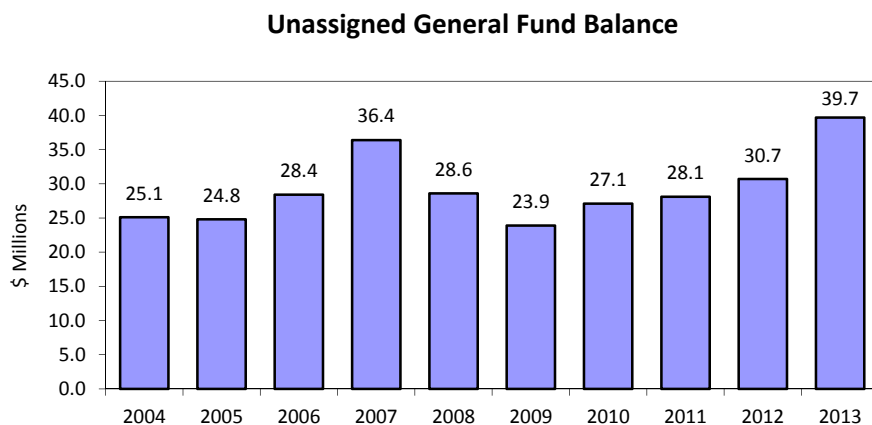


Figure 6

The County fund balance policy is to maintain an unassigned fund balance equal to no less than 10% of the General Fund budget with a maximum of 15%. For much of the past decade the County was slightly above 10%. However, as illustrated in the following chart, unassigned fund balance declined to 8.6% at the end of 2009. The financial results for 2010 and 2011 restored fund balance to just above 10%. In 2013 the County fund balance reached 14.4%.

The trend in General Fund unassigned fund balance as a percent of budget is as follows:

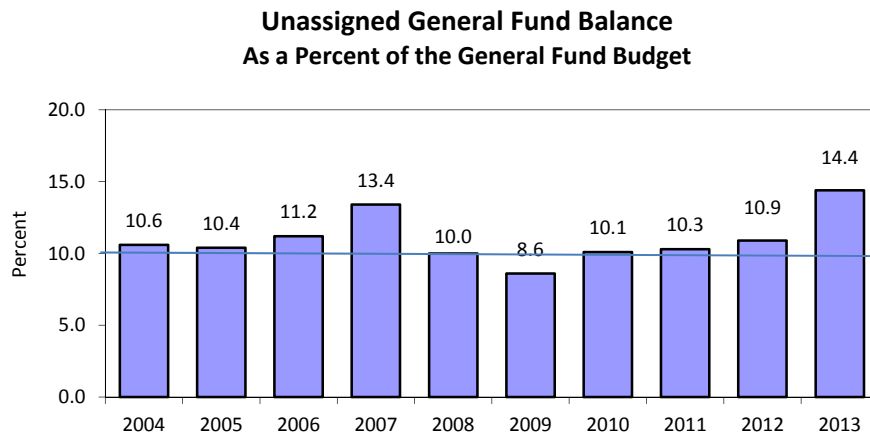


Figure 7

## ROADS FUND

The Roads Fund finances road maintenance, traffic control, general engineering, and general administrative activities for all County roads and bridges. The Roads Fund also allocated funding of \$6.6 million and \$8.6 million in 2013 and 2012, respectively, to support major transportation related construction projects. 2013 expenditures for all activities total \$64.7 million. The major 2013 funding sources for these activities are property taxes (\$50.5 million) and state gasoline tax revenues (\$10.3 million).

A five year comparison of all revenue and expenditures (including other sources and uses) as follows:

<b>Roads Fund</b>					
<b>Five Year Summary of Revenues and Expenditures</b>					
(in thousands)					
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Revenues/Sources	\$ 62,666	\$ 62,389	\$ 63,444	\$ 66,034	\$ 66,417
Expenditures/Uses	57,664	59,892	62,866	68,442	64,738
Revenues/Sources Over (Under) Expenditures/Uses	5,002	2,497	578	(2,408)	1,679
Fund Balance - Beginning of Year	6,290	11,292	13,789	14,367	11,959
Fund Balance - End of Year	\$ 11,292	\$ 13,789	\$ 14,367	\$ 11,959	\$ 13,638

The level of fund balance maintained in the Roads Fund in recent years is the result of reductions in planned maintenance and other activities in light of recessionary trends and changes in the economic outlook of the County. Fund balance will be used in subsequent years to maintain an active road maintenance program, and to provide funding for capital improvement projects.

## SEWER UTILITY FUND

The Sewer Utility Fund is by far the largest County Enterprise Fund, serving more than 269,400 customers throughout unincorporated and incorporated Pierce County, with over 60,683 accounts split between commercial and residential. The primary source of operating revenue is service charges collected from residential and commercial customers using wastewater collection and treatment services. Secondary sources of operating revenue are provided from permit and plan review fees and from other billings.

During 2012, related operations of the County Water Utility Fund were merged into the Sewer Utility Fund, providing centralized management of County resources.

A comparison of the components of Sewer Utility Fund net position for 2013 and 2012 are as follows:

### Sewer Utility Summary of Net Position (in thousands)

	Amount		Increase (Decrease)	
	2013	2012	Amount	Percent
Current and Other Assets	\$ 229,410	\$ 277,433	\$ (48,023)	(17.3) %
Capital Assets	520,575	459,447	61,128	13.3 %
Total Assets	749,985	736,880	13,105	1.8 %
Long-Term Liabilities	257,134	264,904	(7,770)	(2.9) %
Other Liabilities	31,971	17,358	14,613	84.2 %
Total Liabilities	289,105	282,262	6,843	2.4 %
Net Position:				
Net Investment in Capital Assets	360,932	364,608	(3,676)	(1.0) %
Restricted	67,702	62,526	5,176	8.3 %
Unrestricted	32,246	27,484	4,762	17.3 %
Total Net Position	\$ 460,880	\$ 454,618	\$ 6,262	1.4 %

A comparison of results of operations for the Sewer Utility Fund for 2013 and 2012 are as follows:

### Sewer Utility Summary of Revenues, Expenses, and Changes in Net Position (in thousands)

	Amount		Increase (Decrease)	
	2013	2012	Amount	Percent
Operating Revenues	\$ 53,728	\$ 48,462	\$ 5,266	10.9 %
Nonoperating Revenues	370	3,466	(3,096)	(89.3) %
Total Revenues	54,098	51,928	2,170	4.2 %
Operating Expenses	33,702	30,512	3,190	10.5 %
Depreciation	12,128	13,204	(1,076)	(8.1) %
Nonoperating Expenses	5,553	5,431	122	2.2 %
Total Expenses	51,383	49,147	2,236	4.5 %
Income Before Transfers and Contributions	2,715	2,781	(66)	n/a %
Transfers (Net)	(2,309)	(2,484)	175	(7.0) %
Capital Contributions	5,856	9,022	(3,166)	(35.1) %
Change in Net Position	6,262	9,319	(3,057)	(32.8) %
Beginning Net Position	454,618	445,299	9,319	2.1 %
Ending Net Position	\$ 460,880	\$ 454,618	\$ 6,262	1.4 %

## Financial Highlights

- ✦ Total assets at year-end are \$749.9 million and exceed liabilities of \$289.1 million, yielding total net position of \$460.9 million. Total net position increased \$6.3 million representing an increase of 1.4%. Of total net position at year-end, \$32.2 million is unrestricted and available to support short-term operations or to fund capital improvement projects.
- ✦ Operating revenues for 2013 increased \$5.3 million (10.9%) to \$53.7 million, which reflects normal growth in the utility customer base and prior year rate increase. Rates have gradually increased in recent years to meet greater needs in support of the utility's capital program.
- ✦ Operating expenses (excluding depreciation) increased by \$3.2 million (10.5%) to \$33.7 million. Although the utility continues in its efforts to reduce the costs of supplies and repairs, it experienced higher costs in operation and maintenance due to increases in FTEs to meet utilization needs and an increase in COLA.
- ✦ The increase in total revenues and the increase in overall expenses during 2013 contributed to \$2.8 million of income before transfers and contributions. Compared to the 2012 income decreased by \$66 thousand.
- ✦ Developer-driven capital contributions decreased by \$3.2 million (35.1%) to \$5.9 million for 2013.

## CHAMBERS CREEK REGIONAL PARK

The park includes operation of the Chambers Bay Golf Course and surrounding park areas. The park operations were included in this fund effective January 1, 2012. The golf course opened for play in June 2007 and is the site of the 2015 U.S. Open Championship. A comparison of results of operations for the Chambers Creek Regional Park for 2013 and 2012 are as follows:

**Chambers Creek Regional Park**  
**Summary of Revenues, Expenses, and Changes in Net Position**  
(in thousands)

	Amount		Increase (Decrease)	
	2013	2012	Amount	Percent
Operating Revenues	\$ 6,109	\$ 5,639	\$ 470	8.3 %
Operating Expenses	8,381	8,574	(193)	(2.3) %
Operating Loss	(2,272)	(2,935)	663	(22.6) %
Interest Expense	(864)	(1,103)	239	(21.7) %
Nonoperating Revenues	—	7	(7)	n/a %
Loss Before Transfers	(864)	(1,096)	232	21.2 %
Transfers In	2,258	2,436	(178)	n/a
Transfers Out	—	(28)	28	n/a %
Nonoperating Expenses and Transfers	1,394	1,312	314	(23.9) %
Change in Net Position	\$ (878)	\$ (1,623)	\$ 745	45.9 %

## Financial Highlights

- ✦ Operating revenues increased by \$470,000 in 2013 as a result of an increase of utilization of the course prior to the 2015 U.S. Open Championship.
- ✦ The number of golf rounds increased in 2013 by 4,202 or 12.1%. Green fees per round increased \$8.91 per round from \$78.46 to \$87.37.
- ✦ Operating expenses decreased by \$193,000 in 2013. The decrease was primarily the result of a decrease in expenditures used in preparing Chambers Bay for the 2015 U.S. Open Championship (\$744,000).
- ✦ Transfers in decreased by \$178,000 in 2013.
- ✦ The fund's decrease in net position of \$0.9 million has not yet met the County's goal to break-even on this operation. Additional improvement in rounds played and fees could increase the revenue sufficient to offset operating expenses.

**NONMAJOR SPECIAL REVENUE FUNDS (COMBINED)**

The Nonmajor Special Revenue Funds (38 funds) reported the following results for 2013 and 2012:

**Nonmajor Special Revenue Funds**  
**Summary of Combined Revenues, Expenses and Changes in Fund Balance**  
(in thousands)

	<u>2013</u>	<u>2012</u> (Restated)
Combined Revenues	\$ 126,496	\$ 113,730
Combined Expenditures	<u>102,523</u>	<u>91,440</u>
Excess Revenues Over Expenditures	23,973	22,290
Combined Other Sources (Uses), Net	<u>(22,089)</u>	<u>(20,542)</u>
Change in Fund Balance	1,884	1,748
Fund Balance - Beginning of Year	<u>56,521</u>	<u>54,773</u>
Fund Balance - End of Year	<u><u>\$ 58,405</u></u>	<u><u>\$ 56,521</u></u>

2012 is restated to show the addition of Community Connections as a Nonmajor Special Revenue Fund. Fund balance for these nonmajor funds changed only slightly in 2013 as revenue increases (11.2%) and expense increase (12.1%) offset one another.

**INTERNAL SERVICE FUNDS**

Internal Service Funds are intended to collect sufficient revenues and capital transfers to cover operating expenses. 2013 operating results for Internal Service Funds were positive.

**Internal Service Funds**  
**Summary of Revenues, Expenses, and Changes in Net Position**  
(in thousands)

	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 83,133	\$ 80,154
Operating Expenses	<u>79,805</u>	<u>80,890</u>
Operating Loss/Income	3,328	(736)
Nonoperating Revenues and Net Transfers	<u>3,870</u>	<u>18,141</u>
Change in Net Position	13,667	17,405
Beginning Net Position	<u>91,087</u>	<u>73,682</u>
Ending Net Position	<u><u>\$ 104,754</u></u>	<u><u>\$ 91,087</u></u>

Total net position was \$104.8 million as of December 31, 2013 compared to \$91.1 million at year-end 2012. As of December 31, 2013, \$30.8 million is invested in system support delivery. Personnel accounts for \$24.4 million of total expenditures.

## CAPITAL ASSET ACTIVITY

The County investment in capital assets for governmental and business-type activities totals \$1.7 billion as of December 31, 2013. The investment in capital assets includes land, infrastructure, buildings and other improvements, furnishings, and equipment, as well as construction in progress. Additional information on Pierce County capital assets can be found in Note 5 to the financial statements.

Total capital assets for the County increased \$101.8 million in 2013, as illustrated below, compared to an increase of \$56.1 million in 2012.

### Summary of Capital Asset Activity (in thousands)

Asset Classification	Governmental Activities		Business-Type Activities	
	2013 Changes	Ending Asset Values	2013 Changes	Ending Asset Values
Land and Land Rights	\$ 9,886	\$ 231,176	\$ —	\$ 51,779
Buildings and Systems	2,893	269,615	(1,093)	92,779
Improvements Other Than Buildings	24	19,460	(89)	60,431
Machinery and Equipment	4,278	114,023	1,159	99,352
Infrastructure	10,381	520,959	1,289	420,981
Avigation Rights	—	—	—	562
Accumulated Depreciation	(20,467)	(265,690)	(15,682)	(272,094)
Capital Assets, Net	6,995	889,543	(14,416)	453,790
Construction In Progress	33,905	199,828	75,314	144,731
Total Capital Assets, Net	\$ 40,900	\$ 1,089,371	\$ 60,898	\$ 598,521

## HIGHLIGHTS OF CAPITAL ASSET ACTIVITY

### Governmental Activities:

- ✦ Capital assets for governmental activities experienced a \$40.9 million net increase.
- ✦ The \$7.0 million net increase in capital assets in service consists of \$27.5 million in capital asset additions and decreases of \$20.5 million (\$25.1 million of depreciation expense and \$4.6 million of net capital assets disposals in 2013).
- ✦ The reduction of construction in progress for governmental activities of \$26 million includes \$23.5 million of completed projects placed in service and transferred to other capital asset classifications, and \$2.5 million expensed for various noncapital improvements and repairs to County facilities. The \$23.5 million of capitalized completed projects includes major projects of \$7.9 million for surface water land acquisitions and improvements; \$4.9 million of road construction projects, and \$4.6 million of County facility improvements.
- ✦ The \$17.6 million net value of capital assets disposed of during 2013 included disposal of \$2.9 million of surplus land and buildings, and \$5.1 million net value of vehicles and equipment disposals.

### Business-Type Activities:

- ✦ Capital assets for business-type activities increased \$60.9 million, which represents a net decrease of \$14.4 million in capital assets and a net increase of \$75.3 million for construction in progress costs.
- ✦ The \$893,000 reduction of construction in progress for business-type activities includes the following transfers from construction in progress to other capital asset classifications \$849,000 for completed utilities related improvements and \$37,000 for ferry improvements. Completed construction projects for business-type activities include \$3,000 of capitalized interest.

## DEBT ADMINISTRATION

The ratios of net direct tax supported bonded debt to assessed valuation and to population (per capita) present useful indicators of relative debt burden of the County. The ratios at December 31, 2013 are as follows:

	Ratio of Debt To Estimated Actual Value	Debt Per Capita
Net Direct Tax Supported Bonded Debt*	0.0054	\$ 537.04

\* Defined as Limited and Unlimited General Obligation Bonds net of assets available in *Debt Service Funds* for payment of principal.

A summary of outstanding debt is presented below:

### Summary of Outstanding Debt (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 157,700	\$ 134,853	\$ 18,315	\$ 19,375	\$ 176,015	\$ 154,228
Sewer Revenue Bonds	–	–	249,710	254,965	249,710	254,965
Installment Contracts	6,288	4,999	5,405	5,909	11,693	10,908
Total Debt	\$ 163,988	\$ 139,852	\$ 273,430	\$ 280,249	\$ 437,418	\$ 420,101

During 2013, total outstanding County debt increased \$17.3 million. The net increase resulted primarily from the issuance of \$32.6 million of new debt issued for governmental activities; and from payments and redemptions of \$8.6 million and \$6.8 million for governmental activities debt and business-type activities debt, respectively.

The Moody's Investor Service bond ratings are Aa-2 for Pierce County limited tax general obligation bonds and Aa-3 for sewer revenue bonds. The Standard & Poor's bond ratings are AA for Pierce County limited tax general obligation bonds and AA for Sewer Utility revenue bonds. These ratings are exceptionally high for a county and indicate to investors that Pierce County bonds are a good investment risk. Additional information on County long-term debt can be found in Note 6 to the financial statements.

## REQUEST FOR INFORMATION

This financial report is designed to provide various interested parties with a general overview of Pierce County finances and to show accountability of the County for the money it receives. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Pierce County Budget and Finance, 615 South 9<sup>th</sup> Street, Suite 100, Tacoma, Washington, 98405.



## Statement Of Net Position

At December 31, 2013

(In Thousands)

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash And Cash Equivalents	\$ 189,583	\$ 12,735	\$ 202,318
Cash With Trustee	1,637	2,625	4,262
Investments	33,582	19,874	53,456
Sales Taxes Receivable	11,272	—	11,272
Property Taxes Receivable	19,823	—	19,823
Accounts Receivable, Net	11,007	9,263	20,270
Internal Balances	2,934	(2,934)	—
Due From Other Governments	31,119	1,004	32,123
Contracts Receivable	760	175	935
Inventory, At Cost	2,313	1,606	3,919
Prepaid Items	515	—	515
Restricted Assets:			
Cash And Cash Equivalents	—	21,309	21,309
Investments	—	176,734	176,734
Accrued Interest And Penalties	—	221	221
Due From Other Governments	22	330	352
Assessments Receivable	—	2,501	2,501
Landfill Closure Receivable	—	1,033	1,033
Capital Assets, Not Being Depreciated:			
Land And Land Rights	231,176	51,779	282,955
Avigation Rights	—	562	562
Construction In Progress	199,828	144,731	344,559
Capital Assets, Net Of Accumulated Depreciation:			
Buildings And System	190,107	43,187	233,294
Improvements Other Than Buildings	12,823	48,266	61,089
Machinery And Equipment	48,120	65,359	113,479
Infrastructure	407,317	244,637	651,954
<b>TOTAL ASSETS</b>	<b>\$ 1,393,938</b>	<b>\$ 844,997</b>	<b>\$ 2,238,935</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

See Accompanying Notes to Financial Statements





## Statement Of Net Position

At December 31, 2013

(In Thousands)

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Vouchers And Accounts Payable	\$ 20,131	\$ 19,885	\$ 40,016
Due To Other Governments	4,515	525	5,040
Accrued Wages and Benefits Payable	7,082	492	7,574
Accrued Interest Payable	1,098	4,469	5,567
Other Accrued Liabilities	2,307	30	2,337
Unearned Revenues	1,615	1,224	2,839
Noncurrent Liabilities:			
Due Within One Year	36,375	7,873	44,248
Due In More Than One Year	176,951	283,475	460,426
<b>TOTAL LIABILITIES</b>	<b>\$ 250,074</b>	<b>\$ 317,973</b>	<b>\$ 568,047</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET POSITION</b>			
Net Investment In Capital Assets	\$ 943,719	\$ 424,366	\$ 1,368,085
Restricted For:			
Capital Projects (Facilities Related)	-	52,967	52,967
Debt Service	1,989	14,995	16,984
General Government	6,940	-	6,940
Public Safety	17,242	-	17,242
Physical Environment	24,934	-	24,934
Transportation	11,029	-	11,029
Economic Environment	9,536	-	9,536
Human Services	1,068	-	1,068
Culture and Recreation	3,589	-	3,589
Other Purposes	-	4,046	4,046
Unrestricted	123,818	30,650	154,468
<b>TOTAL NET POSITION</b>	<b>\$ 1,143,864</b>	<b>\$ 527,024</b>	<b>\$ 1,670,888</b>

See Accompanying Notes to Financial Statements



# Statement Of Activities

For The Year Ended December 31, 2013  
(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 38,869	\$ 21,590	\$ 3,420	\$ 41	\$ (13,818)	\$ -	\$ (13,818)
Public Safety	151,898	3,479	26,569	361	(121,489)	-	(121,489)
Physical Environment	20,974	20,542	2,993	45	2,606	-	2,606
Transportation	57,907	1,162	15,100	16,384	(25,261)	-	(25,261)
Legal And Judicial	75,447	16,087	12,290	-	(47,070)	-	(47,070)
Economic Environment	41,083	14,910	21,274	-	(4,899)	-	(4,899)
Health And Human Services	33,509	3	30,184	-	(3,322)	-	(3,322)
Culture And Recreation	14,403	2,370	2,018	-	(10,015)	-	(10,015)
Interest On Long-Term Debt	4,372	-	-	-	(4,372)	-	(4,372)
<b>Total Governmental Activities</b>	<b>438,462</b>	<b>80,143</b>	<b>113,848</b>	<b>16,831</b>	<b>(227,640)</b>	<b>-</b>	<b>(227,640)</b>
<b>Business-type Activities:</b>							
Sewer Utility	50,923	54,098	159	5,856	-	9,190	9,190
Chambers Creek Regional Park	9,245	6,109	-	-	-	(3,136)	(3,136)
Solid Waste Management And Landfill Reserve	4,540	4,110	487	-	-	57	57
Airport	2,257	1,138	-	4,501	-	3,382	3,382
Ferry Services	3,753	3,178	664	-	-	89	89
Golf Course	1,905	1,602	-	-	-	(303)	(303)
<b>Total Business-type Activities</b>	<b>72,623</b>	<b>70,235</b>	<b>1,310</b>	<b>10,357</b>	<b>-</b>	<b>9,279</b>	<b>9,279</b>
<b>Total Government</b>	<b>\$ 511,085</b>	<b>\$ 150,378</b>	<b>\$ 115,158</b>	<b>\$ 27,188</b>	<b>(227,640)</b>	<b>9,279</b>	<b>(218,361)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					187,433	-	187,433
Sales Taxes					67,303	-	67,303
Excise And Other Taxes					20,872	142	21,014
Unrestricted Investment Earnings					382	542	924
Judgements And Settlements					-	1	1
Gain On Sale Of Capital Assets					391	(931)	(540)
Transfers					(101)	101	-
<b>Total General Revenues And Transfers</b>					<b>276,280</b>	<b>(145)</b>	<b>276,135</b>
<b>Change In Net Position</b>					<b>48,640</b>	<b>9,134</b>	<b>57,774</b>
<b>Net Position, Beginning Of Year</b>					<b>1,095,224</b>	<b>517,890</b>	<b>1,613,114</b>
<b>Net Position, End Of Year</b>					<b>\$ 1,143,864</b>	<b>\$ 527,024</b>	<b>\$ 1,670,888</b>

