

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

January 1 - December 31, 2014 King County, Washington



King County

Finance and Business Operations Division



CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Department of Executive Services

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Finance Director

Finance and Business Operations Division

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Interim Deputy Finance Director

Finance and Business Operations Division

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Chief Accountant/Manager

Financial Management Section

PETE ANTHONY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year

January 1 through

December 31, 2014

King County

State of Washington

PREPARED BY:

**DEPARTMENT OF EXECUTIVE SERVICES
FINANCE AND BUSINESS OPERATIONS DIVISION
FINANCIAL MANAGEMENT SECTION**

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Comprehensive Annual Financial Report

December 31, 2014

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King County

Finance and Business Operations Division

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

June 22, 2015

The Honorable Dow Constantine, King County Executive,
Members of the Metropolitan King County Council, and
Citizens of King County

We are pleased to transmit to you the Comprehensive Annual Financial Report (CAFR) of King County, Washington (the County), for the fiscal year ended December 31, 2014. The governmental financial reporting model provides a picture of the County as a single unified entity reported under the accrual basis, while continuing to provide traditional fund-based financial statements with added emphasis to major funds and budgetary reporting. Each perspective (government-wide and major fund) allows the reader to address relevant questions regarding the County's financial condition and results of operations, provides a basis for comparison between near-term and full accrual measures, and enhances the County's financial and operational accountability.

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

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

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Once the audit has been completed, the County's 2014 Single Audit Report will be available online at <http://www.sao.wa.gov>.

Management's discussion and analysis (MD&A), which immediately follows the independent auditor's report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the County

The County ranks number one in population in the State of Washington and is the financial, economic, and industrial center of the Pacific Northwest Region. Located between the sparkling blue waters of Puget

Sound and the snowcapped Cascade Mountains, the County consists of 2,134 square miles, ranking 11th in geographical size among Washington state's 39 counties. King County is nearly twice as large as the average county in the United States. With over 2 million people, it also ranks as the 13th most populous county in the nation. The County contained 39 incorporated cities, accounting for 87.5 percent of its population.

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

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

King County provides some services countywide and other services exclusively to unincorporated areas. Within appropriate jurisdictions, the County provides public transportation, roads construction and maintenance, wastewater treatment, low-income housing, flood control, agricultural services, parks and recreation facilities, law enforcement, criminal detention, court services, tax assessments and collections, land use planning and permitting, zoning, public health care, mental health, emergency medical and E-911, radio communications and institutional network, elections, animal licensing and control, and the disposal of solid waste. In addition, the County has contracts with some cities to provide services to incorporated areas within the County.

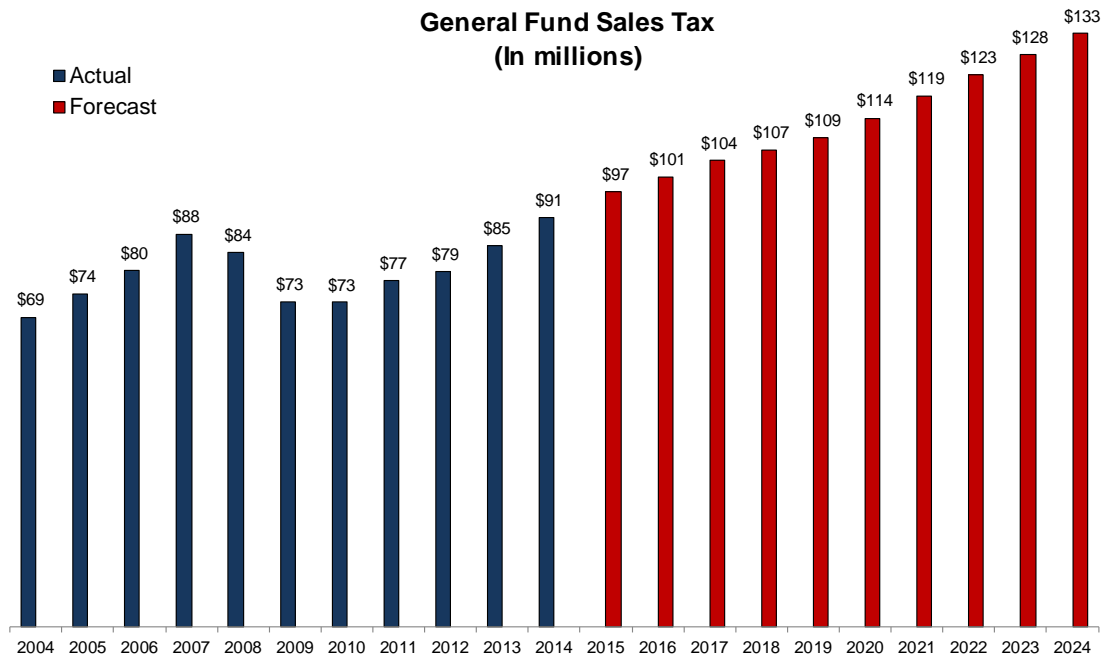
The King County reporting entity includes the primary government – the basic organizational hierarchy that makes up the legal entity. This comprises the operating and administrative units in the form of departments, divisions, and sections which are supported by various legally or administratively established funds. As of December 31, 2014 the reporting entity also included five component units: (1) the Harborview Medical Center; (2) the Cultural Development Authority, also known as "4Culture"; (3) the King County Flood Control Zone District; (4) the King County Ferry District; and (5) two non-profit building management corporations. The first two are distinguished from the primary government, while the last three are blended into the primary government for reporting purposes. Component units are legally separate entities for which the County is financially accountable. Effective January 1, 2015, King County's Marine Operations Enterprise of the Department of Transportation assumed all operations, assets and liabilities of the King County Ferry District.

The Harborview Medical Center is a long-standing, comprehensive health care facility operated by the University of Washington under a management contract. The terms of the management contract specify that King County retains title to all real and personal property acquired with Harborview Medical Center's capital or operating funds. The Cultural Development Authority was created to support the arts and preserve the County's heritage and history. The King County Flood Control Zone District provides for the development, operation and maintenance of flood or storm water control projects for the entire County. The King County Ferry District provides water taxi services to several destinations in the Puget Sound Region as a supplement to commuting options. The nonprofit building management corporations are public-private partnerships which facilitated the development and construction of specific public buildings used exclusively by King County or its component units.

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

Economic outlook

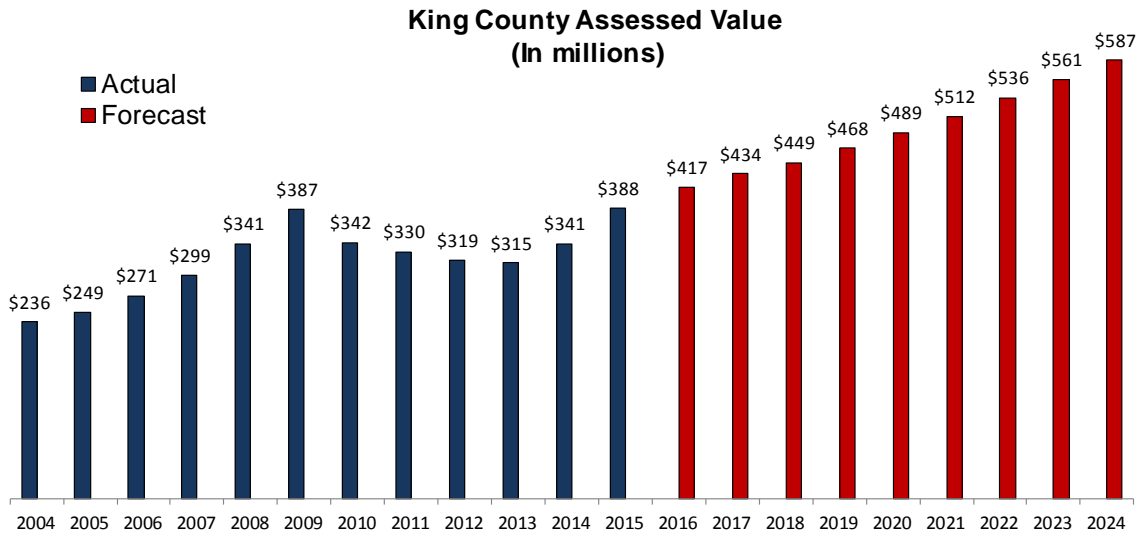
Economic conditions have a direct impact on the County's revenues and the demand for services. The County's main revenue sources include taxes, charges for services and intergovernmental revenues (grants and other financial assistance). The largest sources are charges for services and taxes, each comprising approximately 50 percent of total general revenues. Retail sales taxes are dependent on the level of retail sales which is directly correlated with the business cycle. Taxable sales increased by 7.8 percent in King County in 2014 with construction sales showing continued growth at 11.0 percent. Retail, food service and accommodation sales continued to improve from last year.



The County's economy is improving because of the unique and diverse composition of businesses in our region. Employment was up four percent in 2014 with growth in several industrial sectors including construction which was up by more than six percent. The region's most prominent employers, namely Boeing, Microsoft, Starbucks, and Amazon.com, retain strong demand for their products. While both Boeing and Microsoft experienced mild slowdowns in hiring last year, Amazon.com experienced a boost in its employment as it expanded its services and opened up new lines of businesses.

Property taxes tend to be more stable since the amount of revenue received is based on the previous year's levy amount plus one percent, plus property tax on the value of new construction. Property taxes are levied primarily on real property owned by individuals and businesses. In accordance with the Washington State Constitution and state law, property taxes paid by a property owner are determined by a taxing district's rate applied to the value of a given property. In the County, the total property tax levy varies based on the make-up of the various taxing districts including fire districts, school districts, other special purpose districts, cities, and the countywide levy. The King County assessor determines the fair market value of properties, which is intended to generally reflect 100 percent of the property's market value.