See Accompanying Notes to Financial Statements



# **Governmental Funds Balance Sheet**

At December 31, 2013  
(In Thousands)

	General Fund	Roads	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets</b>				
Cash In Treasury Pool	\$ 40,696	\$ 14,628	\$ 68,994	\$ 124,318
Cash With Trustee	—	—	1,633	1,633
Investments	—	131	33,451	33,582
Sales Tax Receivable	10,718	—	554	11,272
Property Tax Receivable	17,184	2,258	381	19,823
Accounts Receivable, Net	945	23	2,547	3,515
Due From Other Funds	1,415	519	2,033	3,967
Due From Other Governments	12,002	1,222	17,758	30,982
Interfund Loans Receivable	425	—	—	425
Contracts Receivable	238	—	522	760
<b>Total Assets</b>	<b>83,623</b>	<b>18,781</b>	<b>127,873</b>	<b>230,277</b>
<b>Deferred Outflows of Resources</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 83,623</b>	<b>\$ 18,781</b>	<b>\$ 127,873</b>	<b>\$ 230,277</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Vouchers And Accounts Payable	\$ 4,618	\$ 496	\$ 11,310	\$ 16,424
Due To Other Funds	2,883	1,673	4,351	8,907
Due To Other Governments	422	—	4,090	4,512
Accrued Wages And Benefits Payable	4,856	716	862	6,434
Unearned Revenues	23,152	1,347	2,776	27,275
Interfund Loans Payable	—	—	425	425
Other Current Liabilities	1,940	—	367	2,307
Advances From Other Funds	—	—	3,806	3,806
Accrued Interest Payable	—	—	2	2
<b>Total Liabilities</b>	<b>37,871</b>	<b>4,232</b>	<b>27,989</b>	<b>70,092</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	6,050	911	—	6,961
<b>Total Deferred Inflows of Resources</b>	<b>6,050</b>	<b>911</b>	<b>—</b>	<b>6,961</b>
<b>Fund Balances</b>				
Nonspendable				
Noncurrent Loans Receivable	—	—	526	526
Noncurrent Contracts Receivable	238	—	—	238
Restricted For:				
General Government	—	—	1,395	1,395
Public Safety	—	—	31,976	31,976
Physical Environment	—	—	17,884	17,884
Transportation	—	8,291	23,624	31,915
Economic Environment	—	—	9,536	9,536
Health And Human Services	—	—	1,068	1,068
Culture And Recreation	256	—	3,589	3,845
Debt Service	—	—	1,989	1,989
Committed For:				
Transportation	—	14	—	14
Assigned For:				
General Government	—	—	495	495
Public Safety	—	—	1,174	1,174
Physical Environment	—	—	1,104	1,104
Transportation	—	5,333	5,127	10,460
Economic Environment	—	—	409	409
Health And Human Services	—	—	1,414	1,414
Culture And Recreation	—	—	730	730
Use of Fund Balance	180	—	—	180
Unassigned	39,028	—	(2,156)	36,872
<b>Total Fund Balances</b>	<b>39,702</b>	<b>13,638</b>	<b>99,884</b>	<b>153,224</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 83,623</b>	<b>\$ 18,781</b>	<b>\$ 127,873</b>	<b>\$ 230,277</b>

See Accompanying Notes To Financial Statements



**Reconciliation Of The Balance Sheet Of Governmental Funds  
To The Statement Of Net Position**  
At December 31, 2013  
(In Thousands)

Total Fund Balances Of Governmental Funds	\$	153,224
---	----	---------

**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, therefore, are not reported as assets in governmental fund statements as follows:

Capital assets:		
Land	\$	230,965
Construction in progress		185,297
Infrastructure		520,959
Buildings & improvements		285,190
Machinery and equipment		46,026
Accumulated depreciation		<u>(224,970)</u>
Total capital assets (net of accumulated depreciation)		1,043,467

Internal Service Funds are used to charge individual funds for the cost of certain activities such as equipment and vehicle rental, information services, facilities management, radio communications, general services, self insurance and workers compensation. The statement of net position includes assets, liabilities, and net position of Internal Service Funds in governmental activities.

104,356

Certain receivables for county taxes and other revenues will be collected after year-end, and will not be available soon enough after year-end to pay current period expenditures. Accordingly such receivables are either reported as revenue when received or are reported as deferred revenue or deferred inflows of resources in governmental fund statements.

39,779

Certain liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in governmental fund statements as follows:

Bonds payable	\$	(161,318)
Contracts payable		(6,288)
Accrued interest payable		(1,098)
Compensated absences		(20,792)
Other postemployment benefits		(5,170)
Premiums on debt issues		(2,271)
Discounts on debt issues		<u>(25)</u>
Total long-term liabilities		<u>(196,962)</u>

Net Position Of Governmental Activities	\$	<u><u>1,143,864</u></u>
---	----	-------------------------

See Accompanying Notes To Financial Statements



**Governmental Funds**  
**Statement Of Revenues, Expenditures And Changes In Fund Balances**  
For The Year Ended December 31, 2013  
(In Thousands)

	General Fund	Roads	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 127,582	\$ 50,492	\$ 12,052	\$ 190,126
Sales And Use Taxes	58,066	—	8,180	66,246
Excise And Other Taxes	2,007	301	18,564	20,872
Licenses And Permits	9,175	61	—	9,236
Intergovernmental Revenues	34,711	14,432	71,970	121,113
Charges For Services	36,987	619	30,067	67,673
Fines And Forfeits	5,157	—	169	5,326
Interest And Penalties	198	—	47	245
Miscellaneous	2,626	253	1,996	4,875
<b>TOTAL REVENUES</b>	<b>276,509</b>	<b>66,158</b>	<b>143,045</b>	<b>485,712</b>
<b>EXPENDITURES</b>				
Current:				
General Government	32,768	—	2,341	35,109
Public Safety	130,982	—	16,621	147,603
Physical Environment	1,795	—	18,072	19,867
Legal And Judicial	76,030	—	—	76,030
Transportation	—	52,331	346	52,677
Economic Environment	13,257	—	28,149	41,406
Health And Human Services	2,516	—	31,085	33,601
Culture And Recreation	6,727	—	5,377	12,104
Capital Projects:				
General Government	—	—	1,145	1,145
Public Safety	—	—	19,562	19,562
Physical Environment	—	—	7,673	7,673
Legal And Judicial	—	—	5	5
Transportation	—	—	23,143	23,143
Economic Environment	—	—	2	2
Culture And Recreation	—	—	1,168	1,168
Debt Service:				
Principal Retirement	—	374	8,183	8,557
Interest And Fiscal Charges	2	20	6,245	6,267
<b>TOTAL EXPENDITURES</b>	<b>264,077</b>	<b>52,725</b>	<b>169,117</b>	<b>485,919</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>12,432</b>	<b>13,433</b>	<b>(26,072)</b>	<b>(207)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale Of Capital Assets	1,365	213	91	1,669
Transfers In	2,966	46	36,043	39,055
Transfers Out	(7,747)	(12,013)	(29,193)	(48,953)
General Long-Term Debt	—	—	35,892	35,892
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,416)</b>	<b>(11,754)</b>	<b>42,833</b>	<b>27,663</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,016</b>	<b>1,679</b>	<b>16,761</b>	<b>27,456</b>
<b>FUND BALANCES - Beginning Of Year</b>	<b>30,686</b>	<b>11,959</b>	<b>83,123</b>	<b>125,768</b>
<b>FUND BALANCES - End Of Year</b>	<b>\$ 39,702</b>	<b>\$ 13,638</b>	<b>\$ 99,884</b>	<b>\$ 153,224</b>

See Accompanying Notes To Financial Statements



**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)

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 27,456
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
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 in governmental fund statements exceeded depreciation for the current period.	31,234
Increase in net position from certain capital assets donated to the county is not reported in governmental funds.	7,314
Decrease in net position from various miscellaneous capital asset transactions (i.e., disposals for sales, trade-ins, and donations) is not reported in governmental funds.	(2,473)
Certain portions of county taxes and other revenue that do not provide current financial resources are either reported as revenue when received or reported as deferred revenues or deferred inflows of resources in governmental fund statements, but recognized currently as revenue in government-wide statements. Current year changes in such revenues are included as a change of net position in the statement of activities.	(2,485)
Governmental funds report the issuance of long-term debt; the repayment of the principal on long-term debt; and related items occurring when debt is first issued (such as premiums and/or discounts) as increases or decreases in total governmental fund balances. Issuing and repaying long-term debt has no effect on government-wide net position. Further, the related debt issuance items are deferred and amortized in the statement of activities. This amount represents the net effect of such differences in the treatment of long-term debt and related items.	(26,432)
Changes in certain accrued assets and liabilities are included in the statement of activities. Such changes do not require the use of current financial resources and, therefore, are not included in the change in governmental fund balances.	631
<i>Internal Service Funds</i> are used by management to charge the costs of certain activities to individual funds. The effect of net revenues (expenses) of such activity is not included in the change in governmental fund balances.	13,395
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 48,640</u></u>

See Accompanying Notes To Financial Statements



**General Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance**  
**Budget (GAAP Basis) And Actual**  
For The Year Ended December 31, 2013  
(In Thousands)

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 127,520	\$ 127,520	\$ 127,582	\$ 62
Sales And Use Taxes	51,203	52,982	58,066	5,084
Excise And Other Taxes	1,396	1,396	2,007	611
Licenses And Permits	8,796	8,964	9,175	211
Intergovernmental Revenues	37,507	33,871	34,711	840
Charges For Services	34,547	35,031	36,987	1,956
Fines And Forfeits	5,536	5,536	5,157	(379)
Interest	2,526	2,526	198	(2,328)
Miscellaneous	2,550	2,622	2,626	4
<b>TOTAL REVENUES</b>	<u>271,581</u>	<u>270,448</u>	<u>276,509</u>	<u>6,061</u>
<b>EXPENDITURES</b>				
General Government	34,433	33,471	32,768	703
Public Safety	136,999	132,003	130,982	1,021
Physical Environment	1,800	1,833	1,795	38
Legal And Judicial	75,214	77,021	76,030	991
Transportation	110	240	—	240
Economic Environment	13,146	13,401	13,257	144
Health And Human Services	2,470	2,510	2,516	(6)
Culture And Recreation	6,719	6,728	6,727	1
Debt Service:				
Interest And Fiscal Charges	—	—	2	(2)
<b>TOTAL EXPENDITURES</b>	<u>270,891</u>	<u>267,207</u>	<u>264,077</u>	<u>3,130</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>690</u>	<u>3,241</u>	<u>12,432</u>	<u>9,191</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale Of Capital Assets	114	1,370	1,365	(5)
Transfers In	2,956	2,956	2,966	10
Transfers Out	(3,940)	(7,747)	(7,747)	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(870)</u>	<u>(3,421)</u>	<u>(3,416)</u>	<u>5</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (180)</u>	<u>\$ (180)</u>	<u>9,016</u>	<u>\$ 9,196</u>
<b>FUND BALANCE - Beginning Of Year</b>			<u>30,686</u>	
<b>FUND BALANCE - End Of Year</b>			<u>\$ 39,702</u>	

See Accompanying Notes To Financial Statements



**Roads Special Revenue Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance**  
**Budget (GAAP Basis) And Actual**

For The Year Ended December 31, 2013

(In Thousands)

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 50,154	\$ 50,154	\$ 50,492	\$ 338
Excise And Other Taxes	205	205	301	96
Licenses And Permits	67	67	61	(6)
Intergovernmental Revenues	13,867	13,867	14,432	565
Charges For Services	550	550	619	69
Miscellaneous	176	176	253	77
<b>TOTAL REVENUES</b>	<u>65,019</u>	<u>65,019</u>	<u>66,158</u>	<u>1,139</u>
<b>EXPENDITURES</b>				
Transportation	55,452	55,247	52,331	(2,916)
<b>TOTAL EXPENDITURES</b>	<u>55,452</u>	<u>55,641</u>	<u>52,725</u>	<u>(2,916)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>9,567</u>	<u>9,378</u>	<u>13,433</u>	<u>4,055</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale Of Capital Assets	91	91	213	122
Transfers In	250	250	46	(204)
Transfers Out	(12,203)	(12,013)	(12,013)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(11,862)</u>	<u>(11,672)</u>	<u>(11,754)</u>	<u>(82)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (2,295)</u>	<u>\$ (2,294)</u>	<u>1,679</u>	<u>\$ 3,973</u>
<b>FUND BALANCE - Beginning Of Year</b>			<u>11,959</u>	
<b>FUND BALANCE - End Of Year</b>			<u>\$ 13,638</u>	

See Accompanying Notes To Financial Statements





**Proprietary Funds**  
**Statement Of Net Position**  
 At December 31, 2013  
 (In Thousands)  
 Page 1 of 2

	Sewer Utility	Chambers Creek Regional Park	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>ASSETS</b>					
<b>Current Assets</b>					
Unrestricted:					
Cash In Treasury Pool	\$ 7,957	\$ 386	\$ 4,392	\$ 12,735	\$ 65,265
Cash With Trustee	2,110	515	—	2,625	4
Investments	17,986	—	1,888	19,874	—
Accounts Receivable, Net	8,678	49	536	9,263	334
Due From Other Funds	4	154	51	209	5,798
Due From Other Governments	612	—	392	1,004	159
Inventory, At Cost	1,443	146	17	1,606	2,313
Prepaid Expense	—	—	—	—	515
Restricted:					
Cash In Treasury Pool	20,248	—	1,061	21,309	—
Investments	169,837	—	6,897	176,734	—
Accrued Interest And Penalties	221	—	—	221	—
Assessments Receivable, Current	314	—	103	417	—
Due From Other Governments	—	—	330	330	—
<b>Total Current Assets</b>	<b>229,410</b>	<b>1,250</b>	<b>15,667</b>	<b>246,327</b>	<b>74,388</b>
<b>Noncurrent Assets</b>					
Unrestricted:					
Contracts Receivable	175	—	—	175	—
<b>Total Noncurrent Unrestricted Assets</b>	<b>175</b>	<b>—</b>	<b>—</b>	<b>175</b>	<b>—</b>
Restricted:					
Assessments Receivable, Deferred	2,084	—	—	2,084	—
Advances To Other Funds	814	—	1,160	1,974	6,569
Landfill Postclosure Charges	—	—	1,033	1,033	—
<b>Total Noncurrent Restricted Assets</b>	<b>2,898</b>	<b>—</b>	<b>2,193</b>	<b>5,091</b>	<b>6,569</b>
Capital Assets:					
Land And Land Rights	41,767	—	10,012	51,779	211
Buildings And Systems	83,686	3,414	5,679	92,779	3,885
Improvements Other Than Buildings	20,085	14,523	25,823	60,431	—
Machinery And Equipment	60,938	5,679	32,735	99,352	67,997
Infrastructure	420,981	—	—	420,981	—
Construction Work In Progress	136,197	4	8,530	144,731	14,531
Avigation Rights	—	—	562	562	—
Accumulated Depreciation	(246,152)	(8,162)	(17,780)	(272,094)	(40,720)
<b>Total Capital Assets, Net</b>	<b>517,502</b>	<b>15,458</b>	<b>65,561</b>	<b>598,521</b>	<b>45,904</b>
<b>Total Noncurrent Assets</b>	<b>520,575</b>	<b>15,458</b>	<b>67,754</b>	<b>603,787</b>	<b>52,473</b>
<b>TOTAL ASSETS</b>	<b>\$ 749,985</b>	<b>\$ 16,708</b>	<b>\$ 83,421</b>	<b>\$ 850,114</b>	<b>\$ 126,861</b>

See Accompanying Notes To Financial Statements



**Proprietary Funds**  
**Statement Of Net Position**  
 At December 31, 2013  
 (In Thousands)  
 Page 2 of 2

	Sewer Utility	Chambers Creek Regional Park	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Liabilities Payable From Unrestricted Assets:					
Vouchers And Accounts Payable	\$ 1,914	\$ 237	\$ 349	\$ 2,500	\$ 3,710
Due To Other Funds	478	2	243	723	288
Due To Other Governments	474	—	—	474	2
Accrued Wages And Benefits Payable	375	22	77	474	648
Compensated Absences	921	35	161	1,117	1,518
Other Accrued Liabilities	—	18	63	81	—
Accrued Interest Payable	—	64	10	74	—
Installment Contracts Payable	—	—	378	378	—
Current Portion Of Bonds Payable	—	458	—	458	—
Estimated Claims Settlements, Current	—	—	—	—	6,612
Unearned Revenue	—	910	69	979	—
Liabilities Payable From Restricted Assets:					
Vouchers And Accounts Payable	17,437	—	68	17,505	—
Due To Other Funds	21	—	35	56	—
Accrued Wages And Benefits Payable	18	—	—	18	—
Accrued Interest Payable	4,395	—	—	4,395	—
Installment Contracts Payable	126	—	—	126	—
Current Portion Of Bonds Payable	5,790	—	—	5,790	—
Unearned Revenue	22	—	103	125	—
<b>Total Current Liabilities</b>	<b>31,971</b>	<b>1,746</b>	<b>1,556</b>	<b>35,273</b>	<b>12,778</b>
<b>Noncurrent Liabilities</b>					
Liabilities Payable From Unrestricted Assets:					
Advances From Other Funds	—	3,327	1,410	4,737	—
Compensated Absences	351	16	85	452	713
Installment Contracts Payable	—	—	3,776	3,776	—
Bonds Payable, Net Of Premium/Discount	—	17,585	—	17,585	—
Estimated Claims Settlements	—	—	—	—	8,616
Liabilities Payable From Restricted Assets:					
Installment Contracts Payable	1,125	—	—	1,125	—
Bonds Payable, Net Of Premium/Discount	255,658	—	—	255,658	—
Landfill Postclosure Liabilities	—	—	4,883	4,883	—
<b>Total Noncurrent Liabilities</b>	<b>257,134</b>	<b>20,928</b>	<b>10,154</b>	<b>288,216</b>	<b>9,329</b>
<b>TOTAL LIABILITIES</b>	<b>289,105</b>	<b>22,674</b>	<b>11,710</b>	<b>323,489</b>	<b>22,107</b>
<b>NET POSITION</b>					
Net Investment In Capital Assets	360,932	(2,127)	65,561	424,366	41,080
Restricted For:					
Capital Projects	52,707	—	260	52,967	—
Debt Service	14,995	—	—	14,995	—
Reserve For Landfill Expenses	—	—	4,046	4,046	—
Unrestricted	32,246	(3,839)	1,844	30,251	63,674
<b>TOTAL NET POSITION</b>	<b>\$ 460,880</b>	<b>\$ (5,966)</b>	<b>\$ 71,711</b>	<b>526,625</b>	<b>\$ 104,754</b>
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds				399	
Net position of business-type activities				<u>\$ 527,024</u>	

See Accompanying Notes To Financial Statements



**Proprietary Funds**  
**Statement Of Revenues, Expenses And Changes In Net Position**  
For The Year Ended December 31, 2013

(In Thousands)