Real estate prices climbed throughout 2014, with the Case-Shiller Home Price Index up approximately by 8.5 percent on a year to year basis. Total assessed valuation (TAV) grew by 8.2 percent in 2014 and continued its rise in 2015 by 13.9 percent reaching \$388 billion. In Unincorporated King County, the increase in 2014 is at 6.2 percent while the increase in 2015 is at 13.2 percent. This is expected to stabilize in 2017 due to planned annexations of certain unincorporated urbanized areas into several cities and towns. New housing construction grew 71.7 percent in tax year 2014 and was still up significantly in tax year 2015 by 46.6 percent. There are positive signs for continued growth in 2016 and beyond.



The annual inflation rate in the area continued to be very low at 1.9 percent for 2014 (CPI-W Seattle-Tacoma-Bremerton) mostly due to home price appreciation. Annual inflation excluding shelter was only 0.4 percent.

Best-Run Government

It is the County's goal to be the **best-run government** in the nation. To get there, the County is embracing continuous improvement, instituting best management practices, encouraging employees to innovate, and striving for second-to-none customer service.

A significant number of County departments have implemented LEAN practices, emulating the model developed by the Toyota Production System. Pioneering groups are now two to three years into their LEAN journey, a process that started with a culture change towards more respect for individuals and their contributions and essential leadership skills, then leading to development of problem-solving prowess and continuous improvement, and finally to a sincere focus on what end-customers value the most. Some of the divisions who have implemented LEAN include Jail Health Services, Records and Licensing, Finance and Business Operations, and Metro Transit. The County's "Familiar Faces" project is using LEAN to help rehabilitate the cross-section of the population who gets booked into the County jail multiple times a year and is either suffering from mental illness or chemical dependency. The project was lauded as a cutting edge application of LEAN in a government in the publication "Monday" by the Drucker Institute, a management advisory company.

In striving for excellence in customer service, the County has deployed a toolkit which provides guidance to departments on creating great customer service experiences. It also employs web-based tools to conduct customer surveys to monitor satisfaction periodically and uses focus groups to bring out hidden issues and concerns which are then considered in the planning and implementation of new services to increase the benefit or reduce inconveniences to the public.

Transportation and Mobility

Mobility is now the number one concern of people in King County. Peak time congestion results in frustration for both commuters and motorists and in loss of productivity. A 2013 study ranks Seattle traffic as fourth worst in the country, with an average of 34 minutes per peak commute hour spent waiting due to traffic delays. While King County's Metro Transit is part of a healthy transportation system that includes

buses, rail, rideshare, bicycles, cars, and more, generating additional funding has been a challenge. Sales tax revenues have been on the rise after the recession but more stable funding sources are needed.

A new countywide transportation benefit district, known as King County Transportation District, was formed by the County Council in February 2014 but the first funding measure put to voters failed by a margin of 45% to 54%. The measure would have mandated a \$60 annual vehicle fee and a one-tenth-of-a-cent increase in the sales tax for ten years which, based on current financial forecasts, would have generated about \$130 million annually. The District is currently formulating another measure, after considering lessons learned from the failed referendum, which will be put to vote in 2015. The County will also continue working with the State Legislature to create more sustainable funding authority.

As is the condition in most of the country, King County's roads and bridges infrastructure is aging and deteriorating. The County's Road Services Division manages 1,500 miles of county roads and 180 bridges that carry more than 1 million trips per day. This function is supported by local property tax, gas tax and grant funding. Average assessed residence value in unincorporated King County fell by almost 40 percent after the recession from 2010 to 2013, and future growth in revenues is limited by state law. Capital spending on roads maintenance and preservation has shrunk significantly. King County will also seek assistance from the State Legislature and the federal government for this critical piece of the mobility equation.

Equity and Social Justice

King County is mandated to purposely consider principles of equity and social justice and integrate them into its decisions and policies, practices and methods for engaging communities. According to the 2014 King County Equity and Social Justice Annual Report, places with greater social and economic equity enjoy stronger economic growth and overall prosperity. Areas with critical inequities across race and ethnicity, incomes, and place of residence tend to lag behind economically which starts a cycle leading to even greater inequities and an increase in societal ills, such as, crime and violence, unemployment, homelessness and urban decay. The County is therefore committed to addressing these issues in the hopes of molding a more inclusive, egalitarian society that will uplift all County residents through greater economic vitality, a better-educated populace, a less-expensive health care system, a lower cost criminal justice system, and an overall better government.

The Executive's proposed Best Starts for Kids initiative is a first of its kind program that if enacted would fund prevention and early intervention strategies for developing children in the hopes of mitigating the risk of being a burden to the County when they reach adulthood. The program is an offshoot of a research by Nobel Prize-winning economist James Heckman, which shows that early investment in a child's development—starting with prenatal support—delivers the greatest returns. Best Starts for Kids is designed to confront the region's growing inequity by providing parents, caregivers, and childcare professionals with tools to ensure that every child develops the basic skills necessary to thrive as an adult.

The County has a plan in place to create a new Children and Family Justice Center. This new facility will more than replace the old and dilapidated Youth Services Center as it embodies the County's paradigm shift in its philosophy of juvenile justice, moving the focus away from incarceration to providing support to its troubled youth and their families; and, for the juvenile offender population where detention is unavoidable, addressing the racial disproportionality in rates of incarceration.

Some of the equity and social justice statistics for the County are shown in the Statistical Section, starting on page 206.

Climate Change

Climate change is recognized by the County as a critical challenge to this and future generations and has far-reaching and fundamental consequences for the region's economy, environment, public health, and safety. Locally, the County is already experiencing the impacts of climate change: warming temperatures, acidifying marine waters, rising seas, increasing flood risk, decreasing mountain snowpack, and less water in streams during the summer. The County is already committed to reducing its carbon footprint from its own

operations through providing energy efficient buses, using LEED standards in office buildings and recycling waste energy from landfills and wastewater treatment plants, and preventing urban sprawl by buying out and preserving forest lands. Efforts to control climate change regionally will be guided by the Executive's King County Strategic Climate Action Plan. The King County-Cities Climate Collaboration is a partnership to enhance the effectiveness of King County local government climate and sustainability efforts. To date, nine cities have joined the Collaboration in support of this effort. Projects and programs are focused on outreach, coordination, solutions, and funding.

Other Major Initiatives

King County started, continued, or completed many major initiatives in 2014, some of which are:

- The County adopted its first comprehensive biennial budget for 2015–2016 completing a process of gradually shifting to biennial budgeting over the last seven years. The new budget is a true 24-month budget, which required improved planning and forecasting, and is expected to free up considerable staff time to focus on other activities in 2015.
- The County continued to update and add to its set of comprehensive financial policies. In 2014 management adopted financial policies related to operating budgets, capital assets, revenues, expenditures, and fund balances. In addition, the Office of Performance, Strategy and Budget (PSB) is in the process of standardizing financial templates for all County funds.
- The County continued to deploy visual management systems, known as “tier boards,” which allow each work group to track progress toward objectives and share information on ongoing activities. The County Executive's Office maintains the “tier five” board, which shows major County priorities. Other boards are maintained at the department, division, and work group levels.
- King County serves as the regional support network to provide numerous mental health programs. As a result of declining State funding, significant delays in providing services developed over the last few years. In 2014, two different court decisions directed the State to make changes in the system to reduce delays and improve treatment. As a result, King County received increased funding to end the practice of “boarding” individuals in inappropriate locations prior to treatment, got funding to develop new treatment facilities, and obtained a federal waiver to allow temporary access to additional existing treatment facilities.
- The County implemented new “benefit achievement plans” for information technology projects starting in 2013, and improved versions were used to support project decision-making in the 2015–2016 budget. These plans provide a systematic method to identify potential benefits and track actual results once projects are completed.
- The 2015–2016 budget increased transparency by eliminating practices that made it difficult to follow the flow of funds. In particular, the children and family set-aside was eliminated and these revenues and appropriations are now included in the General Fund.
- The Human Resources Division has made a major effort to return injured employees to work as soon as possible. As a result of these efforts, the charge to agencies for workers' compensation was reduced by 26 percent for the 2015–2016 budget.

- The Office of Risk Management has been working with County agencies to identify and reduce risks. As a result, many agencies will realize significant savings in risk management rates, including \$2 million for the Transit Division in 2015–2016.
- The Public Health Department faces major financial challenges due to declining federal funding and State funding that has not been adjusted for inflation in over a decade. The Department considered closing health clinics in the 2015–2016 budget process, but a combination of labor concessions, efficiencies, and one-time support from cities and non-profit organizations allowed clinics to remain open and most programs to be maintained. These functions are not sustainable after 2016 under current conditions.
- Both the Solid Waste Division and the Surface Water Management utility had planned rate increases for 2015. However, a combination of operating efficiencies and higher revenues allowed these rate proposals to be postponed until 2017.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King County for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the 33rd consecutive year in which the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Ken Guy
Finance Director
Finance and Business Operations Division