Page 1 of 1

	Sewer Utility	Chambers Creek Regional Park	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges For Services	\$ 53,728	\$ 6,004	\$ 8,830	\$ 68,562	\$ 82,394
Miscellaneous	370	105	217	692	739
<b>TOTAL OPERATING REVENUES</b>	<b>54,098</b>	<b>6,109</b>	<b>9,047</b>	<b>69,254</b>	<b>83,133</b>
<b>OPERATING EXPENSES</b>					
Sewage Transmission	5,463	—	—	5,463	—
Sewage Treatment And Disposal	11,360	—	—	11,360	—
Personal Services	—	789	3,467	4,256	24,437
Materials And Supplies	2,307	106	983	3,396	12,928
System Support Service	13,572	6,210	6,415	26,197	30,797
Depreciation And Amortization	13,128	1,276	1,628	16,032	5,072
Insurance And Claims Settlements, Net Of Recoveries	—	—	—	—	6,571
<b>TOTAL OPERATING EXPENSES</b>	<b>45,830</b>	<b>8,381</b>	<b>12,493</b>	<b>66,704</b>	<b>79,805</b>
<b>OPERATING INCOME (LOSS)</b>	<b>8,268</b>	<b>(2,272)</b>	<b>(3,446)</b>	<b>2,550</b>	<b>3,328</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	535	—	12	547	138
Interest Expense	(5,308)	(864)	(24)	(6,196)	—
Operating Grants	151	—	1,151	1,302	—
Taxes	—	—	142	142	—
Intergovernmental Revenue	—	—	990	990	323
Gain (Loss) On Disposal Of Capital Assets	(931)	—	—	(931)	81
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(5,553)</b>	<b>(864)</b>	<b>2,271</b>	<b>(4,146)</b>	<b>542</b>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>2,715</b>	<b>(3,136)</b>	<b>(1,175)</b>	<b>(1,596)</b>	<b>3,870</b>
Capital Contributions	5,856	—	4,500	10,356	—
Transfers In	3	2,258	498	2,759	10,034
Transfers Out	(2,312)	—	(345)	(2,657)	(237)
<b>CHANGE IN NET POSITION</b>	<b>6,262</b>	<b>(878)</b>	<b>3,478</b>	<b>8,862</b>	<b>13,667</b>
<b>NET POSITION - Beginning of Year</b>	<b>454,618</b>	<b>(5,088)</b>	<b>68,233</b>		<b>91,087</b>
<b>NET POSITION - End Of Year</b>	<b>\$ 460,880</b>	<b>\$ (5,966)</b>	<b>\$ 71,711</b>		<b>\$ 104,754</b>

Adjustment to reflect consolidation of Internal Service  
Fund activities related to Enterprise Funds 272

Change in net position of business-type activities per  
Statement of Activities \$ 9,134

See Accompanying Notes to Financial Statements



**Proprietary Funds**  
**Statement Of Cash Flows**  
For The Year Ended December 31, 2013  
(In Thousands)  
Page 1 of 2

	Sewer Utility	Chambers Creek Regional Park	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received From Customers	\$ 52,981	\$ 6,442	\$ 8,838	\$ 68,261	\$ 4,558
Cash Received - Interfund Services Provided	107	—	242	349	81,151
Cash Paid To Suppliers - Goods And Services	(11,072)	(6,055)	(6,027)	(23,154)	(23,767)
Cash Paid To Employees - Services And Benefits	(15,978)	(825)	(3,538)	(20,341)	(24,462)
Cash Paid - Interfund Services Used	(6,704)	(220)	(1,753)	(8,677)	(8,313)
Cash Paid - Claims And Insurance	—	—	—	—	(16,678)
Cash Received From Third Party Claims Recoveries	—	—	—	—	484
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>19,334</b>	<b>(658)</b>	<b>(2,238)</b>	<b>16,438</b>	<b>12,973</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds From Sale Of Investments	2,240,856	—	120,632	2,361,488	—
Purchase Of Investments	(2,189,634)	—	(118,348)	(2,307,982)	—
Interest Income From Investments	878	—	13	891	—
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>52,100</b>	<b>—</b>	<b>2,297</b>	<b>54,397</b>	<b>—</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Advances (To) From Other Funds	—	—	250	250	(2,955)
Operating Grants	151	6	1,288	1,445	324
Intergovernmental Revenue	—	—	990	990	—
Repayment of Advances (To) From Other Funds	—	—	(20)	(20)	2,809
Interfund Interest Income	—	—	—	—	139
Transfers In	3	2,258	498	2,759	4,821
Transfers Out	(2,312)	—	(346)	(2,658)	(182)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(2,158)</b>	<b>2,264</b>	<b>2,660</b>	<b>2,766</b>	<b>4,956</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Assessment Principal, Interest, And Penalties Received	640	—	—	640	—
Proceeds From Connection Charges	4,582	—	—	4,582	—
Proceeds From Sale Of Capital Assets	10	—	—	10	559
Principal Paid On Debts	(5,936)	(505)	—	(6,441)	—
Interest Paid On Debts	(11,825)	(862)	(378)	(13,065)	—
Capital Contributions	—	—	4,202	4,202	—
Taxes	—	—	142	142	—
Transfers In For Capital Purposes	—	—	—	—	10,820
Transfers Out For Capital Purposes	—	—	—	—	(55)
Acquisition Of Capital Assets	(50,114)	(124)	(6,287)	(56,525)	(16,812)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(62,643)</b>	<b>(1,491)</b>	<b>(2,321)</b>	<b>(66,455)</b>	<b>(5,488)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>6,633</b>	<b>115</b>	<b>398</b>	<b>7,146</b>	<b>12,441</b>
<b>CASH - Beginning Of Year</b>	<b>23,682</b>	<b>786</b>	<b>5,055</b>	<b>29,523</b>	<b>52,828</b>
<b>CASH - End Of Year</b>	<b>\$ 30,315</b>	<b>\$ 901</b>	<b>\$ 5,453</b>	<b>\$ 36,669</b>	<b>\$ 65,269</b>

See Accompanying Notes To Financial Statements



**Proprietary Funds**  
**Statement Of Cash Flows**  
For The Year Ended December 31, 2013  
(In Thousands)  
Page 2 of 2

	Sewer Utility	Chambers Creek Regional Park	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 8,268	\$ (2,272)	\$ (3,446)	\$ 2,550	\$ 3,328
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:</b>					
Depreciation And Amortization	13,128	1,276	1,628	16,032	5,072
Overhead Allocation To Construction	(570)	—	—	(570)	—
Decrease (Increase) In Assets:					
Receivables	(952)	42	(113)	(1,023)	(15)
Due From Other Funds	5	30	97	132	2,299
Due From Other Governments	(58)	—	—	(58)	210
Inventory	560	31	3	594	239
Increase (Decrease) In Liabilities:					
Vouchers And Accounts Payable	(764)	37	(199)	(926)	(668)
Due To Other Funds	(61)	(27)	42	(46)	219
Due To Other Governments	(101)	—	13	(88)	(226)
Accrued Wages And Benefits Payable	9	7	11	27	129
Compensated Absences	(130)	(43)	(73)	(246)	(153)
Unearned Revenue	—	261	37	298	—
Estimated Claims Settlements	—	—	—	—	2,582
Landfill Postclosure Liabilities	—	—	(238)	(238)	—
<b>Total Adjustments</b>	<b>11,066</b>	<b>1,614</b>	<b>1,208</b>	<b>13,888</b>	<b>9,645</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 19,334</b>	<b>\$ (658)</b>	<b>\$ (2,238)</b>	<b>\$ 16,438</b>	<b>\$ 12,973</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>					
Capital Assets Acquired By Contribution	\$ 1,289	\$ —	\$ 320	\$ 1,609	\$ —
Purchase Of Capital Assets On Account	17,285	3,967	25	21,277	720
Noncash Capital Contribution	(1,289)	—	—	(1,289)	—
Net Decrease In Fair Value Of Investments	3	—	—	3	—
Net Change in Fair Value of Investments	(210)	—	—	(210)	—
Noncash Interest and Fiscal Charges	(1,724)	4	—	(1,720)	—
<b>TOTAL NONCASH ACTIVITIES</b>	<b>\$ 15,354</b>	<b>\$ 3,971</b>	<b>\$ 345</b>	<b>\$ 19,670</b>	<b>\$ 720</b>
<b>RECONCILIATION OF CASH AT END OF YEAR TO BALANCE SHEET:</b>					
<b>Cash Per Balance Sheet:</b>					
Current And Restricted Assets:					
Cash In Treasury Pool	\$ 28,205	\$ 386	\$ 4,392	\$ 32,983	\$ 65,269
Cash With Trustee	2,110	515	1,061	3,686	—
<b>TOTAL CASH - End Of Year</b>	<b>\$ 30,315</b>	<b>\$ 901</b>	<b>\$ 5,453</b>	<b>\$ 36,669</b>	<b>\$ 65,269</b>

See Accompanying Notes To Financial Statements



**Fiduciary Funds**  
**Combined Statement Of Fiduciary Net Position**  
At December 31, 2013  
(In Thousands)

	Private- Purpose Trust Funds	Agency Total
<b>ASSETS</b>		
Cash In Treasury Pool	\$ 678	\$ 152,730
Cash And Investments With Trustee	—	9,001
Investments, At Amortized Cost	—	550,462
Assessments Receivable, Delinquent	—	1,144
Taxes Receivable, Delinquent	—	36,769
Accounts Receivable	—	1,956
<b>TOTAL ASSETS</b>	<b>678</b>	<b>752,062</b>
<b>LIABILITIES</b>		
Warrants Payable	—	31,068
Vouchers And Accounts Payable	—	742
Due To Note Holders	—	259
Custodial Accounts	—	26,429
Due To Special Districts/Other Governments	—	693,564
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>752,062</b>
<b>NET POSITION</b>		
Reserved For Specific Program Use	678	—
<b>TOTAL NET POSITION</b>	<b>\$ 678</b>	<b>\$ —</b>

See Accompanying Notes To Financial Statements



**Private-Purpose Trust Funds**  
**Combined Statement Of Changes In Fiduciary Net Position**  
For The Year Ended December 31, 2013  
(In Thousands)

	<u>Total</u>
<b>ADDITIONS</b>	
Fines And Forfeits	\$ 36
<b>TOTAL ADDITIONS</b>	<u>36</u>
<b>DEDUCTIONS</b>	
Current:	
General Government	<u>1</u>
<b>TOTAL DEDUCTIONS</b>	<u>1</u>
<b>CHANGE IN NET POSITION</b>	35
<b>NET POSITION - Beginning Of Year</b>	<u>643</u>
<b>NET POSITION - End Of Year</b>	<u><u>\$ 678</u></u>

See Accompanying Notes To Financial Statements



## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Pierce County* is a municipal corporation governed by a locally elected seven-member council. The executive branch of government is elected at-large and consists of the County Executive, Assessor-Treasurer, and Auditor. The County provides services in the areas of public safety, fire inspection, road construction and maintenance, flood control, parks and recreation, judicial administration, land use planning and development, health and social services, sewer utility services, and certain solid waste programs.

#### REPORTING ENTITY

The accompanying financial statements present all funds, departments, and its blended component units, entities of *Pierce County* for which the County is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presents as funds of the primary government. Certain *Agency Funds* referred to as *Agency Funds - Other Governments/Special Districts* are also included. Pursuant to the laws of the State of Washington, the County Treasurer, as custodian of the agency fund assets, is the ex-officio treasurer of all special districts within the County. Funds received from or for such special districts are deposited in a central bank account and invested or disbursed according to instructions from the respective special districts. There are no other relationships with organizations of such a nature and significance that exclusion would render the County financial statements incomplete or misleading.

**Blended Component Units.** There is one legally separate entity, the *Flood Control Zone District*, which serves all the citizens of *Pierce County* and is reported as a blended component unit.

The *Flood Control Zone District* was created under the authority of RCW 86.15 to manage, plan, and construct flood control facilities within the County. By statute, the County Council and County Executive serve as the District's Board of Supervisors. The *Flood Control Zone District* is reported as a Nonmajor *Special Revenue Fund*.

**Related Organizations.** County officials are responsible for appointing the members of the boards of certain related organizations. There is no evidence that the Council can influence the programs and activities of these organizations or that they create a significant financial benefit or burden to the County. For these reasons they do not warrant inclusion in the reporting entity. There were no material financial transactions during 2013 between the County and the following related organizations: the *Pierce County Housing Authority*, the *Community Development Corporation*, the *Economic Development Corporation*, and the *Pierce Conservation District*.

**Joint Ventures.** The County participated in two joint ventures during 2013. One joint venture is with the City of Tacoma: The *Tacoma - Pierce County Health Department. South Sound 911*, is with the cities of Tacoma, Lakewood, Fife and with the West Pierce Fire and Rescue Department. The second joint venture, *South Sound 911*, was formed to replace LESA in 2013 to provide consolidated public safety communications services to 37 law enforcement and fire protection agencies.

#### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) Grants and contributions that



are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in fund financial statements.

## **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION**

**Government-Wide Financial Statements.** The economic resources measurement focus and the accrual basis of accounting are used to prepare government-wide 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 imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the sewer utility and various other County functions, and certain indirect costs that have been included as part of program expenses reported for various functional activities. Elimination of these charges would distort direct costs and program revenues reported for the related functional activities.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Governmental Funds.** General government programs are accounted for in governmental funds using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Under the flow of current financial resources measurement focus, only current assets and current liabilities are generally included in governmental fund balance sheets. Reported fund equity (net current assets) is considered a measure of "expendable available financial resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, governmental fund operating statements present a summary of sources and uses of "expendable available financial resources" during the current period.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when "measurable and available"). "Measurable" means the amount of a transaction can be determined. "Available" means the revenue is collectible within the current fiscal period or collected within 30 days of the end of the current fiscal period in order to pay liabilities of the current period. Expenditures are recorded when related liabilities are incurred and will be liquidated with expendable available resources. However, debt service expenditures, as well as claims and judgments are recorded only when payment is due.

Revenues susceptible to accrual, such as certain taxes, interest earnings on investments, rents, interfund payments for services and payments from other governmental units, are recorded when earned. Other taxes and receipts become measurable and available when received and are recognized as revenue at that time. Entitlements are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

**Proprietary Funds.** Certain county business-type activities and centralized intragovernmental activities are accounted for in *Enterprise Funds* and *Internal Service Funds*, respectively. Proprietary funds use the cost of services or flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing, producing, and/or delivering goods in connection with respective

principal ongoing fund operations. Principal operating revenues are charges to customers for sales and services. The *Sewer Utility Fund* specifically recognizes operating revenues for the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses result directly from transactions that provide principal services. All other revenues and expenses that do not meet these criteria are reported as nonoperating revenues and expenses.

**Fiduciary Funds** are used to account for assets held in a trustee capacity or as an agent on behalf of other governments, special districts, private organizations or individuals.

## **FUND FINANCIAL STATEMENT PRESENTATION**

The County reports two major governmental funds and two major proprietary funds. All nonmajor governmental funds are summarized into a single column in the governmental fund financial statements. All nonmajor proprietary funds are similarly summarized in a single column in proprietary fund statements, which also include a summary column for *Internal Service Fund* statements. Fiduciary fund statements include private-purpose trust funds and certain agency funds.

A variety of County programs are accounted for in nonmajor governmental funds, primarily programs such as arts; community development; criminal justice activities; enhanced 911 emergency telephone system; parks; open space acquisition; surface water management; payment of debt service; nonmajor capital projects and certain other services.

**Governmental Fund Types.** The County reports the following governmental fund types:

**General Fund** is the primary County operating fund and accounts for all general government financial resources except those required to be accounted for in another fund type.

**Special Revenue Funds** are used to account for and report the proceeds of specific revenue sources that are generally legally restricted to expenditure for specific purposes other than debt service or capital projects.

**Debt Service Funds** are used to account for the accumulation of resources for payment of principal and interest on County general obligation bonds.

**Capital Project Funds** account for acquisition, construction, and remodeling of major capital facilities and for major capital equipment purchases.

The County reports the following major governmental funds:

*General Fund* provides general government services funded primarily by general revenues such as property and sales taxes, and charges for general government services.

*Roads Special Revenue Fund* is funded primarily by portions of property and sales taxes dedicated to maintenance and operation of public roads in the County.

**Proprietary Fund Types.** Two classifications of Proprietary Funds are used to account for certain business-type activities and interfund services.

**Enterprise Funds** account for various business-type activities for which a fee is charged to external users for services such as sewer utilities, solid waste collection, ferry and airport operations, and public golf courses.

**Internal Service Funds** account for centralized services provided to other County departments or agencies on a cost reimbursement basis. Centralized intragovernmental services include heavy equipment and vehicle acquisition and maintenance; computer systems and data processing; operation of County facilities and communications systems; risk management; and general administrative services.

The County reports the following major *Enterprise Funds*:

*Sewer Utility Fund* accounts for all activities needed to provide sewer services to County residents, including but not limited to administration, operations, maintenance, construction, and related debt service.

*Chambers Creek Regional Park Fund* accounts for development and operations of a championship eighteen-hole golf course and trail system on land adjacent to the sewer utility wastewater treatment plant.

Nonmajor *Enterprise Funds* include the business-type activities for ferry services, solid waste management and landfill reserve, airport operations and certain golf course operations.

**Fiduciary Fund Types.** Two major classifications of fiduciary funds are used to account for assets held in a trustee capacity or as an agent on behalf of others as follows:

**Private Purpose Trust Funds** are used by *Pierce County* in a fiduciary capacity as trustee or agent for funds held for forfeited performance bonds, for preservation of Lake Tapps, and held for the Nisqually Interpretive Center. *Private-Purpose Trust Funds* are accounted for in essentially the same manner as proprietary funds.

**Agency Funds** are custodial in nature and, accordingly, do not measure results of operations and do not apply a measurement focus. The County recognizes two major classifications of *Agency Funds*: 1) Those used with operations of County government such as undistributed taxes, and salary and claim clearing funds; and 2) Those which account for cash received and disbursed by the County operating as ‘ex officio’ treasurer or collection agent for special districts and other governments such as school districts and fire districts. The County has no equity or financial interest in agency funds where the role of the County is limited to that of an agent to account for assets held for other governments.

## **CASH**

Cash includes cash on hand, demand deposits, and certain short-term investments held in the treasury pool or held in certain trustee accounts. The treasury pool invests all short-term cash surpluses not otherwise invested by individual funds. Earnings from these investments are allocated to the *General Fund* for financing general County operations. Since participating funds use the pool as if it were a demand deposit account, proprietary fund equity in treasury pool is considered cash for cash flow reporting purposes.

## **INVESTMENTS**

Investments held by the County are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. County government funds are invested based on a predetermined percentage of cash balance in each fund. Certain fiduciary funds direct the nature of investments made by the County as trustee or agent for such funds.

## **RECEIVABLES AND PAYABLES**

**Taxes Receivable.** Property taxes are recorded on governmental fund balance sheets as “Taxes Receivable” and “Deferred Revenues” based on the levy date. Taxes assessed upon real property and mobile homes that meet the definition of real property attach as a lien on January 1 of each year. Taxes assessed upon personal property attach as a lien when listed with and valued by the County Assessor. Property taxes are levied for subsequent year collection by the County Council no later than the first Monday in December of the year preceding the lien and collection year. Property tax payments can be made on or after February 15 and are due in equal semi-annual installments by April 30 and October 31 of each year. Delinquent taxes are subject to 12% interest per annum computed on a monthly basis. Additionally, property taxes becoming delinquent on June 1 of the year due are subject to a 3% penalty and property taxes still delinquent on December 1 of the year due are subject to an additional 8% penalty. In accordance with state law, the County may begin foreclosure proceedings for a tax lien on real property when three years have passed since the first delinquency. The County does not record an allowance for uncollectible property tax because taxes are generally secured by liens on related real property and are realizable.

Property tax revenues are distributed monthly on a levy basis to junior taxing districts including cities and towns; fire protection, sewer, school, water, and drainage districts; the port; the rural library; and parks and recreation districts.

State law permits the levy of taxes, to a maximum of \$1.80 per \$1,000 of assessed valuation, for general governmental services. However, state law also dictates that unless a higher rate is approved by a majority of voters through an election, the annual increase in property taxes payable in the following year shall be limited.

The annual tax increase is limited to the lesser of the Implicit Price Deflator (IPD), or 1% of the amount of regular property taxes lawfully levied in the highest of the three most recent years in which such taxes were levied, plus:

New construction within the taxing district.	}	multiplied by the preceding year tax rate
Improvements within the taxing district.		
Increase in state assessed property within the taxing district.		

For 2013, *Pierce County* was permitted to levy \$1.526 per \$1,000 on 2012 assessed valuation of \$69.1 billion for general operating purposes and \$.0571 for conservation futures programs. Statute also authorizes a levy of \$2.116 per \$1,000 of assessed valuation for County road construction, road maintenance, and related services within unincorporated *Pierce County*.

**Assessments Receivable.** Assessments levied against real property located within sewer utility local improvement districts are recorded as “Assessments Receivable” and “Capital Contributions” when assessment rolls are issued. Proceeds are restricted for revenue bond debt service. Similarly, road improvement district special assessments are recorded as “Assessments Receivable” and “Deferred Revenues” when assessment rolls are issued. Special assessments are recognized as revenue when available for payment of current liabilities and proceeds are restricted for special assessment debt service. Assessments receivable total \$2.5 million at December 31, 2013. At year-end, any delinquent amounts and allowance for uncollectible assessments are not material.

**Due To/From Other Governments.** Amounts due to or from other governments for activity such as grants, shared revenues and charges for services are accrued at year-end.

**Interfund Receivables and Payables.** Receivables and payables resulting from lending or borrowing activity between funds are classified as “Interfund Loans Receivable/Payable” when repayment is expected during the next fiscal year; or as “Advances To/From Other Funds” when long-term repayment is expected. Such long-term advances are offset by a fund balance reserve for governmental fund types to indicate such amounts are not expendable available financial resources. All other interfund balances are classified as “Due From Other Funds”, or “Due To Other Funds”. Any residual balances outstanding between governmental activities and business-type activities are reported in government-wide financial statements as “internal balances”.

Charges for goods provided or services rendered between departments and funds are recorded as operating revenues. Operating subsidies and capital contributions are recorded as transfers.