Pete Anthony, CPA
Chief Accountant/Manager
Financial Management Section



Government Finance Officers Association

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

Presented to

**King County
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO



**King County Executive
Dow Constantine**



METROPOLITAN KING COUNTY COUNCIL

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

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



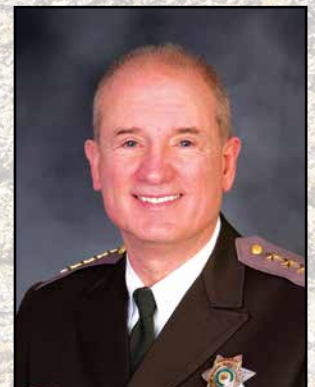
**King County
Assessor
Lloyd Hara**



**King County
Elections Director
Sherril Huff**



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

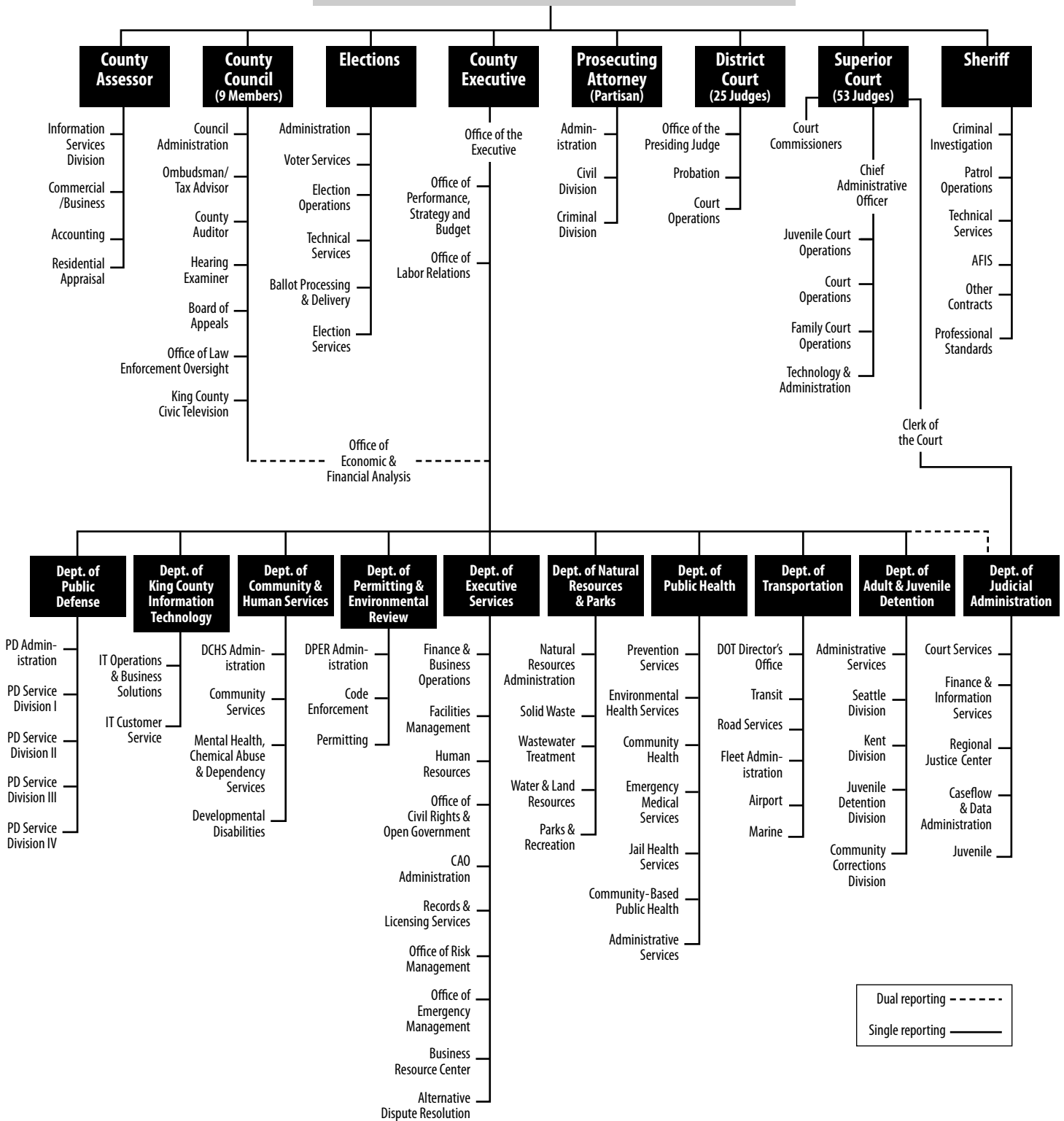


**King County
Sheriff
John Urquhart**

ELECTED OFFICIALS
at time of publication

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

The Electorate of King County



2013/2014 King County Organization

Elected Officials, Departments and Divisions

Financial Section

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT





Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 22, 2015

Council and Executive
King County
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Quality Enterprise Fund, a major fund which represents 65 percent, 21 percent and 30 percent, or the Public Transportation Fund, a major fund, which represents 27 percent, 67 percent and 59 percent, respectively, of the assets and deferred outflows, net position and revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water Quality Enterprise, and Public Transportation funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Water Quality Enterprise, and Public Transportation funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Mental Health and Public Health 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 4 through 18 and condition assessments and preservation of infrastructure eligible for modified approach on pages 119 through 121 and postemployment health care plan information on page 119 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as combining fund statements and schedules and supplementary information on pages 123 through 174 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such

information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 22, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan M. Jutte", with a stylized flourish at the end.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of King County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2014. We encourage readers to consider this information in conjunction with that furnished in the letter of transmittal and with the County's financial statements and accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

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

- As of December 31, 2014, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$5,360.1 million (net position). Because most of the County's net position is either invested in capital assets or restricted as to use, the combined unrestricted net position amounted to \$746.6 million at the end of the year.
- During 2014, the County's total net position increased by 4.3 percent or \$221.1 million. The governmental net position increased by 5.9 percent or \$149.7 million, and the business-type net position increased by 2.7 percent or \$71.4 million.
- As of December 31, 2014, the County's governmental funds reported combined ending fund balances of \$675.6 million. Approximately 9.5 percent or \$64.2 million is unassigned fund balance.
- At the end of 2014 the unassigned fund balance for the General Fund was \$71.7 million, amounting to 11.0 percent of total General Fund expenditures. Total fund balance for the General Fund decreased 10.9 percent or \$12.6 million for the year.

- The County's total bonded debt decreased by 2.8 percent or \$131.9 million in 2014 as the County paid down debt principal in the amount of \$157.3 million and defeased or refunded other borrowing of \$318.0 million. On the other hand, new bonds were issued during the year in the amount of \$343.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. In addition, this report also describes the nature of "required supplementary information" and the types of "other supplementary information" that are provided.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the County's finances in a manner similar to a private sector business. The statements provide near-term and long-term information about the County's financial position, which assists in assessing the County's financial condition at the end of the fiscal year.

These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses, taking into account all revenues and expenses attributable to the fiscal year, even if the cash involved has not been received or paid. The government-wide financial statements include two statements:

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

The **statement of activities** presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as

soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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

Governmental activities. The activities in this section are principally supported by taxes and intergovernmental revenues. These include most of the County's basic services, such as, general government; law, safety and justice; physical environment; transportation; economic environment; mental and physical health; culture and recreation; and debt service. Also included within governmental activities are the operations of the County's flood control district and two nonprofit property management corporations. Although legally separate, these component units are blended with the King County primary government for reporting purposes to comply with governmental accounting standards.

Business-type activities. These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities include the operation of the County's public transportation system, wastewater treatment facilities, solid waste disposal facilities, airport, and other services. Also included within business-type activities are the operations of the County's ferry district. Although legally separate, this component unit is blended with the King County primary government for reporting purposes to comply with governmental accounting standards.

Discretely presented component units. The County's government-wide financial statements include a separate column or section that aggregates financial data of other legally separate entities that are reported as discrete component units: the Harborview Medical Center (HMC) and the Cultural Development Authority (CDA) of King County. While governmental accounting standards call for these entities to be reported as part of the overall financial reporting entity, they are not included within the primary government.

Individual component unit statements for HMC and the CDA can be found immediately following the fiduciary funds financial statements in the Basic Statements section.

Fund Financial Statements

The fund financial statements are designed to report financial information about the County's funds. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives.

The County, like most state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: **governmental funds**, **proprietary funds**, and **fiduciary funds**.

Governmental funds. Most of the services provided by the County are accounted for in governmental funds. Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements.

Unlike government-wide financial statements, however, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing whether there will be sufficient near-term financial resources to meet the needs of the County.

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

King County maintains a general fund and several other individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Three governmental funds, namely, the General Fund, Mental Health Fund and the Public Health Fund, are reported as **major funds**. Each of the major funds is presented in a separate column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor funds is provided as supplementary information in the form of combining statements in the Governmental Funds section.

The County adopted annual budgets for the General Fund, appropriated at the department or division level, and the Public Health Fund, appropriated at the fund level. The Mental Health fund had a biennial budget (2013-2014) appropriated at the fund level. A budgetary comparison statement has been provided for each of the major governmental funds. The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary funds. Proprietary funds are used to account for services for which the County charges customers a fee to recover all or a portion of the cost of providing the services. Proprietary funds provide the same type of information as shown in the government-wide financial statements but at a more detailed level, including the addition of cash flow statements. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

The County has two types of proprietary funds:

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

funds are aggregated into a single presentation within the proprietary funds financial statements.

Internal service funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County uses internal service funds to account for its motor pool, information and telecommunications services, employee benefits, facilities management, risk management, building development and construction, and financial and various other administrative services. Most of these services support or benefit governmental rather than business-type functions and have therefore been consolidated within governmental activities in the government-wide financial statements. One internal service fund, however, provides equipment and fleet maintenance services almost exclusively to the Water Quality Enterprise and is therefore consolidated within the business-type activities in the government-wide financial statements. At the fund level, these two types of internal service funds are aggregated for reporting purposes under Proprietary funds and individual financial statements are provided as other supplementary information in the Internal Service Funds section.

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

Notes to the financial statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following

the individual component unit financial statements in the Basic Statements section.

Other information

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information on 1) the current funding progress for other post-employment benefits, and 2) infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

An analysis of net position may serve as a useful indicator of a government's financial position.

As indicated in the condensed financial information below which was derived from the government-wide statement of net position, the County's combined net position (governmental and business-type activities) was \$5,366.8 million at the end of 2014. This is an increase of

4.4 percent or \$228.6 million over the net position of the previous year, as restated.