**Accounts and Contracts Receivable.** All trade and contracts receivable are presented net of any allowance for uncollectible accounts. The following schedule presents gross receivables with related estimated uncollectible accounts at December 31, 2013:

Governmental Activities				
Accounts and Contracts Receivable				
(In Thousands)	General Fund	Roads	Other Governmental Funds	Total Governmental Activities
Accounts Receivable	\$ 8,203	\$ 23	\$ 4,657	\$ 12,883
Contracts Receivable	238	–	522	760
Estimated Uncollectible Accounts	(100)	–	(1,776)	(1,876)
Accounts and Contracts Receivable, Net	<u>\$ 8,341</u>	<u>\$ 23</u>	<u>\$ 3,403</u>	<u>\$ 11,767</u>
Business-Type Activities				
Accounts and Contracts Receivable				
(In Thousands)	Sewer Utility	Chambers Creek Regional Park	Other Enterprise Funds	Total Business-Type Activities
Accounts Receivable	\$ 8,721	\$ 49	\$ 536	\$ 9,306
Contracts Receivable	175	–	–	175
Estimated Uncollectible Accounts	(43)	–	–	(43)
Accounts and Contracts Receivable, Net	<u>\$ 8,853</u>	<u>\$ 49</u>	<u>\$ 536</u>	<u>\$ 9,438</u>

## INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost using the first-in, first-out costing method. Inventories for governmental fund types are not significant at December 31, 2013 and, accordingly, are not recorded for financial reporting purposes and are recorded as expenditure when purchased. Proprietary fund types recognize the cost of inventory items as expense when consumed. Certain other purchases representing costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements. Any prepaid items in governmental fund statements are offset by fund balance reserves to indicate amounts that are not considered to be expendable available financial resources.

## RESTRICTED ASSETS

Resources for construction, debt service and other future obligations within *Enterprise Funds* are segregated and classified as restricted assets. Related liabilities are included on the balance sheet as liabilities payable from restricted assets or as certain long-term liabilities.

## CAPITAL ASSETS AND DEPRECIATION

**Capital Assets.** Capital assets, including land, buildings, property, plant, equipment and public domain infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in applicable governmental or business-type activities columns in government-wide financial statements. Intangible assets and computer software are considered capital assets when capitalizable costs exceed \$1.0 million. Buildings and infrastructure assets are considered capital assets when initial individual cost exceeds \$75,000. Other assets are defined as capital assets when initial individual cost is more than \$5,000 with an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost determined using the current replacement cost method, if actual historical cost is not available. Donated assets are recorded at donor cost or estimated fair market value at date of donation. Estimated cost of infrastructure assets includes the entire network of roads, bridges, levees, and surface water improvements acquired after January 1, 1981. Certain proprietary fund asset costs include related interest expense incurred during construction.

**Depreciation.** Exhaustible capital assets are depreciated on the straight-line method over estimated useful lives as follow:

Structures and buildings	– 25 to 75 yrs.	Transportation equipment	– 3 to 10 yrs.
Airport hangars	– 10 yrs.	Tools and shop equipment	– 3 to 5 yrs.
Furniture and office equipment	– 4 to 15 yrs.	Other equipment	– 5 yrs.
Sewer pumping plant, collection and transmission lines	– 10 to 50 yrs.	Infrastructure	– 25 to 99 yrs
		Intangible Assets/Software	– 5 to 10 yrs

Proprietary funds charge depreciation of exhaustible capital assets to operating expense. Repairs and maintenance are expensed as incurred. Major renewals, replacements and betterments are capitalized.

**Net Investment In Capital Assets** reported in the government-wide statement of net position excludes \$130.4 million of long-term debt issued for capital purposes but unspent at December 31, 2013. Such unspent bond proceeds include \$24.3 million for governmental activities and \$106.1 million for business-type activities.

## DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of net position may report a separate financial statement element for deferred outflows of resources. This separate element represents consumption of net position that applies to a future periods and, accordingly, will not be recognized as an outflow of resources (expense/ expenditure) until then. The County has no material amounts that qualify for reporting in this category.

In addition to liabilities, the statements reflecting financial position may report a separate financial statement element for deferred inflows of resources. This separate element represents an acquisition of net position that applies to future periods and, accordingly, will not be recognized as an inflow of resources (revenue) until that time. The County has one item, unavailable revenue from property taxes, which qualifies for reporting in this category. The deferred inflow of resources from unavailable property tax revenue occurs only in governmental

fund financial statements prepared under the modified accrual basis of accounting and, accordingly, is reported as a deferred inflow of resources only in the governmental funds balance sheet. This amount is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

#### **LONG-TERM OBLIGATIONS AND DEFERRED CHARGES**

Governmental funds recognize bond premium and discounts, and issuance costs in the current period. Bond proceeds are reported as other financing sources net of any applicable premium or discount. Issuance costs are reported as debt service expenditures.

Long-term obligations are reported as liabilities in the statements of net position for applicable governmental and business-type activities in government-wide financial statements and in proprietary fund type statements. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight line method (which approximates the effective interest method). Debt issuance costs are expensed in the period incurred. Bonds payable are reported net of premiums and discounts.

Deferred charges in *Enterprise Funds* include preliminary survey charges, and landfill closure and postclosure costs. Preliminary planning costs incurred for proposed projects are deferred pending construction of the project. Costs relating to projects ultimately constructed are transferred to construction in progress. Costs relating to abandoned projects are charged to expense. *Solid Waste Management Fund* landfill postclosure costs are amortized over an estimated postclosure care period of 25 years.

Arbitrage occurs when County funds borrowed at tax-exempt interest rates are invested by the County in higher yielding taxable securities. When such investment interest earnings exceed interest expense for tax-exempt debt, the County records a liability to the federal government and reduces interest revenue. When such interest earnings are less than interest expense, a receivable and interest revenue for any federal government refund are recorded.

#### **COMPENSATED ABSENCES**

The liability for compensated absences consists of unpaid vacation, sick leave, compensatory time, and County portions of related payroll taxes. The liability for compensated absences is accrued when incurred in government-wide, proprietary, and fiduciary fund financial statements.

Vacation is earned based on a legally prescribed formula that allows an employee to accumulate at year-end the greater of forty-five days or one year's vested accrual of vacation hours.

Sick leave is earned at the rate of one day per month with no maximum accumulation specified. Employees are entitled to receive 25% to 75% of accumulated sick leave (up to 200 days) upon termination due to retirement, disability, or death; or 10% of accumulated sick leave (up to 200 days) upon other termination in good standing. For reporting purposes, 10% of accumulated sick leave is accrued. The vesting method is used to calculate sick leave.

#### **OTHER POSTEMPLOYMENT BENEFITS**

Lifetime full medical coverage is provided to full-time law enforcement officers who became members of the Law Enforcement Officers and Fire Fighters (LOEFF) retirement system prior to October 1, 1977. During 2007 the County adopted current financial reporting standards to measure and report the costs of this benefit program (see Note 12). Accordingly, a liability for the accumulated unfunded actuarially required contribution is reported in the statement of net position. Actual postemployment medical benefit costs are reported as expenditures in the year incurred.

#### **FUND BALANCE COMPONENTS**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance of governmental funds are reported as either nonspendable, restricted, committed, assigned, or unassigned. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**Nonspendable Fund Balance** includes items that cannot be spent because the related assets are not in spendable form or must be maintained intact. This includes nonspendable resources such as the long-term portions of loans and contract receivable.

**Restricted Fund Balance** represents resources with restrictions on use imposed either by an external party (such as creditors, grantors, or donors); or imposed by law (such as federal or state regulations, the County charter, or enabling legislation).

**Committed Fund Balance** can be used only for specific purposes pursuant to constraints imposed by a formal action such as a County ordinance adopted by the County's highest level of decision-making authority, the County Council with approval of the County Executive. Similar formal action is required to create, modify, or rescind an ordinance.

**Assigned Fund Balance** includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. Use of assigned fund balance may be established by the County Council, the County Executive, or, in certain circumstances, by the Director of Budget & Finance. No formal action is required to reallocate assigned fund balance. For governmental funds other than the *General Fund*, assigned fund balance is the residual amount within the fund that is not restricted or committed.

**Unassigned Fund Balance** is the residual amount of the *General Fund* not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Funds are created by ordinance by the County Council and County Executive and money is authorized to be transferred to certain funds for a particular purpose. At this point, balances in these funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved. Subsequent transfers in to these funds are classified as assigned fund balance.

## **NET POSITION AND FUND BALANCE POLICIES**

**Net Position Flow Assumption.** When both restricted resources (such as bond or grant proceeds) and unrestricted resources are used to fund outlays for a particular purpose, County policy stipulates use of restricted resources first, then unrestricted resources as needed. This flow assumption is used to determine amounts reported as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements.

**Fund Balance Flow Assumptions.** When both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance) are available for use to fund outlays for a particular purpose in governmental funds, County policy stipulates use of restricted resources first, then unrestricted resources as needed. When expenditures are incurred which can be paid from unrestricted resources, committed fund balance will be spent first, followed by assigned fund balance and then by unassigned fund balance.

**Minimum Fund Balances.** The minimum fund balance goal established by the County is that *General Fund* will retain unreserved fund balance (determined on the budget basis of accounting) of at least 10 percent of the upcoming year's *General Fund* budgeted expenditures.

The goal for all other funds is to retain sufficient fund balance to provide adequate cash flow; support designated mandates; finance infrastructure needs; meet equipment replacement schedules; and comply with other minimum requirements as may be established specifically for each fund.

**Use of Fund Balance.** Fund balance in the *General Fund* may be utilized to fund one-time activities such as, but not limited to, equipment outlay, capital construction, and one-time operational projects.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### BUDGETARY DATA

**Budget Policies and Controls.** In accordance with the Pierce County Charter, the County Council is required to adopt annual budgets for all budgeted funds for the next fiscal year no later than thirty days prior to the end of the current fiscal year. Each quarter during the fiscal year, the executive must submit a written report to the council explaining the relationship between actual and budgeted year-to-date revenues and expenses, and the estimated income and expenses. If income is estimated to be less than anticipated, the council may reduce appropriations as necessary to keep expenditures within income. Budgets may be administratively revised within all funds except the *General Fund* and within departments in the *General Fund* as long as the total appropriation is not changed. All appropriations lapse at the end of the year with the exception of project-length budgets for certain capital projects.

The County Council may also modify the budget on an emergency basis by appropriating contingency funds, revenues received in excess of budgeted revenues, or funds from any other legally available source.

The legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, is the fund level for all funds except for the *General Fund*, which is budgeted at the department level.

Four *Special Revenue Funds* were not budgeted in 2013. No budget is required for the *Treasurer's Operations and Maintenance Special Revenue Fund* pursuant to RCW 84.56.020. The *Anti-Profiteering and Revolving Special Revenue Fund*, the *Endangered Species Act Special Revenue Fund* and the *Elections Equipment Replacement Special Revenue Fund* were not budgeted because no expenditures were anticipated.

**Basis of Budgeting.** The annual budget is prepared using the modified accrual basis of budgeting consistent with generally accepted accounting principles (GAAP) for governmental fund types (the *General Fund*, and *Special Revenue*, *Capital Project* and *Debt Service Funds*). Budget basis accounts are integrated in the accounting system and presented herein with comparison to actual results of operations for the *General Fund* and the major *Special Revenue Funds*.

The Pierce County Charter requires proprietary fund budgets. Budgets for proprietary funds are prepared on a revenue and expense basis similar to the budgets for governmental fund types.

**Encumbrances.** An encumbrance system is maintained to account for commitments resulting from approved purchase orders and contracts. All appropriations lapse at the end of the year with the exception of *Capital Project Funds*. Accordingly, encumbrances outstanding at year-end must be absorbed within budget appropriations for the next year. Outstanding encumbrances in *Capital Project Funds* do not constitute expenditures or liabilities and are included in restricted, committed, and assigned fund balance classifications as appropriate. Outstanding encumbrances for governmental funds other than *Capital Project Funds* are not material at year-end.

### DEFICIT FUND EQUITY

The *Real Estate Excise Tax County Improvement Capital Project Fund* reported a deficit fund balance of \$1.7 million. The deficit is due to an interfund loan payable that will be repaid ratably thru 2021.

The *Parks Construction Capital Project Fund* and the *Paths and Trails Construction Capital Project Fund* reported deficit fund balances of \$90,000 and \$303,000, respectively. The deficit fund balances are temporary in nature, due to timing differences in the reimbursement of certain project expenditures.

The *Chambers Creek Regional Park Fund* reported a net position deficit of \$6.0 million due primarily to start-up costs for the new golf course for construction and the first five years of operation. The downturn in the economy also contributed to a reduction in recreational activity. The deficit will be recovered over the next few years as golf course operations are developed and marketed. The golf course will host the U.S. Open Golf Tournament in 2015.

### RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As mentioned earlier, government-wide financial statements are prepared using the economic resources measurement focus and full accrual method of accounting; and fund financial statements are prepared using the



flow of resources measurement focus and modified accrual method of accounting. The different measurement focuses and methods of accounting result in certain differences between government-wide and fund financial statements. Such differences are summarized in reconciliations included as part of the governmental fund financial statements.

**Governmental fund balance sheet.** The balance sheet for governmental funds includes a reconciliation of differences between total governmental fund balances and net position of governmental activities reported in the government-wide statement of net position. The schedule presents detailed explanations for major elements of the reconciliation including certain government-wide assets, liabilities, and net position not included in governmental fund balance sheets.

**Governmental fund statement of revenues, expenditures, and changes in fund balances.** The statement of revenues, expenditures, and changes in fund balances for governmental funds includes a reconciliation that summarizes differences between “Net Change in Fund Balances – Total Governmental Funds” and “Changes in Net Position of Governmental Activities” reported in the government-wide statement of activities. Detailed explanations of certain differences are presented below.

The first element of the reconciliation explains that “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...” Details of the \$31.2 million difference are as follows:

	(In Thousands)
Increases in government-wide net position on the statement of activities for capital outlay expenditures from capital project funds that are capitalized in government-wide statements, not expensed.	\$ 52,165
Increases in government-wide net position on the statement of activities for other capital expenditures from the <i>General Fund</i> and <i>Special Revenue Funds</i> that are capitalized in the government-wide statements, not expensed.	532
Decreases in government-wide net position in the statement of activities for capital costs of construction in progress expensed for certain projects, or donated to or annexed by other governments, but not expensed in governmental fund statements.	(1,472)
Depreciation expense for capital assets used by governmental activities is reported in the government-wide statement of activities, but is not included in governmental fund statements.	(19,991)
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to determine Changes in Net Position of Governmental Activities	<u>\$ 31,234</u>

An additional element of that reconciliation states “Governmental funds report the issuance of long-term debt; the repayment of the principal on long-term debt; and related items occurring when debt is first issued (such as issuance costs, premiums, and/or discounts) as increases or decreases in total governmental fund balances” and “This amount represents the net effect of differences in the treatment of such long-term debt and related items.” The difference of (\$26.4) million consists of the following:

	(in thousands)
Changes in governmental fund balances include decreases for repayment of principal on long-term debt and changes in related premiums, discounts and amortization of losses on refundings. In entity-wide statements, principal payments and related charges are treated as a reduction of debt resulting in adjustments to governmental fund balance to determine changes in net assets for government-wide reporting as follows:	
Repayment of principal on long-term debt	\$ 8,558
Related premiums, discounts and amortization, net	902
Increase in debt and premiums net of discounts.	9,460
Changes in governmental fund balances include increases for debt issued or incurred. Such increases in debt and related premiums, discounts and losses on refundings are excluded from changes in net assets for government-wide reporting as follows:	
General obligation bonds issued	(31,030)
Related premiums and discounts, net	(3,198)
Contract payable incurred	(1,664)
Increase in debt and premiums, net of discounts, and issue costs.	(35,892)
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to determine Changes in Net Assets of Governmental Activities	<u>\$ (26,432)</u>

An additional element of the reconciliation states “Changes in certain accrued assets and liabilities are included in the statement of activities. Such changes do not require the use of current financial resources and, therefore, are not included in the change in governmental fund balances.” The detail of the \$631,000 difference follows:

	(In Thousands)
The increase in the liability for compensated absences is accrued as expense and reduces government-wide net position in the statement of activities. Changes in the liability are not included in governmental fund statements.	\$ 977
The increase in the liability for other post employment benefits is accrued as expense and reduces government-wide net position in the statement of activities. Changes in the liability are not included in governmental fund statements.	(1,339)
The decrease in accrued interest reduces expense and increases government-wide net position in the statement of activities. Changes in accrued interest expense are not included in governmental fund statements.	993
Net adjustment to decrease Net Changes In Fund Balances - Total Governmental Funds to determine Changes In Net Position of Governmental Activities	<u>\$ 631</u>

Another element of the reconciliation states “*Internal Service Funds* are used by management to charge the costs of certain activities to individual funds. The net revenue of such activity is not included in the change in governmental fund balances.” The detail of the \$13.4 million difference follows:

	(In Thousands)
To eliminate profit (loss) from services provided between <i>Internal Service Funds</i> and services provided to governmental funds (e.g. within governmental activities).	\$ 2,838
To eliminate interest income and expense between <i>Internal Service Funds</i> and governmental funds (e.g. within governmental activities).	82
To eliminate transfers between <i>Internal Service Funds</i> and transfers to or from governmental funds (e.g. within governmental activities).	9,853
To record income from external sources for <i>Internal Service Funds</i> .	622
Net adjustment to increase Net Changes In Fund Balances - Total Governmental Funds to determine Changes In Net Position of Governmental Activities	<u>\$ 13,395</u>

### NOTE 3 - CASH AND INVESTMENTS

As of December 31, 2013, the County has the following investments and maturities:

Investment Type (In Thousands)	Total Fair Value	Investment Maturities (in months)				
		Less Than 1	2 to 3	4 to 6	7 to 12	More than 12
Certificates of Deposit	\$ 25,120	\$ -	\$ -	\$ 120	\$ 25,000	\$ -
Local Government						
Investment Pool	921,755	921,755	-	-	-	-
Federal Home Loan Bank	51,627	-	-	20,002	-	31,625
Federal Home Loan						
Mortgage Corporation	54,108	-	10,027	-	-	44,081
Federal National Mortgage						
Association - Bonds	69,584	-	-	-	-	69,584
Total	<u>\$ 1,122,194</u>	<u>\$ 921,755</u>	<u>\$ 10,027</u>	<u>\$ 20,122</u>	<u>\$ 25,000</u>	<u>\$ 145,290</u> (1)

(1) Of the securities maturing in more than 12 months \$25,000 are callable one time and \$86,900 are callable quarterly.

**Interest Rate Risk.** The County investment policy does not specifically address the management of interest rate risk. The exposure to fair value losses arising from increasing interest rates is managed by limiting the weighted average maturity of the portfolio to between six months and one year.

**Credit Risk.** Through its investment policy, the County manages credit risk by restricting County investments to obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities; bankers acceptances; primary certificates of deposit issued by qualified public depositories designated by the Washington Public Deposit Protection Commission; the Washington State local government investment pool; municipal bonds issued by the state or its local governments; and repurchase agreements collateralized by any previously authorized investments. Bankers’ acceptances must be ranked in either of the two highest rating categories by Moody’s

Investor Service or Standard & Poor's. With the exception of U.S. Treasuries, Government agencies, instrumentalities, and the Local Government Investment Pool, no more than 20% of investments shall be from any single issuer. The credit quality distribution for securities with credit exposure as a percentage of total investments at December 31, 2013 follows:

Investment Type	Moody's Investor Service	Standard & Poor's
Local Government Investment Pool	Not rated	Not rated
Federal Home Loan Bank	Aaa	AA+
Federal Home Loan Mortgage Corp	Aaa	AA+
Federal National Mortgage Association	Aaa	AA+

**Custodial Credit Risk.** County investment policy limits deposits in any single financial institution to 20% of the non-trustee portfolio to minimize custodial credit risk. At December 31, 2013 all cash and time deposits, which total \$59.8 million, are insured by either federal depository insurance or by the Washington Public Deposit Protection Commission (WPDPC).

#### NOTE 4 - RESTRICTED ACCOUNTS

Certain assets are restricted for specific purposes under provisions of various bond indentures and County ordinances. Certain assets of *Enterprise Funds* are restricted for debt service and future construction in *Sewer Utility Funds*; for landfill self-insurance and postclosure costs in the *Solid Waste Management Fund*; and for capital purposes in the *Airport Fund*.

#### MAJOR ENTERPRISE FUND

**Sewer Utility Funds.** Restricted assets for sewer utilities at December 31, 2013 are as follows:

Sewer Utility Restricted Assets (In Thousands)	Bond Accounts	Capital Improvement Accounts	Total
Cash In Treasury Pool	\$ 62	\$ 20,186	\$ 20,248
Investments	16,811	153,026	169,837
Accrued Interest And Penalties	140	81	221
Assessments Receivable	2,398	—	2,398
Advances Receivable	—	814	814
Total Restricted Assets	<u>\$ 19,411</u>	<u>\$ 174,107</u>	<u>\$ 193,518</u>

At year-end \$15.0 million of sewer utility net position is restricted for debt service, and \$52.7 million is restricted for capital projects at December 31, 2013.

#### NONMAJOR ENTERPRISE FUNDS

**Airport Fund.** At December 31, 2013, restricted *Airport Fund* assets of \$320,000 exceeded restricted liabilities of \$60,000, resulting in total fund net position of \$260,000 restricted for capital purposes in the *Airport Fund*.