Governmental activities. Although the net position of governmental activities increased 6.2 percent or \$157.5 million to \$2,691.3 million, all of the net position is either subject to external usage restrictions, or is already invested in the capital assets that support current and future service levels. Unrestricted net position for governmental activities was a negative \$83.8 million at the end of 2014. This is an \$18.8 million decrease from the deficit in unrestricted net position at the end of 2013. This deficit does not mean that the County's governmental activities do not have the resources available to pay their obligations in the coming year, but rather the result of governmental activities recognizing longer term commitments and obligations that are greater than currently available resources, and the existence of debt for which the associated assets are no longer reported. Specifically, governmental activities included general obligation debt of \$154.7 million that had no corresponding assets available to offset it, but for which future revenues are still obligated. It is the increase in total net position for governmental activities that reflects the County's ability, on an annual basis, to meet its current obligations in those activities including the related debt service requirements.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 1,160,554	\$ 1,138,999 *	\$ 1,728,599	\$ 1,718,882	\$ 2,889,153	\$ 2,857,881 *
Capital assets	3,023,482	2,982,425 *	5,763,315	5,770,423	8,786,797	8,752,848
Total Assets	4,184,036	4,121,424 *	7,491,914	7,489,305	11,675,950	11,610,729 *
Deferred outflows of Resources						
Deferred amount on refunding	22,508	24,963	107,388	97,254	129,896	122,217
Liabilities						
Long-term liabilities	1,348,139	1,420,572 *	4,427,878	4,452,662	5,776,017	5,873,234 *
Other liabilities	173,745	190,870	461,348	477,253	635,093	668,123
Total Liabilities	1,521,884	1,611,442 *	4,889,226	4,929,915	6,411,110	6,541,357 *
Deferred inflows of Resources						
Rate Stabilization	-	-	34,250	52,250	34,250	52,250
Net Position						
Net investment in capital assets	2,204,046	2,111,026 *	1,616,435	1,612,685	3,820,481	3,723,711
Restricted	576,225	488,982 *	216,803	214,515	793,028	703,497 *
Unrestricted	(95,611)	(65,063)	842,588	777,194	746,977	712,131
Total net position	\$ 2,684,660	\$ 2,534,945 *	\$ 2,675,826	\$ 2,604,394	\$ 5,360,486	\$ 5,139,339

* Restated

Of the amount of debt with no corresponding assets, 68.2 percent or \$105.6 million is related to assets recorded on the books of one of the County's two discretely presented component units: the Harborview Medical Center. As a discretely presented component unit, this entity is not part of the primary government or incorporated into this analysis. The remaining debt, with no corresponding assets, consists of 17.9 percent or \$27.6 million associated with the defunct Kingdome stadium, and 13.9 percent or \$21.5 million that were used to finance assets that were previously owned by the County but have since been sold or transferred to other jurisdictions from various agreements or transactions.

Business-type activities. There was an increase of 2.7 percent to \$2,675.8 million in the net position of business-type activities. Of the total net position for business-type activities, 60.4 percent or \$1,616.4 million is the net investment in capital assets net of the related borrowing adjusted for unspent debt proceeds. The business-type activities use these capital assets to provide services to their customers; consequently, these assets are not available for future spending. The resources needed to repay the borrowing to acquire these assets must be provided from other sources since capital assets are essential and therefore cannot be liquidated. Another 8.1 percent or \$216.8 million of the total net position of business-type activities is restricted for debt service, regulatory assets and environmental liabilities. The remaining 31.5 percent or \$842.6 million is unrestricted net position. Balances in the unrestricted net position for business-type activities cannot be used to reduce the unrestricted net position deficit in governmental activities. The combination of the negative \$95.6 million of governmental activities unrestricted net position and the \$842.6 million positive balance in the business-type activities unrestricted net position netted to \$747.0 million in total unrestricted net position for the County as a whole.

Analysis of Changes in Net Position

The increase in the County's total net position in 2014 resulted from revenues exceeding related

expenses and reflects the County's ability to meet its ongoing obligations, including its debt service requirements. Approximately 43.6 percent of the County's total revenues came from taxes, primarily property taxes and retail sales and use taxes. Charges for various goods and services provided 47.2 percent of total revenues, while 8.8 percent was derived from operating and capital grants and contributions, including state and federal assistance. Major expense functions or activities include public transportation, law, safety and justice, mental and physical health, and water quality.

The condensed financial information on the following page is derived from the government-wide statement of activities and reflects how the County's net position changed during 2014.

Governmental activities. Governmental activities accounted for 67.7 percent of the total growth in net position of the County, resulting in an increase in the governmental activities net position of \$149.7 million. Program revenues for governmental activities totaled \$904.0 million and included the amount paid by those who directly benefitted from the programs - \$691.2 million, and by other governments and organizations that subsidized certain programs with operating grants and contributions \$182.5 million, and capital grants and contributions \$30.3 million. In 2014, the cost of all governmental activities was \$1,698.3 million. The remaining public benefit portion of governmental activities was funded with \$682.6 million in property taxes, \$187.5 million in retail sales and use taxes, and \$75.3 million in other revenues.

The growth in net position of governmental activities before transfers of \$151.1 million is primarily due to the increases in property taxes of \$63.7 million from the new Parks levy, charges for services of \$50.2 million, and retail sales and use taxes of \$16.9 million.