**Solid Waste Management Funds.** Restricted assets for operations, landfill reserves, and postclosure care costs at December 31, 2013 are as follows:

Solid Waste Management Restricted Assets (In Thousands)	Operations	Self-Insurance Reserve	Postclosure Care Accounts	Total
Cash In Treasury Pool	\$ —	\$ 248	\$ 813	\$ 1,061
Investments	—	1,399	5,498	6,897
Assessments Receivable	103	—	—	103
Landfill Postclosure Receivable	—	—	1,033	1,033
Total Restricted Assets	<u>\$ 103</u>	<u>\$ 1,647</u>	<u>\$ 7,344</u>	<u>\$ 9,094</u>

The County contracts with Pierce County Recycling, Composting, and Disposal, LLC (PCRCDD) to provide postclosure maintenance for the two closed County-owned landfills.

The County is required by the Code of Federal Regulations and the Washington Administrative Code to provide financial assurance that postclosure care costs associated with County-owned landfills will be funded. At year-end, \$7.3 million of assets in the postclosure care accounts are held as restricted assets to fund estimated liabilities of \$4.9 million. Changes in estimated liabilities may occur in the future due to inflation or deflation, technology, or changes in postclosure care requirements. Unfunded portions of certain postclosure liabilities are recorded as a receivable (deferred charge). In addition, the *Landfill Reserve Self-Insurance Trust Account* was established to fund future investigation and remediation, if any, of custodial landfill sites. At year-end, \$1.6 million is held as restricted assets in the self-insurance reserve fund for such purposes. Net position restricted for landfill self-insurance and postclosure costs total \$4.0 million at year-end. At December 31, 2013, the County and PCRCDD are in compliance with all provisions of the contract, and with related state and federal regulations.

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, is summarized as follows:

<b>Governmental Activities Capital Asset Activity (In Thousands)</b>	<b>Balance 01-01-13</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12-31-13</b>
Capital assets not being depreciated:				
Land and land rights	\$ 221,290	\$ 10,608	\$ (722)	\$ 231,176
Construction in progress	165,923	59,917	(26,012)	199,828
Total capital assets not being depreciated	387,213	70,525	(26,734)	431,004
Capital assets being depreciated:				
Buildings	266,722	2,893	—	269,615
Improvements other than buildings	19,436	24	—	19,460
Machinery and equipment	109,745	9,340	(5,062)	114,023
Infrastructure	510,578	10,381	—	520,959
Total capital assets being depreciated	906,481	22,638	(5,062)	924,057
Less accumulated depreciation for:				
Buildings	(72,534)	(7,409)	436	(79,507)
Improvements other than buildings	(5,718)	(919)	—	(6,637)
Machinery and equipment	(61,991)	(8,073)	4,160	(65,904)
Infrastructure	(104,980)	(8,662)	—	(113,642)
Total accumulated depreciation	(245,223)	(25,063)	4,596	(265,690)
Total capital assets being depreciated, net	661,258	(2,425)	(466)	658,367
Governmental activities capital assets, net	\$ 1,048,471	\$ 68,100	\$ (27,200)	\$ 1,089,371

<b>Business-Type Activities Capital Asset Activity</b> (In Thousands)	<b>Balance 01-01-13</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12-31-13</b>
Capital assets not being depreciated:				
Land and land rights	\$ 51,779	\$ –	\$ –	\$ 51,779
Construction in progress	69,417	76,207	(893)	144,731
Avigation rights	562	–	–	562
Total capital assets not being depreciated	121,758	76,207	(893)	197,072
Capital assets being depreciated:				
Buildings and system	93,872	–	(1,093)	92,779
Improvements other than buildings	60,520	–	(89)	60,431
Machinery and equipment	98,193	1,269	(110)	99,352
Infrastructure	419,692	1,289	–	420,981
Total capital assets being depreciated	672,277	2,558	(1,292)	673,543
Less accumulated depreciation for:				
Buildings and system	(47,999)	(1,834)	241	(49,592)
Improvements other than buildings	(10,262)	(1,939)	36	(12,165)
Machinery and equipment	(30,341)	(3,725)	73	(33,993)
Infrastructure	(167,810)	(8,534)	–	(176,344)
Total accumulated depreciation	(256,412)	(16,032)	350	(272,094)
Total capital assets being depreciated, net	415,865	(13,474)	(942)	401,449
Business-type activities capital assets, net	\$ 537,623	\$ 62,733	\$ (1,835)	\$ 598,521

**Construction In Progress** activity during 2013 included certain completed projects for governmental and business-type activities transferred within capital assets from construction in progress to the departments responsible for maintaining the assets. Certain other projects were expensed as minor improvements and repairs.

The reduction of construction in progress for governmental activities of \$26 million includes \$23.5 million of completed projects placed in service and transferred to other capital asset classifications, and \$2.5 million expensed for various noncapital improvements and repairs to County facilities. The \$23.5 million of capitalized completed projects includes major projects of \$7.9 million for surface water land acquisitions and improvements; \$4.9 million of road construction projects; and \$4.6 million of County facility improvements.

A summary of capital assets placed in service from construction in progress for governmental activities during 2013 follows:

<b>Governmental Activities Capital Projects Placed in Service</b> (In Thousands)	<b>Land and Land Rights</b>	<b>Buildings and Improvements</b>	<b>Infrastructure</b>	<b>Equipment</b>	<b>Total</b>
Roads Construction	\$ –	\$ –	\$ 4,931	\$ –	\$ 4,931
Water Programs	6,807	1,123	–	–	7,930
Other Real Estate and Improvements	805	4,611	–	–	5,416
Other Equipment	–	–	–	1,118	1,118
Total Governmental Activities	\$ 7,612	\$ 5,734	\$ 4,931	\$ 1,118	\$ 19,395

The \$893,000 reduction of construction in progress for business-type activities includes the following transfers from construction in progress to other capital asset classifications \$849,000 for completed utilities related improvements and \$37,000 for ferry improvements. Completed construction projects for business-type activities include \$3,000 of capitalized interest.

**Depreciation expense** charged to functions and/or programs of *Pierce County* for the year ended December 31, 2013 is as follows:

<b>Governmental Activities Depreciation Expense</b>		<b>(In Thousands)</b>
General Government	\$	3,608
Public Safety		4,600
Physical Environment		957
Transportation		8,849
Economic Environment		12
Health And Human Services		251
Culture & Recreation		1,714
Capital Assets Held By <i>Internal Service Funds</i> (charged to various functions based on usage of related equipment and services)		5,072
Total Depreciation Expense, Governmental Activities	\$	25,063

<b>Business-Type Activities Depreciation Expense</b>		<b>(In Thousands)</b>
Sewer Utility	\$	13,128
Chambers Bay Golf Course		1,276
Ferry Services		695
Solid Waste Management		46
Airport		826
Golf Course		61
Total Depreciation Expense, Business-Type Activities	\$	16,032

## NOTE 6 - DEBT

### LONG-TERM DEBT

General obligation debt and revenue debt are used to finance purchases of major capital items, including acquisition or construction of major capital facilities. Other bonded indebtedness is issued for advance refunding of certain general obligation and revenue bonds. General obligation bonds are issued for general governmental and business-type activities. Revenue bonds and certain general obligation debt are repaid from proprietary fund revenues and are accounted for in proprietary fund financial statements.

**General obligation bonds** are direct obligations and pledge the full faith and credit of the County. The following general obligation bonds are serviced by *General Fund* revenues:

<b>Governmental Activities General Obligation Bonds (In Thousands)</b>	<b>Date Of Issue</b>	<b>Maturity Date</b>	<b>Interest Rates</b>	<b>Original Amount</b>	<b>Bonds Outstanding 12-31-13</b>
Partial Refunding of 1994 G.O. Issue	03-04-03	12-01-14	3.43%	\$ 8,319	\$ 940
2005 G.O. Refunding	06-07-05	08-01-25	3.25% to 5.125%	32,915	26,760
Conservation Futures Land Purchases	02-27-06	08-01-26	3.50% to 4.375%	31,825	23,010
Combined Maintenance Facility	10-10-06	12-01-26	4.00% to 5.00%	27,385	20,380
2009 Transportation Improvements	08-11-09	08-01-29	2.50% to 4.40%	23,950	20,365
2010 Transportation Improvements (BABs -- Direct Pay)	04-27-10	08-01-29	1.10% to 5.50%	24,225	21,080
County 911 System Improvements	09-04-12	07-01-22	2.00% to 5.00%	15,195	14,135
South Sound 911 System Improvements	09-11-13	07-01-23	2.00% to 5.00%	28,880	28,880
Sheriff Parkland Precinct Facility	09-11-13	07-01-23	2.00% to 3.125%	2,150	2,150
				<u>\$ 194,844</u>	<u>\$ 157,700</u>

General obligation bonds serviced by business-type activities are as follows:

Business-Type Activities General Obligation Bonds (In Thousands)	Date Of Issue	Maturity Date	Interest Rates	Original Amount	Bonds Outstanding 12-31-13
2005 G.O. Refunding Sewer	06-07-05	08-01-17	3.00% to 5.25%	\$ 5,465	\$ 225
Chambers Bay Golf Course	09-27-05	12-01-35	3.00% to 4.50%	20,770	18,090
				<u>\$ 26,235</u>	<u>\$ 18,315</u>

**Revenue Bonds** are issued to finance construction of certain sewer installations and are secured by net revenues of the *Sewer Utility*, the reserve account and utility special assessments. Bond agreements contain restrictive covenants relating primarily to rate setting, utilization of revenues and maintenance of property, plant and equipment. During 2013, the *Enterprise Funds* were in compliance with all significant financial bond covenants. Details of the revenue bonds outstanding at year-end serviced by the *Sewer Utility* follow:

Business-Type Activities Revenue Bonds (In Thousands)	Date Of Issue	Maturity Date	Interest Rates	Original Amount	Bonds Outstanding 12-31-13
Sewer Refunding Revenue, 2010A	10-19-10	08-01-21	2.00% to 4.00%	\$ 7,565	\$ 6,620
Sewer Revenue (BABs -- Direct Pay), 2010B	10-19-10	08-01-40	.75% to 5.50%	53,660	50,060
Sewer Revenue, 2012	09-05-12	08-01-42	2.00% to 5.00%	196,090	193,030
				<u>\$ 257,315</u>	<u>\$ 249,710</u>

**Installment Contracts** represent loans from the Washington State Public Works Trust Fund to finance construction of ferry boats, sewer system improvements, and expansion of a major arterial in *Pierce County*.

Governmental activities debt includes a road expansion loan to be repaid from the *Road Fund* as follows:

Governmental Activities Installment Contracts (In Thousands)	Date Of Issue	Maturity Date	Interest Rates	Original Amount	Balance Outstanding 12-31-13
Public Works Trust Fund Loan #3 - Road Expansion	06-15-05	07-01-25	0.50%	\$ 2,942	\$ 1,876
Public Works Trust Fund Loan #4 - Road Expansion	11-01-12	06-01-31	0.50%	4,145	3,926
Department Of Ecology - 2010 Septic Repair Loan	03-15-10	04-01-30	2.90%	486	486
				<u>\$ 7,573</u>	<u>\$ 6,288</u>

Business-type activities debt includes one ferry boat loan and two sewer system loans that represent general obligation debt and are expected to be repaid from revenues of the *Ferry Services and Sewer Utility Enterprise Funds* as follows:

Business-Type Activities Installment Contracts (In Thousands)	Date Of Issue	Maturity Date	Interest Rates	Original Amount	Balance Outstanding 12-31-13
Public Works Trust Fund Loan #2 - Ferry	07-07-04	07-01-24	0.50%	\$ 7,058	\$ 4,154
Public Works Trust Fund Loan - Sewer	02-08-00	07-01-19	1.00%	1,398	261
Public Works Trust Fund Loan #2 - Sewer	04-08-05	07-01-25	0.50%	1,886	990
				<u>\$ 10,342</u>	<u>\$ 5,405</u>

## CHANGES IN LONG-TERM LIABILITIES

A summary of long-term debt activity of *Pierce County* for the year ended December 31, 2013 follows:

<b>Governmental Activities</b> (In Thousands)	<b>Balance</b> <b>01-01-13</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b> <b>12-31-13</b>	<b>Amount</b> <b>Due Within</b> <b>One Year</b>
General Obligation Bonds	\$ 134,853	\$ 31,030	\$ 8,183	\$ 157,700	\$ 11,657
Add Unamortized Premiums					
Net of Discounts	3,839	3,199	901	6,137	—
Installment Contracts	4,999	1,664	375	6,288	291
Claims and Judgements	12,646	7,116	4,534	15,228	6,612
Postemployment Health Care Benefits	3,831	2,988	1,649	5,170	—
Compensated Absences Payable	23,932	18,016	19,145	22,803	17,815
<b>Total Long-Term Liabilities For</b> <b>Governmental Activities</b>	<b>\$ 184,100</b>	<b>\$ 64,013</b>	<b>\$ 34,787</b>	<b>\$ 213,326</b>	<b>\$ 36,375</b>

<b>Business-Type Activities</b> (In Thousands)	<b>Balance</b> <b>01-01-13</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b> <b>12-31-13</b>	<b>Amount</b> <b>Due Within</b> <b>One Year</b>
Revenue Bonds	\$ 254,965	\$ —	\$ 5,255	\$ 249,710	\$ 5,630
General Obligation Bonds	19,375	—	1,060	18,315	585
Add Unamortized Premiums					
Net of Discounts	13,186	—	1,720	11,466	—
Landfill Postclosure Liabilities	5,066	60	243	4,883	—
Installment Contracts	5,909	—	504	5,405	504
Compensated Absences Payable	1,814	1,476	1,721	1,569	1,154
<b>Total Long-Term Liabilities For</b> <b>Business-Type Activities</b>	<b>\$ 300,315</b>	<b>\$ 1,536</b>	<b>\$ 10,503</b>	<b>\$ 291,348</b>	<b>\$ 7,873</b>

*Internal Service Funds* predominantly serve governmental funds. Accordingly, \$2.2 million of compensated absences from *Internal Service Funds* is included in year-end long-term liabilities for governmental activities as of December 31, 2013. The remaining governmental activities liability for compensated absences is generally liquidated by individual governmental funds in which the employees receiving payments are budgeted, most significantly in the *General Fund*, *Roads Fund*, and *Community Connections Fund*. The governmental liability for postemployment health care benefits is liquidated by the *General Fund*.

## MATURITIES OF LONG-TERM LIABILITIES

A schedule of principal and interest payments for outstanding debt as of December 31, 2013 follows:

(In Thousands)	<b>Governmental Activities</b>		<b>Business-Type Activities</b>			
	<b>General Obligation Debt</b>		<b>General Obligation Debt</b>		<b>Revenue Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 11,657	\$ 6,703	\$ 1,089	\$ 812	\$ 5,630	\$ 10,527
2015	11,091	6,583	1,104	787	5,720	10,382
2016	11,511	6,145	1,124	761	5,865	10,185
2017	11,966	5,678	1,143	734	6,060	9,937
2018	12,391	5,242	1,108	706	6,255	9,674
2019-2023	66,665	17,781	5,764	3,102	33,530	43,940
2024-2028	33,461	4,569	4,753	2,271	38,175	36,051
2029-2033	5,246	192	4,170	1,359	46,245	27,197
2034-2038	—	—	3,465	259	45,970	17,449
2039-2043	—	—	—	—	56,260	8,590
	<b>\$ 163,988</b>	<b>\$ 52,893</b>	<b>\$ 23,720</b>	<b>\$ 10,791</b>	<b>\$ 249,710</b>	<b>\$ 183,932</b>



## REFUNDED BONDS

The County has one outstanding refunded and defeased bond issue as of December 31, 2013. The limited tax general obligation bond was reported in governmental activities on the statement of net position prior to the refunding in 2005. Payment of principal and interest on the refunded general obligation bond issue is the responsibility of the escrow agent. Accordingly, \$1.7 million, the amount of the outstanding defeased general obligation bond issue, is not reported in the statement of net position at December 31, 2013.

## NOTE 7 - COMMITMENTS

### OPERATING LEASES

*Pierce County* has various operating lease agreements for office facilities and equipment. Agreements provide various annual minimum rental payments due in monthly installments. Total cost of such leases was \$4 million for governmental activities and \$1.6 million for business-type activities in 2013. Future minimum lease payments as of December 31, 2013 are as follows:

<b>Governmental Activities Operating Lease Payments</b>	<b>(In Thousands)</b>
2014	\$ 3,465
2015	3,033
2016	2,000
2017	113
2018	44
2019-2023	65
Total	<u>\$ 8,720</u>

The County leases certain property to various tenants under noncancellable operating lease agreements. For business-type activities, the *Airport Fund* leases out most of the buildings and grounds to companies in the aviation industry. Certain other land and building space devoted to governmental activities are also leased out under long-term operating leases. A summary of County investment in property under long-term, noncancellable operating leases as of December 31, 2013 follows:

<b>Property Under Long-Term Lease (In Thousands)</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land	\$ 1,935	\$ 376	\$ 2,311
Buildings	3,457	2,057	5,514
Less Depreciation	<u>(1,676)</u>	<u>(898)</u>	<u>(2,574)</u>
Total Property Leased To Others, Net	<u>\$ 3,716</u>	<u>\$ 1,534</u>	<u>\$ 5,250</u>

Minimum future lease receipts based on contract amounts and terms as of December 31, 2013 are as follows:

<b>Minimum Lease Receipts</b> <b>(In Thousands)</b>	<b>Governmental</b> <b>Activities</b>	<b>Business-Type</b> <b>Activities</b>
2014	\$ 740	\$ 636
2015	226	593
2016	51	509
2017	30	408
2018	15	415
2019 - 2023	41	2,013
2024 - 2028	—	2,078
2029 - 2033	—	2,185
2034- 2038	—	1,459
2039 - 2043	—	1,651
2044 - 2048	—	1,682
2049 - 2053	—	1,919
2054 - 2058	—	2,129
Total	<u>\$ 1,103</u>	<u>\$ 17,677</u>

## CAPITAL PROJECTS

Active County construction projects as of December 31, 2013 include street construction, wastewater treatment system improvements and facility expansion. Capital projects will be funded from undesignated fund balance, general obligation debt, and future revenues. Commitments for capital projects at December 31, 2013 are as follows:

<b>Capital Project</b>	<b>Description</b>	<b>(In Thousands)</b>
County Roads	Transportation improvement plan projects	\$ 6,203
Sewer Utilities	System capital improvements	193,319
Airports	Runway safety improvements	57
Water programs	Capital improvements and services	885
Other	Various other construction projects	2,985
Total		<u>\$ 203,449</u>

## NOTE 8 - NET POSITION AND FUND BALANCES

The difference between assets and liabilities is “Net Position” on the government-wide, proprietary fund, and fiduciary fund financial statements, and is “Fund Balance” on the governmental fund financial statements. Government-wide and proprietary fund statements present net position in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Governmental fund statements report fund balance amounts as nonspendable, restricted, committed, assigned, or unassigned in accordance with GASB 54 implemented in 2011.

### RESTRICTED NET POSITION

Restricted net position presented in the entitywide financial statements result when constraints on use of net assets are stipulated either by external parties or by law through constitutional provisions or enabling legislation. \$24.7 million of the \$148.3 million of restricted net position reported on the government-wide statement of net position is restricted by enabling legislation at December 31, 2013.

## FUND BALANCES

The composition of the fund balances for each governmental fund-type for the year ended December 31, 2013 follows:

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>Nonspendable:</b>					
Noncurrent Loans Receivable	\$ —	\$ 526	\$ —	\$ —	\$ 526
Noncurrent Contracts Receivable	238	—	—	—	238
<b>Total Nonspendable</b>	<b>238</b>	<b>526</b>	<b>—</b>	<b>—</b>	<b>764</b>
<b>Restricted:</b>					
Debt Service	—	—	1,989	—	1,989
General Government	—	1,395	—	—	1,395
Public Safety	—	7,726	—	24,250	31,976
Physical Environment	—	16,788	—	1,096	17,884
Transportation	—	21,977	—	9,938	31,915
Economic Environment	—	9,536	—	—	9,536
Health And Human Services	—	1,068	—	—	1,068
Culture And Recreation	256	3,343	—	246	3,845
<b>Total Restricted</b>	<b>256</b>	<b>61,833</b>	<b>1,989</b>	<b>35,530</b>	<b>99,608</b>
<b>Committed:</b>					
Transportation	—	14	—	—	14
<b>Total Committed</b>	<b>—</b>	<b>14</b>	<b>—</b>	<b>—</b>	<b>14</b>
<b>Assigned:</b>					
General Government	—	495	—	—	495
Public Safety	—	564	—	610	1,174
Physical Environment	—	591	—	513	1,104
Transportation	—	5,521	—	4,939	10,460
Economic Environment	—	409	—	—	409
Health And Human Services	—	1,414	—	—	1,414
Culture And Recreation	—	730	—	—	730
Use of Fund Balance	180	—	—	—	180
<b>Total Assigned</b>	<b>180</b>	<b>9,724</b>	<b>—</b>	<b>6,062</b>	<b>15,966</b>
<b>Unassigned</b>	<b>39,028</b>	<b>(54)</b>	<b>—</b>	<b>(2,102)</b>	<b>36,872</b>
<b>Total Fund Balances</b>	<b>\$ 39,702</b>	<b>\$ 72,043</b>	<b>\$ 1,989</b>	<b>\$ 39,490</b>	<b>\$ 153,224</b>

## NOTE 9 - INTERFUND TRANSACTIONS

Interfund loans and advances payable at December 31, 2013 consist of the following:

Interfund Loans and Advances (In Thousands)	Payable From			Total
	Chambers Creek Regional Park	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	
Payable To				
General Fund	\$ —	\$ 425	\$ —	\$ 425
Sewer Utility	814	—	—	814
Nonmajor Business-Type Funds	—	—	1,160	1,160
Internal Service Funds	2,513	3,806	250	6,569
<b>Total</b>	<b>\$ 3,327</b>	<b>\$ 4,231</b>	<b>\$ 1,410</b>	<b>\$ 8,968</b>

The \$6.6 million due to *Internal Service Funds* for advances to fund capital projects and to provide working capital during business start-up phases will be repaid in annual payments ratably through 2021. The \$814,000 *Sewer Utility Fund* loan to *Chambers Creek Regional Park Fund* provided working capital during business start-up phases and will be repaid in 2015. The \$1.2 million loan activity between *Nonmajor Business-Type Funds* will be repaid through 2017.

Interfund balances at December 31, 2013 consist of the following:

Interfund Balances (In Thousands)	Due To							
	General Fund	Roads	Sewer Utility	Chambers Creek Regional Park	Internal Service	Nonmajor Governmental	Nonmajor Business- Type	Total Due To
Due From								
General Fund	\$ —	\$ 2	\$ 4	\$ —	\$ 1,968	\$ 908	\$ 1	\$ 2,883
Roads	743	—	—	—	901	—	29	1,673
Sewer Utility	21	172	—	154	152	—	—	499
Chambers Creek Regional Park	1	—	—	—	1	—	—	2
Internal Service	67	81	—	—	29	111	—	288
Nonmajor Governmental	582	163	—	—	2,592	1,014	—	4,351
Nonmajor Business-Type	1	101	—	—	155	—	21	278
Total Due From	\$ 1,415	\$ 519	\$ 4	\$ 154	\$ 5,798	\$ 2,033	\$ 51	\$ 9,974

Interfund balances result from the time lag between dates that reimbursable expenditures for interfund goods and services occur and when actual payments between funds are recorded in the accounting system.

Interfund Transfers for the year ended December 31, 2013 were as follows:

Interfund Transfers (In Thousands)	Transfers To							Total Transfers Out
	General Fund	Roads	Sewer Utility	Chambers Creek Regional Park	Internal Service	Nonmajor Governmental	Nonmajor Business- Type	
Transfers From								
General Fund	\$ —	\$ —	\$ —	\$ —	\$ 1,670	\$ 6,078	\$ —	\$ 7,747
Roads	2,685	—	3	—	118	8,756	451	12,013
Sewer Utility	42	—	—	2,258	12	—	—	2,312
Internal Service	17	46	—	—	101	73	—	237
Nonmajor Governmental	53	—	—	—	8,004	21,136	—	29,193
Nonmajor Business-Type	169	—	—	—	129	—	47	345
Total Transfers In	\$ 2,966	\$ 46	\$ 3	\$ 2,258	\$ 10,034	\$ 36,043	\$ 498	\$ 51,848

Interfund transfers are routinely used to move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them. For the year ended December 31, 2013, the following transfers were significant or of a nonroutine nature:

- ✦ \$13.7 million transferred to *Debt Service Funds* to fund routine debt service payments consisting of the following: \$3.5 million from *Second Real Estate Excise Tax Roads Fund* (a *Nonmajor Governmental Fund*), \$3.1 million from *General Fund*, \$2.1 million from *Roads Fund*, \$1.4 million from *Emergency Communications Sales Tax – SS 911 Fund* (a *Nonmajor Governmental Fund*), \$965,000 from the *Real Estate Excise Tax County Improvement fund* (a *Nonmajor Governmental Fund*).
- ✦ \$7.9 million transferred to the *Radio Communications Internal Service Fund* to finance capital projects as follows: \$3.4 million from the *911 system fund* (a *Nonmajor Governmental Fund*), \$2 million from *South Sound 911 Bond Construction Fund* (a *Nonmajor Governmental Fund*) and \$2 million from *Emergency Management Fund* (a *Nonmajor Governmental Fund*).
- ✦ \$10.7 million transferred to *Public Works Construction Fund* (a *Nonmajor Governmental Fund*) to finance road construction projects, including \$6.6 million from *Roads Fund* and \$4.1 million from *Traffic Impact Fee Fund* (a *Nonmajor Governmental Fund*).
- ✦ \$3.9 million from *Surface Water Management Fund* (a *Nonmajor Governmental Fund*) to *Surface Water Management Construction Fund* (a *Nonmajor Governmental Fund*) to finance capital projects.
- ✦ \$1.1 million from *Conservation Futures Fund* (a *Nonmajor Governmental Fund*) to *Conservation Futures Construction Fund* (a *Nonmajor Governmental Fund*) to finance capital projects.
- ✦ \$2.7 million of transfers from *Roads Fund* to *General Fund* to support traffic enforcement activities.
- ✦ \$2.3 million of transfers from *Sewer Utility Fund* to *Chambers Creek Regional Park Fund* for sewer utility avoided maintenance costs.

## NOTE 10 - JOINT VENTURES

During 2013, *Pierce County* participated with other local governments in two joint ventures; *Tacoma-Pierce County Health Department* and *South Sound 911*.

Summary financial information is presented below as evidence that the joint ventures are not experiencing fiscal stress that may place an additional financial burden on the County in the future. This information represents the most recent financial data.

### TACOMA - PIERCE COUNTY HEALTH DEPARTMENT

*Tacoma - Pierce County Health Department* provides health services to constituents of the City of Tacoma, *Pierce County* and other cities and towns within the County. The governing board consists of the following: three members of the Pierce County Council, the County Executive, the Mayor, one member of the Council of the City of Tacoma, one member nominated from elected representatives of the other cities and towns, and one member at-large. Funding is provided by all municipalities in the County (based on population and services provided), federal and state grants, city and County licenses and permits, and charges for services. The governing board and legislative bodies of the city and the County are responsible for approving the annual budget. The County is fiscal agent for the joint operation which is accounted for in the *County-City Health Pooling Agency Fund*. During 2013, *Pierce County* contributed \$2.4 million from the *General Fund* for operation of the health department. The most recent audited health department financial statements are for the fiscal year ending December 31, 2012, and may be obtained through the Washington State Auditor's Office website.

2012 audited financial data for the *Tacoma - Pierce County Health Department* is summarized as follows:

	(In Thousands)	
Total Assets	\$	9,033
Total Liabilities		3,543
Total Net Assets:		
Invested in Capital Assets	\$	1,324
Restricted		1,011
Unrestricted		3,155
Total Revenues		30,990
Total Expenses		32,382

### SOUTH SOUND 911 AGENCY

In 2011, the County Council approved an interlocal agreement with the City of Tacoma, the City of Lakewood, the City of Fife, and West Pierce Fire & Rescue to establish and operate a jointly governed emergency communications agency, *South Sound 911*. Also in 2011, voters approved a sales tax increase of 1/10<sup>th</sup> of one percent effective in April 2012 to provide funding for *South Sound 911* to update and improve critical communications equipment, and to provide public safety communications services to *Pierce County*, and the cities and fire protection districts within the County.

In 2012, *South Sound 911* established its first Policy Board consisting of nine voting members as follows: one member of the Pierce County Council, the Pierce County Executive, the Mayor of Tacoma, one member of the Tacoma City Council, the Mayor or one member of the Lakewood City Council, the Pierce County Sheriff, the Mayor or one member of the Fife City Council, one Fire Commissioner of West Pierce Fire & Rescue, and one Mayor or Councilmember from a city or town within the County with a population under (50,000) fifty-thousand residents, provided that such city or town contracts with *South Sound 911* or a Member Agency for services.

On January 1, 2013, all assets of the former Law Enforcement Support Agency (LESA) were transferred to South Sound 911 as specified in the interlocal agreement.

During 2013, *South Sound 911* reported \$33.8 million (unaudited) of revenue, assets of \$ 22.7 million (unaudited), liabilities of \$6.4 million (unaudited), and net position of \$21.6 million (unaudited). When available, the 2013 financial statements may be obtained by contacting *South Sound 911*, 955 Tacoma Avenue South, Suite 102, Tacoma, WA 98402.

## **NOTE 11 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The County accounts for self-insurance activities in three *Internal Service Funds*. The *Self-Insurance Fund* is used for general risk management losses; the *Workers Compensation Fund* manages costs of injuries to covered employees; and the *Medical Self-Insurance Fund* administers medical benefits for certain County employees.

### **SELF-INSURANCE FUND**

General risk management is financed primarily through a program of self-insurance supplemented by several purchased insurance policies. All County departments participate in the program and pay premiums to the fund in interfund transactions. Individual department claims experience is evaluated annually to determine premium rates sufficient to pay prior and current year claims. Insurance is purchased to cover various liabilities including general property damage (\$500 million policy limit), property damage to watercraft (\$175,000 to \$8.96 million limit), property damage to aircraft (\$5 million limit), ferry operations (\$50 million limit), water pollution coverage for ferries (\$5 million), airport operations (\$40 million limit), non-owned aircraft (\$5 million), medical professional liability (\$2 million limit), premise pollution liability (\$2 million to \$5 million limit), fiduciary liability for administration of employee benefit programs (\$5 million limit), and performance/honesty bonds/accident coverage for employees and public officials (\$50,000 to \$600,000 limit). The County also purchases excess loss self-insured liability policies (\$15 million aggregate limit) to provide stop-loss coverage in excess of the self-insured retention limit of \$2 million per occurrence.

Liabilities for claims are recorded when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Total claims liability is determined based on the estimated ultimate cost of settling all claims net of salvage and subrogation. Factors such as frequency and amount of settlement payments, and inflation are considered when estimating liabilities. Total claims liability excludes non-incremental costs such as administrative and overhead costs that are expensed as incurred over the life of each claim. Total claims liability includes an estimate of claims that have been incurred but not reported at the balance sheet date. Accordingly, \$1.9 million of *Self-Insurance Fund* net assets is designated for such claims.

### **WORKERS COMPENSATION FUND**

Workers compensation benefits are provided to all County departments through a self-insured program certified under the Industrial Insurance Act, Title 51, Revised Code of Washington and is supplemented by an excess loss insurance policy. Benefits are financed by premiums paid to the *Workers Compensation Fund* as interfund transactions. Premiums are based on various hourly rates for different employee risk classifications. Workers compensation excess loss self-insured liability insurance provides stop-loss coverage (subject to statutory limits) for losses in excess of a self-insured retention limit of \$850,000 per occurrence.

Liabilities for workers compensation claims are recorded when losses occur and are reported to management. The amount of loss is estimated by the plan administrator based on Washington State Department of Labor and Industries guidelines. Total claims liability includes an estimate of claims that have been incurred but not reported at the balance sheet date. Total claims liability excludes non-incremental costs such as administrative and overhead costs that are expensed as incurred over the life of each claim. Total claims liability is reduced by estimated recoveries from subrogation and stop-loss insurance coverage where estimated claims costs exceed applicable retention limits of stop-loss coverage.

### **MEDICAL SELF-INSURANCE FUND**

Effective January 1, 2011, the County adopted a self-insured medical benefits plan covering a substantial number of County employees. Funding is provided by premium contributions from County departments and employees. The cost of benefits is billed as incurred and paid to the third party administrator the month following the date of service. The plan is essentially self-funding, with premiums set to recover period costs of the benefits. Revenue and other resources of \$12.3, \$12.9, and \$14.1 million funded program costs including benefit payments and administrator fees totaling \$10.8, \$11.3, and 14.0 million for the years ended December 31, 2013, 2012, and 2011, respectively.

## SELF-INSURED CLAIMS ACTIVITY

A summary of changes in *Self-Insurance Fund* and *Workers Compensation Fund* liabilities for estimated claim settlements for the years ended December 31, 2013, 2012 and 2011 follows:

(In Thousands)	Self-Insurance			Workers Compensation		
	2013	2012	2011	2013	2012	2011
Balance - Beginning Of Year	\$ 11,457	\$ 14,233	\$ 14,034	\$ 1,189	\$ 1,347	\$ 2,265
Claims Incurred - Current Period	1,681	1,516	4,176	1,120	1,264	1,615
Changes - Prior Years Estimated Claims	2,944	325	810	1,371	1,811	1,759
Claim Payments, Net of Recoveries	(1,809)	(4,617)	(4,787)	(2,725)	(3,233)	(4,291)
Balance - End Of Year	<u>\$ 14,273</u>	<u>\$ 11,457</u>	<u>\$ 14,233</u>	<u>\$ 955</u>	<u>\$ 1,189</u>	<u>\$ 1,348</u>
Estimated To Be Paid Within One Year	\$ 5,957	\$ 3,140	\$ 5,916	\$ 655	\$ 889	\$ 1,048
Estimated Long-Term Portion	<u>8,316</u>	<u>8,317</u>	<u>8,317</u>	<u>300</u>	<u>300</u>	<u>300</u>
Balance - End Of Year	<u>\$ 14,273</u>	<u>\$ 11,457</u>	<u>\$ 14,233</u>	<u>\$ 955</u>	<u>\$ 1,189</u>	<u>\$ 1,348</u>

No reductions in self-insurance or workers compensation coverage occurred during 2013. Interfund premiums and insurance coverage have generally been sufficient to fund claims settlement payments over the past three years.

Significant losses occurred in the *Workers Compensation Fund* in 2012 and 2011. Catastrophic claims costs recognized for certain new and existing claims in 2012 and 2011 where funded by supplemental transfers from certain departments of \$1.1 million and \$900,000 in 2012 and 2011, respectively, into the *Workers Compensation Fund* for department related claims. The catastrophic claims costs resulted in a \$1.1 million deficit net position at December 31, 2011. The deficit was eliminated in 2012 and net position further increased \$1.6 million in 2013 as a result of increased interfund premiums, resulting in positive net position of \$1.8 million as December 31, 2013.

Certain *Workers Compensation Fund* catastrophic claims have been fully funded by deposits to the pension reserve fund under annuity agreements with the Washington State Department of Labor & Industries in accordance state law. As a result, assets and liabilities of \$2.5 million have been removed from the *Workers Compensation Fund* balance sheet at December 31, 2013.

Estimated claims costs for certain *Workers Compensation Fund* catastrophic claims exceeded applicable retention limits of excess loss insurance coverage during 2012 and 2011, resulting in excess loss recoveries. The liability for estimated claims settlements above reflects reductions for additional estimated excess loss recoveries of \$9,000, \$9,000, and \$16,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

## NOTE 12 - POSTEMPLOYMENT HEALTH CARE BENEFITS

As required by Washington State law (RCW 41.26.150), health care benefits are provided under a defined benefit healthcare plan to certain law enforcement officers. The plan is administered by the County to provide benefits for retired full-time law enforcement officers who were members of the Washington Law Enforcement Officer's and Fire Fighter's Retirement System (LEOFF) prior to October 1, 1977. The plan provides necessary hospital, medical and nursing care expenses not covered by workers compensation, Social Security, or other coverage. The plan provides benefits to a closed group of 96 retirees and one active law enforcement officer. No new participants are permitted.

During 2007, the County adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (GASB 45). Accordingly, the government-wide financial statements include activity for the LEOFF retiree healthcare plan as discussed below (see also Note 15).

The annual other postemployment benefit (OPEB) cost of the LEOFF retiree healthcare plan is calculated by an independent actuary based upon guidelines provided in GASB 45. Actuarial valuations involve estimating the value of reported amounts and making assumptions about the probability of occurrence of future events. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and annual required employer contributions are subject to continual revision as actual results are compared with past expectations and revised estimates are established for the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. Actuarial methods and assumptions used include techniques that are designed to reduce effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term nature of the calculations.

The actuarial valuation as of January 1, 2013, the most recent actuarial valuation date, uses the entry age normal actuarial cost method and applies certain actuarial assumptions as follows:

Actuarial Assumptions	Rate
Investment Rate of Return	3.75%
Medical Inflation	7.5% Grading down to 4.3% in 2082 and beyond
Dental Inflation	Minimum of 5.0% & Medical trend
Long-Term Care Inflation	4.75%

The investment rate of return is based upon the long-term yield of the investments expected to be used to finance payment of benefits.

As of January 1, 2013, the most recent valuation date, the accrued liability for benefits was \$48.2 million, and was unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of \$48.2 million. Percentage of county-wide covered payroll is not presented because the plan includes only 96 retirees and only one active participant as of December 31, 2013. The UAAL is being amortized as a level dollar amount at the assumed discount rate over a closed 30 year period beginning January 1, 2007. The remaining amortization period at December 31, 2013 was 23 years. A schedule of funding progress follows:

**Other Postemployment Benefit Plan - LEOFF**  
**Schedule of Funding Progress**  
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
01-01-2007	\$ -	\$ 30,441	\$ 30,441	0.0%	N/A	N/A
01-01-2010	\$ -	\$ 37,858	\$ 37,858	0.0%	N/A	N/A
01-01-2013	\$ -	\$ 48,189	\$ 48,189	0.0%	N/A	N/A

Annual costs include the annual required contribution (ARC), an amount actuarially determined based on certain assumptions. The ARC represents the annual contribution to fund plan benefits that, if paid on an ongoing basis, would fully fund normal costs of benefits earned each year and would provide sufficient funding to amortize a portion of any unfunded actuarial liability over a period of thirty years commencing January 1, 2007.



A summary of the components of annual OPEB cost, current employer contributions, and changes in the net OPEB obligation for the year ended December 31, 2013 follows:

**Components of Other Postemployment Employee Benefit Plan - LEOFF**

**At December 31, 2013**

(In Thousands)

**Determination of Annual Required Contribution**

Per 2013 Actuarial Valuation:	
Normal Cost	\$ -
Amortization of UAAL (1)	3,080
Annual Required Contribution (ARC)	<u>\$ 3,080</u>

**Determination of Net OPEB Obligation**

Annual Required Contribution	\$ 3,080
Interest on prior year Net OPEB Obligation	144
Adjustment to ARC	<u>(236)</u>
Annual OPEB Cost	2,988
Employer Contributions	<u>1,649</u>
Increase in Net OPEB Obligation	<u>1,339</u>
Net OPEB Obligation - Beginning of Year	<u>3,831</u>
Net OPEB Obligation - End of Year	<u>\$ 5,170</u>

(1) Unfunded Actuarial Accrued Liability (UAAL)

The annual OPEB cost, employer contribution, the percentage of OPEB cost contributed to the plan each year, and the net OPEB obligation amount as of December 31, 2013, 2012, and 2011 is summarized as follows:

**Percentage of Annual OPEB Cost Contributed - LEOFF**

(In Thousands)

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 2,281	\$ 1,734	76.02%	\$ 3,304
2012	\$ 2,265	\$ 1,738	76.73%	\$ 3,831
2013	\$ 2,988	\$ 1,649	55.19%	\$ 5,170

The net OPEB obligation of \$5.2 million at December 31, 2013 is included as a noncurrent liability in the government-wide statement of net position.

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

All full-time employees of *Pierce County* participate in the Public Employees Retirement System (PERS), in the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), or in the Public Safety Employees' Retirement System (PSERS). All plans are administered by the Washington State Department of Retirement Systems (DRS) to provide retirement and disability retirement benefits. Historical trend and other information regarding each plan are presented in the Washington State Department of Retirement Systems 2013 Comprehensive Annual Financial Report. A copy of this report may be obtained by contacting the Department of Retirement Systems, Communications Unit, 6835 Capitol Boulevard, P.O. Box 48380, Olympia, WA 98504-8380; or may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

The state Legislature established PERS in 1947 under Chapters 41.34 and 41.40 RCW and may be amended only by the state Legislature. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; certain college and university employees; judges of district and municipal courts; non-certificated employees of school districts; and employees of local governments. PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans. Plan 1 (PERS 1) and Plan 2 (PERS 2) are defined benefit plans and Plan 3 (PERS 3) is a defined benefit plan with a defined contribution component.

Retirement benefits in PERS 1 and PERS 2 are funded by employee and employer contributions, and by investment earnings. PERS 3 defined contribution benefits are dependent on discretionary employee contributions and results of employee directed investment activities. PERS 3 defined benefit component is funded by employer contributions and investment earnings.

The State Legislature establishes employer contribution rates for the three retirement plans and employee contribution rates for PERS 2. The employer and employee contribution rates for PERS 2 and the employer contribution rate for PERS 3 are developed by the Office of the State Actuary to fully fund PERS 2 and the defined benefit portion of PERS 3. The Employee Retirement Benefits Board sets PERS 3 employee contribution rates. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements were established under state statute. During 2013, *Pierce County* and County employees made all required contributions.

**PERS Plan 1.** Participants who joined the system by September 30, 1977 are PERS 1 members. PERS 1 members are vested after the completion of five years of eligible service; and are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (the greatest average compensation during any 24 eligible consecutive compensation months) per year of service, capped at 60 percent. The annual benefit is subject to a minimum for PERS 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Certain other benefit computation considerations may apply.

For the year ended December 31, 2013, PERS 1 members were required to contribute 6% (or 12.26% for certain judicial members), and the County was required to contribute 9.21% of annual covered salary. PERS 1 contributions paid to DRS by members were \$320,000, \$374,000, and \$452,000; and County contributions were \$409,000, \$428,000, and \$444,000 for the years 2013, 2012, and 2011, respectively.

**PERS Plan 2.** Participants who joined the system between October 1, 1977 and August 31, 2002, are members of PERS 2 unless an option was exercised to transfer to PERS 3. Members of PERS 2 are vested after the completion of five years of eligible service. PERS 2 members may retire at the age of 65 with five years of service with benefits based on an allowance of two percent of the average final compensation (the greatest average compensation during any 60 eligible consecutive compensation months) per year of service. PERS 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. Certain other benefit computation considerations may apply.

For the year ended December 31, 2013, PERS 2 members were required to contribute 4.92% (or 12.3% for certain judicial members) and the County was required to contribute 9.21% of annual covered salary. PERS 2 contributions (in thousands) paid to the DRS by members were \$6,909, \$6,808, and \$6,198, and County contributions were \$11,724, \$10,470, and \$8,990 for the years 2013, 2012, and 2011, respectively.

**PERS Plan 3.** Participants joining the system after September 1, 2002 have the option of membership in either PERS 2 or PERS 3. Participants who do not choose within 90 days default to PERS 3. The dual benefit structure of PERS 3 includes a defined benefit component financed by employer contributions, and a defined contribution component financed by employee contributions. The defined benefit portion provides a benefit calculated at one percent of the average final compensation (the greatest average compensation during any 60 eligible consecutive compensation months). Effective June 7, 2006, PERS 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 2 prior to June 1, 2003. PERS 3 members are immediately vested in the defined contribution portion of their plan. Vested PERS 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with ten years of service. PERS 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. Certain other benefit computation considerations may apply.

For the year ended December 31, 2013, the County was required to contribute of 9.21% of annual covered salary. Member contributions vary between 5% and 15% of annual covered salary. PERS 3 contributions (in thousands) paid to the DRS by members were \$1,743, \$1,663, and \$1,625, and County contributions were \$2,188, \$1,850, and \$1,559, for the years 2013, 2012, and 2011, respectively.

**Judicial Benefit Multiplier Program.** Judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program enacted in 2006. For the period January 1, 2007 through December 31, 2007, justices and judges who were members of PERS 1 and PERS 2 as of January 1, 2007 were able to make a one-time irrevocable election to pay increased employee contributions to fund increased retirement benefits. 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 the PERS membership, were required to participate in the Judicial Benefit Multiplier Program. Benefits for judges in PERS 1 are subject to with a multiplier of 3.5% of pay per year of service benefit, and are capped at 75.0% of average final compensation. Benefits for judges in PERS 3 are subject to a multiplier of 1.6% of pay per year of service benefit, capped at 37.5% of average final compensation. Certain other benefit computation considerations are detailed in the DRS annual report.

#### **LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF)**

LEOFF was established in 1970 by the state Legislature under Chapter 41.26 RCW. LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership includes all full-time, fully compensated, local law enforcement officers, fire fighters and certain emergency medical technicians. Employee and employer contributions, investment earnings, and legislative appropriations finance retirement benefits.

The methods used to determine employer and employee contribution requirements are established by legislative statute. LEOFF Plan 1 (LEOFF 1) contributions are determined by statute and do not fully fund benefits. The state is responsible for the balance of the funding for LEOFF 1 benefits. Employer and employee contribution rates for LEOFF Plan 2 (LEOFF 2) are developed by the Office of the State Actuary and approved by the Legislature. Rates are established to fully fund LEOFF 2 benefits. The Legislature, by means of a special funding arrangement, appropriated money from the state General fund to supplement the current service liability and fund the prior service costs of LEOFF 2 in accordance with the certain state funding requirements. However, this special funding situation is not mandated by the state constitution and funding responsibility could be returned to the employers by a change of statute. During 2013, *Pierce County* made all required contributions.

**LEOFF Plan 1.** Participants who joined the system by September 30, 1977 are LEOFF 1 members. For the year ended December 31, 2013, the County was required to contribute 0.18% of annual covered salary. LEOFF 1 members were not required to contribute. County contributions for LEOFF 1 paid to the DRS were less than \$200 for the each of the years ending December 31, 2013, 2012, and 2011.

**LEOFF Plan 2.** Participants who joined the system after October 1, 1977 are LEOFF 2 members. Also, certain emergency medical technicians were given the option as of July 24, 2005 to choose LEOFF Plan 2 membership. For the year ended December 31, 2013, LEOFF 2 members are required to contribute 8.41% and the County was required to contribute 5.23% of annual covered salary. Contributions (in thousands) paid to the DRS by members were \$2,268, \$2,290, and \$2,321, and County contributions were \$1,402, \$1,418, and \$1,438, for the years 2013, 2012, and 2011, respectively. Death and disability benefits are also provided. Benefits provisions are established under the authority of legislative statute.

#### **PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

The 2004 Legislature created PSERS as a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, Plan 2 (PSERS 2). The plan provides retirement benefits for certain public employees whose jobs contain a high degree of physical risk to their own personal safety, but who are not eligible for membership in LEOFF.

PERS 2 and PERS 3 employees working in PSERS eligible positions on or before July 1, 2006 had the option to prospectively begin PSERS membership if elected by September 30, 2006. Employees hired into designated PSERS positions after July 1, 2006 are automatically enrolled in PSERS.

PSERS 2 members are vested after the completion of five years of eligible service. PSERS 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of two percent of the average final compensation (the greatest average compensation during any 60 eligible consecutive compensation months) per year of service. PSERS 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. Certain other benefit computation considerations are detailed in the DRS annual report.

Retirement and survivor benefits in PSERS 2 are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement provisions are established in state statute and may be amended only by the State Legislature. During 2013, *Pierce County* and County employees made all required contributions.

For the year ended December 31, 2013, PSERS members are required to contribute 6.36%, and the County contributes 10.54% of annual covered salary. Contributions (in thousands) paid to the Department of Retirement Systems by members were \$944, \$977, and \$904, and County contributions were \$1,434, \$1,357, and \$1,167, for the years 2013, 2012, and 2011, respectively.

## **NOTE 14 - CONTINGENCIES**

### **SOLID WASTE MANAGEMENT LANDFILL RESERVE FUNDS**

The County has contracted with Pierce County Recycling, Composting, and Disposal, LLC (PCRCD) to provide postclosure maintenance for the two County landfills now closed. Prior to closure of both landfills, PCRCD had operated the landfills and collected landfill user fees in trust sufficient to fund current postclosure care costs. Interest earnings on restricted investments will fund any future cost increases due to inflation. However, should interest earnings not be sufficient or should future postclosure care costs increase because of changes in technology or regulations, any additional costs may be funded by charges to future landfill users or paid from future County tax revenue.

### **FEDERAL AND STATE GRANTS**

The County receives certain federal and state grant funding for specific purposes. Use of such funding is subject to examination by the state auditor. In accordance with terms of the grant agreements, grantors could request reimbursement of disallowed expenditures should any be disclosed during an audit. Based on prior experience, the County believes that such disallowance, if any, would be immaterial.

### **LITIGATION**

Several lawsuits and claims are pending which involve the County. Any potential material losses from such suits and claims are included in estimated claims liabilities of the *Self-Insurance Fund*. Based on recommendations of legal counsel, the County has provided amounts for potential liabilities which management considers sufficient to cover any material uninsured losses that may arise from such claims.

## **NOTE 15 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICY CHANGES**

In 2013, *Pierce County* implemented the following Governmental Accounting Standards Board (GASB) Statements:

### **GASB Statement No. 61, The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34:**

Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation), and certain disclosure requirements.

### **GASB Statement No. 66, Technical Corrections - 2012; an amendment of GASB Statements No. 10 and No. 62:**

Statement No. 66 is intended to improve accounting and financial reporting by state and local governmental entities related to accounting for certain risk financing activities, certain operating lease transactions, and certain mortgage loan transactions.

**Pierce County, Washington**  
**Schedule 16 - Export of Federal Awards**  
**For the Year Ended December 31, 2013**

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
<b>DEPT OF AGRICULTURE</b>					
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1363-67039	\$13,995	\$0	\$13,995
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1363-88412	\$2,985	\$0	\$2,985
	10.561 SUBTOTAL:		<u>\$16,980</u>	<u>\$0</u>	<u>\$16,980</u>
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					
Senior Farmers Market, or SFMNP	10.576	1269-55070	\$9,011	\$0	\$9,011
<b>DIRECT FROM FEDERAL AGENCY</b>					
School and Roads - Grants to States	10.665	n/a	\$0	\$110,235	\$110,235
School and Roads - Grants to States (61649.91)	10.665	n/a	\$0	\$61,650	\$61,650
	10.665 SUBTOTAL:		<u>\$0</u>	<u>\$171,885</u>	<u>\$171,885</u>
<b>DEPT OF AGRICULTURE SUBTOTAL:</b>			<u><b>\$25,991</b></u>	<u><b>\$171,885</b></u>	<u><b>\$197,876</b></u>
<b>DEPT OF COMMERCE</b>					
<b>PASS-THROUGH FROM RECREATION AND CONSERVATION FUNDING BOARD</b>					
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	11-1481P	\$24,500	\$0	\$24,500
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	11-1508C	\$93,538	\$0	\$93,538
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	12-1456R	\$105,520	\$0	\$105,520
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	13-1368P	\$83,720	\$0	\$83,720
	11.438 SUBTOTAL:		<u>\$307,278</u>	<u>\$0</u>	<u>\$307,278</u>
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF THE MILITARY</b>					
Meteorologic and Hydrologic Modernization Development	11.467	E13-225	\$39,200	\$0	\$39,200
<b>DEPT OF COMMERCE SUBTOTAL:</b>			<u><b>\$346,478</b></u>	<u><b>\$0</b></u>	<u><b>\$346,478</b></u>
<b>DEPT OF DEFENSE</b>					
<b>DIRECT FROM FEDERAL AGENCY</b>					
General Grant Dpt of Defense	12.n/a	n/a	\$0	\$243,740	\$243,740
<b>DEPT OF DEFENSE SUBTOTAL:</b>			<u><b>\$0</b></u>	<u><b>\$243,740</b></u>	<u><b>\$243,740</b></u>
<b>DEPT OF HOUSING/URBAN DEVELOP.</b>					
<b>DIRECT FROM FEDERAL AGENCY</b>					
Community Development Block Grants/Entitlement Grants	14.218	B-10-UC-53-0002	\$0	\$232,728	\$232,728
Community Development Block Grants/Entitlement Grants	14.218	B-11-UC-53-0002	\$0	\$440,454	\$440,454

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
Community Development Block Grants/Entitlement Grants	14.218	B12UC5-30002	\$0	\$2,605,033	\$2,605,033
Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-53-0002	\$0	\$899,266	\$899,266
	14.218 SUBTOTAL:		\$0	\$4,177,480	\$4,177,480
<b>PASS-THROUGH FROM DEPARTMENT OF COMMERCE</b>					
CDBG/State's program and Non-Entitlement Grants in Hawaii	14.228	08-F6401-015	\$71,875	\$0	\$71,875
<b>DIRECT FROM FEDERAL AGENCY</b>					
Emergency Shelter Grants Program	14.231	S-10-UC-53-0003	\$0	\$746	\$746
Emergency Shelter Grants Program	14.231	E11-UC-53-0003	\$0	\$64,389	\$64,389
Emergency Shelter Grants Program	14.231	E12-UC-53-0003	\$0	\$149,188	\$149,188
	14.231 SUBTOTAL:		\$0	\$214,323	\$214,323
<b>DIRECT FROM FEDERAL AGENCY</b>					
Supportive Housing Program	14.235	WA0232B0T031000	\$0	\$43,596	\$43,596
Supportive Housing Program	14.235	WA0161B0T031104	\$0	\$10,815	\$10,815
Supportive Housing Program	14.235	WA0142B0T031104	\$0	\$11,981	\$11,981
Supportive Housing Program	14.235	WA0160B0T031104	\$0	\$11,260	\$11,260
Supportive Housing Program	14.235	WA0151B0T031104	\$0	\$449	\$449
Supportive Housing Program	14.235	WA0153B0T031104	\$0	\$15,306	\$15,306
Supportive Housing Program	14.235	WA0152B0T031104	\$0	\$17,752	\$17,752
Supportive Housing Program	14.235	WA0140B0T031104	\$0	\$44,255	\$44,255
Supportive Housing Program	14.235	WA0139B0T031104	\$0	\$41,490	\$41,490
Supportive Housing Program	14.235	WA0137B0T031104	\$0	\$91,637	\$91,637
Supportive Housing Program	14.235	WA0143B0T031104	\$0	\$20,127	\$20,127
Supportive Housing Program	14.235	WA0147B0T031104	\$0	\$21,528	\$21,528
Supportive Housing Program	14.235	WA0149B0T031104	\$0	\$17,509	\$17,509
Supportive Housing Program	14.235	WA0150B0T031104	\$0	\$56,349	\$56,349
Supportive Housing Program	14.235	WA0157B0T031104	\$0	\$48,183	\$48,183
Supportive Housing Program	14.235	WA0158B0T031104	\$0	\$23,372	\$23,372
Supportive Housing Program	14.235	WA0159B0T031104	\$0	\$72,395	\$72,395
Supportive Housing Program	14.235	WA0148B0T031104	\$0	\$14,337	\$14,337
Supportive Housing Program	14.235	WA0154B0T031104	\$0	\$171,460	\$171,460
Supportive Housing Program	14.235	WA0156B0T031104	\$0	\$118,419	\$118,419
Supportive Housing Program	14.235	WA0240B0T031101	\$0	\$37,426	\$37,426
Supportive Housing Program	14.235	WA0209B0T031103	\$0	\$16,102	\$16,102
Supportive Housing Program	14.235	WA0146B0T031104	\$0	\$313,659	\$313,659
	14.235 SUBTOTAL:		\$0	\$1,219,408	\$1,219,408
<b>DIRECT FROM FEDERAL AGENCY</b>					
Shelter Plus Care	14.238	WA011C0T031104	\$0	\$43,369	\$43,369
<b>DIRECT FROM FEDERAL AGENCY</b>					
HOME Investment Partnerships Program	14.239	M 06-UC-53-0201	\$0	\$3	\$3
HOME Investment Partnerships Program	14.239	M11-UC-53-0201	\$0	\$1,001,244	\$1,001,244
HOME Investment Partnerships Program	14.239	M13-UC530201	\$0	\$8,705	\$8,70

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
	14.239 SUBTOTAL:		\$0	\$1,009,951	\$1,009,951
<b>DIRECT FROM FEDERAL AGENCY</b>					
Continuum of Care Program	14.267	WA0147L0T031205	\$0	\$55,467	\$55,467
Continuum of Care Program	14.267	Wa0161L0T031205	\$0	\$44,997	\$44,997
Continuum of Care Program	14.267	WA0140L0T031205	\$0	\$85,668	\$85,668
Continuum of Care Program	14.267	WA0151L0T031205	\$0	\$18,458	\$18,458
Continuum of Care Program	14.267	WA0152L0T031205	\$0	\$35,564	\$35,564
Continuum of Care Program	14.267	WA0142L0T031205	\$0	\$8,954	\$8,954
Continuum of Care Program	14.267	WA0139L0T031205	\$0	\$8,101	\$8,101
Continuum of Care Program	14.267	WA0160L0T031205	\$0	\$24,951	\$24,951
Continuum of Care Program	14.267	WA0153L0T031205	\$0	\$27,266	\$27,266
Continuum of Care Program	14.267	WA0144L0T031205	\$0	\$75,875	\$75,875
Continuum of Care Program	14.267	WA0148L0T031205	\$0	\$6,202	\$6,202
Continuum of Care Program	14.267	WA0157L0T031205	\$0	\$127,464	\$127,464
Continuum of Care Program	14.267	WA0240L0T031202	\$0	\$41,612	\$41,612
Continuum of Care Program	14.267	WA0157L0T031205	\$0	\$34,227	\$34,227
Continuum of Care Program	14.267	WA0158L0T031205	\$0	\$8,970	\$8,970
Continuum of Care Program	14.267	WA0137L0T031205	\$0	\$49,892	\$49,892
Continuum of Care Program	14.267	WA0150L0T031205	\$0	\$42,511	\$42,511
Continuum of Care Program	14.267	WA0146L0T031205	\$0	\$146,032	\$146,032
Continuum of Care Program	14.267	WA0156L0T031205	\$0	\$40,685	\$40,685
Continuum of Care Program	14.267	WA0159L0T031205	\$0	\$50,487	\$50,487
Continuum of Care Program	14.267	WA0143L0T031205	\$0	\$4,391	\$4,391
Continuum of Care Program	14.267	WA0149L0T031205	\$0	\$21,836	\$21,836
	14.267 SUBTOTAL:		\$0	\$959,610	\$959,610
<b>PASS-THROUGH FROM TACOMA HOUSING AUTHORITY</b>					
Moving to Work Demonstration Program	14.881	WA005VOW	\$194,946	\$0	\$194,946
	14.881 SUBTOTAL:		\$194,946	\$0	\$194,946
<b>DEPT OF HOUSING/URBAN DEVELOP. SUBTOTAL:</b>			<b>\$266,821</b>	<b>\$7,624,141</b>	<b>\$7,890,963</b>
<b>DEPT OF INTERIOR</b>					
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF NATURAL RESOURCES</b>					
Cooperative Endangered Species Conservation Fund	15.615	12-198	\$167,092	\$0	\$167,092
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF ARCHAEOLOGY &amp; HISTORIC PRESERVATION</b>					
Historic Preservation Fund Grants-In-Aid	15.904	FY12-61012-009	\$8,785	\$0	\$8,785
<b>DEPT OF INTERIOR SUBTOTAL:</b>			<b>\$175,877</b>	<b>\$0</b>	<b>\$175,877</b>
<b>DEPT OF JUSTICE</b>					
<b>DIRECT FROM FEDERAL AGENCY</b>					
General Grant Dept of Justice	16.MOU	MOU	\$0	\$17,587	\$17,587
	16.MOU SUBTOTAL:		\$0	\$17,587	\$17,587
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
Juvenile Accountability Incentive Block Grants (Juvenile Accountability Incentive Block Grants)	16.523	0663-98401	\$39,516	\$0	\$39,516
Juvenile Accountability Incentive Block Grants	16.523	1363-84194	\$10,334	\$0	\$10,334
	16.523 SUBTOTAL:		<u>\$49,851</u>	<u>\$0</u>	<u>\$49,851</u>
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	I-501-00112	\$17,079	\$0	\$17,079
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	I-501-00213	\$2,171	\$0	\$2,171
	16.540 SUBTOTAL:		<u>\$19,250</u>	<u>\$0</u>	<u>\$19,250</u>
<b>PASS-THROUGH FROM CITY OF TACOMA</b>					
Byrne Formula Grant Program	16.579	Byrne Justice G	\$72,006	\$0	\$72,006
Byrne Formula Grant Program	16.579	TACOMA MOU	\$90,589	\$0	\$90,589
Byrne Formula Grant Program	16.579	MOU	\$62,106	\$0	\$62,106
	16.579 SUBTOTAL:		<u>\$224,700</u>	<u>\$0</u>	<u>\$224,700</u>
<b>DIRECT FROM FEDERAL AGENCY</b>					
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2009-DI-BX-0227	\$0	\$157,088	\$157,088
<b>DIRECT FROM FEDERAL AGENCY</b>					
Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0080	\$0	\$89,281	\$89,281
<b>PASS-THROUGH FROM DEPARTMENT OF COMMERCE</b>					
ARRA-Violence Against Women Formula Grants (ARRA-Violence Against Women Formula Grants-Not ARRA)	16.588	F12-31103-082	\$31,956	\$0	\$31,956
ARRA-Violence Against Women Formula Grants (ARRA-Violence Against Women Formula Grants - Not ARRA)	16.588	F1231103083	\$29,273	\$0	\$29,273
	16.588 SUBTOTAL:		<u>\$61,229</u>	<u>\$0</u>	<u>\$61,229</u>
<b>DIRECT FROM FEDERAL AGENCY</b>					
The Community-Defined Solutions to Violence Against Women Grant Program	16.590	2011-WE-AX-0024	\$0	\$326,182	\$326,182
<b>DIRECT FROM FEDERAL AGENCY</b>					
State Criminal Alien Assistance Program	16.606	Award Letter	\$0	\$271,246	\$271,246
<b>DIRECT FROM FEDERAL AGENCY</b>					
Community Prosecution and Project Safe Neighborhoods	16.609	NA	\$0	\$885	\$885
<b>DIRECT FROM FEDERAL AGENCY</b>					
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0417	\$0	\$859	\$859
Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0733	\$0	\$84,387	\$84,387
<b>PASS-THROUGH FROM KITSAP COUNTY SHERIFF</b>					
Public Safety Partnership and Community Policing Grants	16.710	mou	\$66,162	\$0	\$66,162
	16.710 SUBTOTAL:		<u>\$66,162</u>	<u>\$85,246</u>	<u>\$151,408</u>
<b>PASS-THROUGH FROM DEPARTMENT OF COMMERCE</b>					



<b>Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)</b>	<b>CFDA Number</b>	<b>Other ID Number</b>	<b>Expenditures From Pass- Through Awards</b>	<b>Expenditures From Direct Awards</b>	<b>Expenditure Total</b>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	M12-34021-013	\$90,009	\$0	\$90,009
Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-013	\$51,918	\$0	\$51,918
	16.738 SUBTOTAL:		<u>\$141,927</u>	<u>\$0</u>	<u>\$141,927</u>
<b>PASS-THROUGH FROM CITY OF TACOMA</b>					
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804	2009 Jag Grant	\$78,862	\$0	\$78,862
<b>PASS-THROUGH FROM SOUTH SOUND 911</b>					
ARRA - Edward Byrne Memorial Competitive Grant Program	16.808	2009SCB90148	\$12,265	\$0	\$12,265
	DEPT OF JUSTICE SUBTOTAL:		<u>\$654,246</u>	<u>\$947,514</u>	<u>\$1,601,760</u>
<b>DEPT OF TRANSPORTATION</b>					
<b>DIRECT FROM FEDERAL AGENCY</b>					
Airport Improvement Program	20.106	DOT-FA12NM-	\$0	\$3,975,338	\$3,975,338
Airport Improvement Program	20.106	DOT-FA12NM-	\$0	\$109,181	\$109,181
	20.106 SUBTOTAL:		<u>\$0</u>	<u>\$4,084,519</u>	<u>\$4,084,519</u>
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF TRANSPORTATION</b>					
Highway Planning and Construction	20.205	STPUL-3170(003)	\$6,000	\$0	\$6,000
Highway Planning and Construction	20.205	LA 4549	\$13,692	\$0	\$13,692
Highway Planning and Construction (CSM 6070 - Highway Planning and Construction)	20.205	CM-2027(047)	\$22,803	\$0	\$22,803
Highway Planning and Construction (CSM 6060 - Highway Planning and Construction)	20.205	CM-2027(051)	\$20,822	\$0	\$20,822
Highway Planning and Construction	20.205	BROS-2027(052)	\$991,425	\$0	\$991,425
Highway Planning and Construction	20.205	n/a	(\$68,719)	\$0	(\$68,719)
Highway Planning and Construction	20.205	STPUL-3170(005)	\$9,905	\$0	\$9,905
Highway Planning and Construction	20.205	ER - 701(062)	\$5,393	\$0	\$5,393
Highway Planning and Construction	20.205	FBD-2027(062)	\$7,658	\$0	\$7,658
Highway Planning and Construction	20.205	LA 7088	\$170,815	\$0	\$170,815
Highway Planning and Construction	20.205	LA 7201	\$1,958	\$0	\$1,958
Highway Planning and Construction	20.205	LA 7339	\$18,443	\$0	\$18,443
Highway Planning and Construction	20.205	LA 7385	\$27,515	\$0	\$27,515
Highway Planning and Construction	20.205	LA7439	\$80,070	\$0	\$80,070
Highway Planning and Construction	20.205	LA7462	\$46,599	\$0	\$46,599
Highway Planning and Construction (CSM 6084 - Highway Planning and Construction)	20.205	LA7524	\$121,007	\$0	\$121,007
Highway Planning and Construction	20.205	LA 7535	\$327,329	\$0	\$327,329
Highway Planning and Construction	20.205	LA 7731	\$29,594	\$0	\$29,594
Highway Planning and Construction	20.205	LA-7794	\$8,000	\$0	\$8,000
Highway Planning and Construction	20.205	GCB 1207	\$704,272	\$0	\$704,272
Highway Planning and Construction	20.205	LA 8045	\$1,325	\$0	\$1,325
Highway Planning and Construction	20.205	LA 7960	\$39,000	\$0	\$39,000
Highway Planning and Construction	20.205	LA 8150	\$49,803	\$0	\$49,803
Highway Planning and Construction	20.205	STPUL-3170(006)	\$30,209	\$0	\$30,209

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
Highway Planning and Construction	20.205	BRS-D277(001)	\$3,687	\$0	\$3,687
Highway Planning and Construction	20.205	STPUL-3182(001)	\$295,297	\$0	\$295,297
Highway Planning and Construction	20.205	HSIP-000S(321)	\$249,499	\$0	\$249,499
Highway Planning and Construction	20.205	LA 7873	\$729,291	\$0	\$729,291
Highway Planning and Construction	20.205	LA 7988	\$278,376	\$0	\$278,376
	20.205 SUBTOTAL:		\$4,221,069	\$0	\$4,221,069
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF TRANSPORTATION</b>					
Job Access_Reverse Commute	20.516	GCA6840	\$455,910	\$0	\$455,910
Job Access_Reverse Commute	20.516	UCB1158	\$195,604	\$0	\$195,604
	20.516 SUBTOTAL:		\$651,514	\$0	\$651,514
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF TRANSPORTATION</b>					
New Freedom Program	20.521	STPE-2027(031)	\$69,407	\$0	\$69,407
New Freedom Program	20.521	GCA6840	\$7,216	\$0	\$7,216
New Freedom Program	20.521	UCB1158	\$8,108	\$0	\$8,108
	20.521 SUBTOTAL:		\$84,731	\$0	\$84,731
<b>PASS-THROUGH FROM WASHINGTON STATE TRAFFIC SAFETY COMMISSION</b>					
State and Community Highway Safety	20.600	AL13-04	\$133,247	\$0	\$133,247
State and Community Highway Safety	20.600	None	\$20,041	\$0	\$20,041
State and Community Highway Safety	20.600	AL14-02	\$45,836	\$0	\$45,836
<b>PASS-THROUGH FROM WASHINGTON TRAFFIC SAFETY COMMISSION</b>					
State and Community Highway Safety	20.600	MOU	\$24,003	\$0	\$24,003
<b>PASS-THROUGH FROM WASPC - WASHINGTON ASSN OF SHERIFF &amp; POLICE CHIEFS</b>					
State and Community Highway Safety	20.600	Award Letter	\$1,899	\$0	\$1,899
	20.600 SUBTOTAL:		\$225,025	\$0	\$225,025
<b>PASS-THROUGH FROM WASHINGTON TRAFFIC SAFETY COMMISSION</b>					
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	MOU	\$3,502	\$0	\$3,502
Alcohol Impaired Driving Countermeasures Incentive Grants I (WTSC - Seatbelt Emphasis)	20.601	MOU	\$2,087	\$0	\$2,087
	20.601 SUBTOTAL:		\$5,589	\$0	\$5,589
<b>PASS-THROUGH FROM CITY OF PUYALLUP PUYALLUP POLICE DEPARTMENT</b>					
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	NA-000000000	\$2,275	\$0	\$2,275
<b>PASS-THROUGH FROM WASHINGTON TRAFFIC SAFETY COMMISSION</b>					
National Priority Safety Programs	20.616	MOU	\$6,843	\$0	\$6,843
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF THE MILITARY</b>					
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E13-049	\$3,492	\$0	\$3,492
	DEPT OF TRANSPORTATION SUBTOTAL:		\$5,200,539	\$4,084,519	\$9,285,058
<b>DEPT OF TREASURY</b>					
<b>PASS-THROUGH FROM STATE JUSTICE INSTITUTE</b>					

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
General Grant Dept of Treasury	21.unk	SJI-12-T-131	\$26,854	\$0	\$26,854
General Grant Dept of Treasury	21.unk	SJI-13-T-205	\$9,394	\$0	\$9,394
	21.unk SUBTOTAL:		<u>\$36,248</u>	<u>\$0</u>	<u>\$36,248</u>
DEPT OF TREASURY SUBTOTAL:			<u>\$36,248</u>	<u>\$0</u>	<u>\$36,248</u>

## ENVIRONMENTAL PROTECTION AGENCY

### PASS-THROUGH FROM KING COUNTY

Puget Sound Watershed Management Assistance	66.120	EPA #00J09001	\$7,247	\$0	\$7,247
---	--------	---------------	---------	-----	---------

### PASS-THROUGH FROM PUGET SOUND PARTNERSHIP

Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2013-68	\$24,259	\$0	\$24,259
---	--------	---------	----------	-----	----------

### PASS-THROUGH FROM TACOMA PIERCE COUNTY HEALTH DEPARTMENT

Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program (Puget Sound Action Agenda: Technical Investigations & Im)	66.123	2013-00000104	\$3,835	\$0	\$3,835
--	--------	---------------	---------	-----	---------

Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2013-00000188	\$977	\$0	\$977
---	--------	---------------	-------	-----	-------

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF ECOLOGY

Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1200438	\$134,116	\$0	\$134,116
---	--------	----------	-----------	-----	-----------

66.123 SUBTOTAL:			<u>\$163,186</u>	<u>\$0</u>	<u>\$163,186</u>
------------------	--	--	------------------	------------	------------------

ENVIRONMENTAL PROTECTION AGENCY SUBTOTAL:			<u>\$170,433</u>	<u>\$0</u>	<u>\$170,433</u>
---	--	--	------------------	------------	------------------

## DEPT OF ENERGY

### PASS-THROUGH FROM DEPARTMENT OF COMMERCE

General Grant Dept of Energy	81.F11-43104-	F11-43104-421	\$123,937	\$0	\$123,937
------------------------------	---------------	---------------	-----------	-----	-----------

### PASS-THROUGH FROM DEPARTMENT OF COMMERCE

General Grant Dept of Energy	81.F12-43101-	F12-43101-421	\$170,543	\$0	\$170,543
------------------------------	---------------	---------------	-----------	-----	-----------

### PASS-THROUGH FROM DEPARTMENT OF COMMERCE

General Grant Dept of Energy	81.F13-43104-	F13-43104-421	\$5,370	\$0	\$5,370
------------------------------	---------------	---------------	---------	-----	---------

### PASS-THROUGH FROM DEPARTMENT OF COMMERCE

Weatherization Assistance for Low-Income Persons	81.042	F13-43103-421	\$57,327	\$0	\$57,327
--	--------	---------------	----------	-----	----------

DEPT OF ENERGY SUBTOTAL:			<u>\$357,177</u>	<u>\$0</u>	<u>\$357,177</u>
--------------------------	--	--	------------------	------------	------------------

## DEPT OF EDUCATION

### PASS-THROUGH FROM PUYALLUP TRIBE OF INDIANS

Special Education_Grants to States	84.027	2010 Contract	\$46,000	\$0	\$46,000
------------------------------------	--------	---------------	----------	-----	----------

### PASS-THROUGH FROM WASHINGTON STATE DEPARTMENT OF EARLY LEARNING

Special Education_Grants for Infants and Families with Disabilities	84.181	12-1263	\$428,585	\$0	\$428,585
---	--------	---------	-----------	-----	-----------

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
Special Education_Grants for Infants and Families with Disabilities	84.181	14-1038	\$248,844	\$0	\$248,844
	84.181 SUBTOTAL:		\$677,429	\$0	\$677,429
DEPT OF EDUCATION SUBTOTAL:			\$723,429	\$0	\$723,429

## U. S. ELECTION ASSISTANCE COMMISSION

### PASS-THROUGH FROM WASHINGTON SECRETARY OF STATE

Help America Vote Act Requirements Payments	90.401	G-2852	\$8,084	\$0	\$8,084
U. S. ELECTION ASSISTANCE COMMISSION SUBTOTAL:			\$8,084	\$0	\$8,084

## DPT OF HEALTH & HUMAN SERVICES

### PASS-THROUGH FROM WASHINGTON STATE ASSOCIATION OF CASA/GAL PROGRAMS

unknown	93.0969-70218	0969-70218	\$7,426	\$0	\$7,426
---------	---------------	------------	---------	-----	---------

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL & HEALTH SERVICES

Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1369-64727	\$8,871	\$0	\$8,871
---	--------	------------	---------	-----	---------

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL & HEALTH SERVICES

Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	1369-64727	\$44,944	\$0	\$44,944
---	--------	------------	----------	-----	----------

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL & HEALTH SERVICES

Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1369-64727	\$733,642	\$0	\$733,642
--	--------	------------	-----------	-----	-----------

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL & HEALTH SERVICES

Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	1369-64727	\$1,051,119	\$0	\$1,051,119
---	--------	------------	-------------	-----	-------------

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL & HEALTH SERVICES

Alzheimer's Disease Demonstration Grants to States	93.051	1069-14895	\$106,731	\$0	\$106,731
--	--------	------------	-----------	-----	-----------

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL & HEALTH SERVICES

National Family Caregiver Support, Title III, Part E	93.052	1169-18972	\$2,167	\$0	\$2,167
National Family Caregiver Support, Title III, Part E	93.052	1369-64727	\$371,625	\$0	\$371,625
93.052 SUBTOTAL:			\$373,792	\$0	\$373,792

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL & HEALTH SERVICES

Nutrition Services Incentive Program	93.053	1369-64727	\$242,613	\$0	\$242,613
--------------------------------------	--------	------------	-----------	-----	-----------

### PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL & HEALTH SERVICES

Lifespan Respite Care Program	93.072	1069-14362	\$3,854	\$0	\$3,854
-------------------------------	--------	------------	---------	-----	---------

### DIRECT FROM FEDERAL AGENCY

Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79T1023431-01	\$0	\$243,750	\$243,750
---	--------	-----------------	-----	-----------	-----------

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	13TI25080A	\$0	\$135,417	\$135,417
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF GENERAL ADMINISTRATION</b>					
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	n/a	\$57,820	\$0	\$57,820
	93.243 SUBTOTAL:		\$57,820	\$379,167	\$436,987
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					
Substance Abuse and Mental Health Services-Access to Recovery	93.275	1063-12907	\$431,322	\$0	\$431,322
<b>PASS-THROUGH FROM PUGET SOUND EDUCATIONAL SERVICES DISTRICT</b>					
Drug-Free Communities Support Program Grants	93.276	AWARD LETTER	\$1,651	\$0	\$1,651
<b>PASS-THROUGH FROM TACOMA GOODWILL INDUSTRIES</b>					
Temporary Assistance for Needy Families	93.558	S14-32710-024	\$62,192	\$0	\$62,192
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					
Child Support Enforcement	93.563	2110-80338	\$3,209,621	\$0	\$3,209,621
<b>PASS-THROUGH FROM DEPARTMENT OF COMMERCE</b>					
Low-Income Home Energy Assistance	93.568	F12-43101-421	\$449,436	\$0	\$449,436
Low-Income Home Energy Assistance	93.568	13-32106-075	\$2,703,758	\$0	\$2,703,758
Low-Income Home Energy Assistance	93.568	F13-43101-421	\$285,256	\$0	\$285,256
Low-Income Home Energy Assistance	93.568	14-32606-075	\$298,851	\$0	\$298,851
	93.568 SUBTOTAL:		\$3,737,300	\$0	\$3,737,300
<b>PASS-THROUGH FROM DEPARTMENT OF COMMERCE</b>					
Community Services Block Grant	93.569	F12-32100-023	\$330,821	\$0	\$330,821
Community Services Block Grant	93.569	F13-32100-023	\$154,530	\$0	\$154,530
	93.569 SUBTOTAL:		\$485,351	\$0	\$485,351
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs-financed by 2012 Prevention and Public Health Funds	93.734	1269-63903	\$20,869	\$0	\$20,869
<b>PASS-THROUGH FROM PUGET SOUND EDUCATIONAL SERVICES DISTRICT</b>					
Medical Assistance Program	93.778	N/A	\$7,666	\$0	\$7,666
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					
Medical Assistance Program (3080600.5)	93.778	1269-55070	\$3,250,731	\$0	\$3,250,731
Medical Assistance Program	93.778	1269-55657	\$7,107	\$0	\$7,107
Medical Assistance Program	93.778	1369-78316	\$3,238,369	\$0	\$3,238,369
Medical Assistance Program	93.778	1369-78945	\$9,094	\$0	\$9,094
	93.778 SUBTOTAL:		\$6,512,967	\$0	\$6,512,967
<b>PASS-THROUGH FROM SOUTH KING COUNTY MULTI SERVICE CENTER</b>					
Money Follows the Person Rebalancing Demonstration	93.791	RCL-1314-14	\$1,587	\$0	\$1,587

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF SOCIAL &amp; HEALTH SERVICES</b>					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27321	\$1,814,029	\$0	\$1,814,029
<b>DPT OF HEALTH &amp; HUMAN SERVICES SUBTOTAL:</b>			<b>\$18,907,700</b>	<b>\$379,167</b>	<b>\$19,286,867</b>
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>					
<b>DIRECT FROM FEDERAL AGENCY</b>					
High Intensity Drug Trafficking Areas Program	95.001	G12NW0007A	\$0	\$103,845	\$103,845
High Intensity Drug Trafficking Areas Program	95.001	G13NW0007A	\$0	\$67,961	\$67,961
<b>PASS-THROUGH FROM EDUCATIONAL SERVICE DISTRICT 105</b>					
High Intensity Drug Trafficking Areas Program	95.001	9001000069	\$14,989	\$0	\$14,989
95.001 SUBTOTAL:			\$14,989	\$171,806	\$186,795
<b>EXECUTIVE OFFICE OF THE PRESIDENT SUBTOTAL:</b>			<b>\$14,989</b>	<b>\$171,806</b>	<b>\$186,795</b>
<b>DEPT. OF HOMELAND SECURITY</b>					
<b>PASS-THROUGH FROM WASHINGTON STATE PARKS AND RECREATION COMMISSION</b>					
Boating Safety Financial Assistance	97.012	AWARD LETTER	\$85,854	\$0	\$85,854
<b>DIRECT FROM FEDERAL AGENCY</b>					
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2008-CA-	\$0	\$52,273	\$52,273
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2012-CA-	\$0	\$856,527	\$856,527
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2013-CA-	\$0	\$238,642	\$238,642
97.025 SUBTOTAL:			\$0	\$1,147,442	\$1,147,442
<b>DIRECT FROM FEDERAL AGENCY</b>					
Emergency Management Institute_Training Assistance	97.026	n/a	\$0	\$3,848	\$3,848
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF THE MILITARY</b>					
Public Assistance Grants	97.036	D12-098	\$19	\$0	\$19
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF THE MILITARY</b>					
Hazard Mitigation Grant	97.039	E11-140	(\$0)	\$0	(\$0)
Hazard Mitigation Grant	97.039	E13-207	\$271,181	\$0	\$271,181
97.039 SUBTOTAL:			\$271,181	\$0	\$271,181
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF THE MILITARY</b>					
Emergency Management Performance Grants	97.042	E12-340	\$100,936	\$0	\$100,936
Emergency Management Performance Grants	97.042	E14-076	\$197,434	\$0	\$197,434
97.042 SUBTOTAL:			\$298,370	\$0	\$298,370
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF THE MILITARY</b>					
Pre-Disaster Mitigation	97.047	E12-171	\$170,480	\$0	\$170,480
Pre-Disaster Mitigation	97.047	E14-181	\$5,704	\$0	\$5,704
97.047 SUBTOTAL:			\$176,184	\$0	\$176,184
<b>PASS-THROUGH FROM NW MARITIME ADVISORY SVCS DBA MARINE EXCHANGE</b>					

Federal Agency/Pass-Through Agency Names Federal Program Name (County Contract Title)	CFDA Number	Other ID Number	Expenditures From Pass- Through Awards	Expenditures From Direct Awards	Expenditure Total
Port Security Grant Program	97.056	2009-PU-T9-K044	\$1,393,444	\$0	\$1,393,444
<b>PASS-THROUGH FROM PORT OF TACOMA</b>					
Port Security Grant Program	97.056	08GBT8K065	\$30,726	\$0	\$30,726
Port Security Grant Program	97.056	2008-GB-T8-K065	\$569,212	\$0	\$569,212
Port Security Grant Program	97.056	069486	\$784,867	\$0	\$784,867
	97.056 SUBTOTAL:		\$2,778,249	\$0	\$2,778,249
<b>DIRECT FROM FEDERAL AGENCY</b>					
Homeland Security Grant Program	97.067	E11-155	\$0	\$433,885	\$433,885
<b>PASS-THROUGH FROM KING COUNTY</b>					
Homeland Security Grant Program	97.067	FFY10-UASI-002A	\$22,110	\$0	\$22,110
<b>PASS-THROUGH FROM SEATTLE OFFICE OF EMERGENCY MANAGEMENT</b>					
Homeland Security Grant Program	97.067		\$673	\$0	\$673
Homeland Security Grant Program	97.067	FY2010 RCPGP	\$72,281	\$0	\$72,281
Homeland Security Grant Program	97.067	FFY2011 RCPGP	\$5,835	\$0	\$5,835
<b>PASS-THROUGH FROM WASHINGTON DEPARTMENT OF THE MILITARY</b>					
Homeland Security Grant Program	97.067	E11-158	\$855,033	\$0	\$855,033
Homeland Security Grant Program	97.067	E12-187	\$449,332	\$0	\$449,332
Homeland Security Grant Program	97.067	E12-208	\$248,667	\$0	\$248,667
Homeland Security Grant Program	97.067	e13-142	\$93,113	\$0	\$93,113
	97.067 SUBTOTAL:		\$1,747,045	\$433,885	\$2,180,929
<b>DEPT. OF HOMELAND SECURITY SUBTOTAL:</b>			\$5,356,902	\$1,585,174	\$6,942,076
<b>REPORT TOTAL</b>			\$32,244,915	\$15,207,947	\$47,452,862

# Pierce County, Washington

## Notes to Schedule of Expenditures of Federal Awards January 1, 2013 through December 31, 2013

### Note 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the County's financial statements. Pierce County uses the modified accrual basis of accounting.

### Note 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program cost. Entire program costs, including the County's portion, may be more than shown.

### Note 3 - NONCASH AWARDS - COMMODITIES

The amount of commodities reported on the Schedule is the value of commodities distributed by the County for the current year and priced as prescribed by the State of Washington Surplus Food Program.

### Note 4 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA. The County received funding for the "Violence Against Women Formula Grants" for non-ARRA activities and, accordingly, are reporting under the same CFDA number.

### Note 5 - USE OF N/A

Indicates external contract number is not available or not applicable.



## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>