King County, Washington

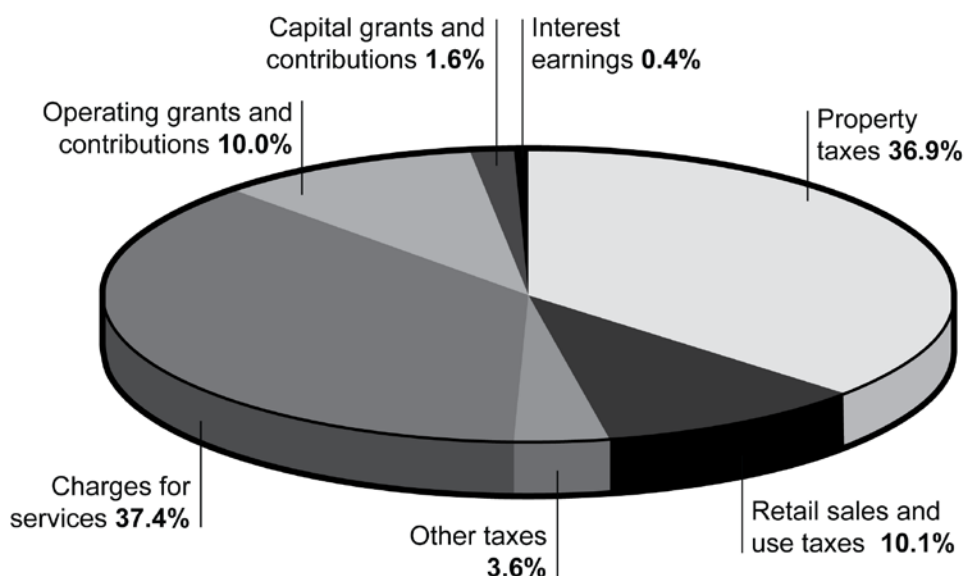
Changes in Net Position (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 691,220	\$ 641,003 (b)	\$ 871,354	\$ 869,918	\$ 1,562,574	\$ 1,510,921
Operating grants and contributions	182,500	175,862	37,816	35,824	220,316	211,686
Capital grants and contributions	30,274	99,812	40,204	57,919	70,478	157,731
General revenues						
Property taxes	682,616	618,943 (b)	26,621	24,645	709,237	643,588
Retail sales and use taxes	187,500	170,581	479,579	442,975	667,079	613,556
Other taxes	67,273	66,749	-	-	67,273	66,749
Unrestricted interest earnings	7,994	3,948	8,654	712	16,648	4,660
Total revenues	<u>1,849,377</u>	<u>1,776,898</u>	<u>1,464,228</u>	<u>1,431,993</u>	<u>3,313,605</u>	<u>3,208,891</u>
Expenses						
General government (a)	120,781	189,712 (b)	-	-	120,781	189,712
Law, safety and justice	654,941	588,794 (b)	-	-	654,941	588,794
Physical environment	134,133	94,138 (b)	-	-	134,133	94,138
Transportation	84,816	68,363	-	-	84,816	68,363
Economic environment	104,087	98,219	-	-	104,087	98,219
Mental and physical health	513,407	480,482	-	-	513,407	480,482
Culture and recreation	50,020	48,748	-	-	50,020	48,748
Interest and other debt service	36,098	41,790	-	-	36,098	41,790
Airport	-	-	25,477	28,339	25,477	28,339
Public transportation	-	-	793,066	764,580	793,066	764,580
Solid waste	-	-	116,488	102,030	116,488	102,030
Water quality	-	-	444,461	433,210	444,461	433,210
Other enterprises activity	-	-	14,743	15,432	14,743	15,432
Total expenses	<u>1,698,283</u>	<u>1,610,246</u>	<u>1,394,235</u>	<u>1,343,591</u>	<u>3,092,518</u>	<u>2,953,837</u>
Increase in net position before transfers	151,094	166,652	69,993	88,402	221,087	255,054
Payment to escrow		767	-	-	-	767
Transfers	(1,439)	(733)	1,439	733	-	-
Special item	60	-	-	-	60	-
Increase in net position	<u>149,715</u>	<u>166,686</u>	<u>71,432</u>	<u>89,135</u>	<u>221,147</u>	<u>255,821</u>
Net position, beginning of year	<u>2,534,945 (b)</u>	<u>2,368,259 (b)</u>	<u>2,604,394</u>	<u>2,515,259</u>	<u>5,139,339 (b)</u>	<u>4,883,518</u>
Net position, end of year	<u>\$ 2,684,660</u>	<u>\$ 2,534,945</u>	<u>\$ 2,675,826</u>	<u>\$ 2,604,394</u>	<u>\$ 5,360,486</u>	<u>\$ 5,139,339</u>

(a) Expenses for all other functions include the allocation of indirect expenses from the general government function. The amount of indirect general government expenses allocated to each function is shown in a separate column on the County's government-wide Statement of Activities alongside the column that reflects the direct operating expenses incurred by each function. As a result of this allocation, the \$120.8 million in General government expense above consists of \$172.6 million in direct program expenses reduced by indirect charges of \$51.8 million allocated to other County functions.

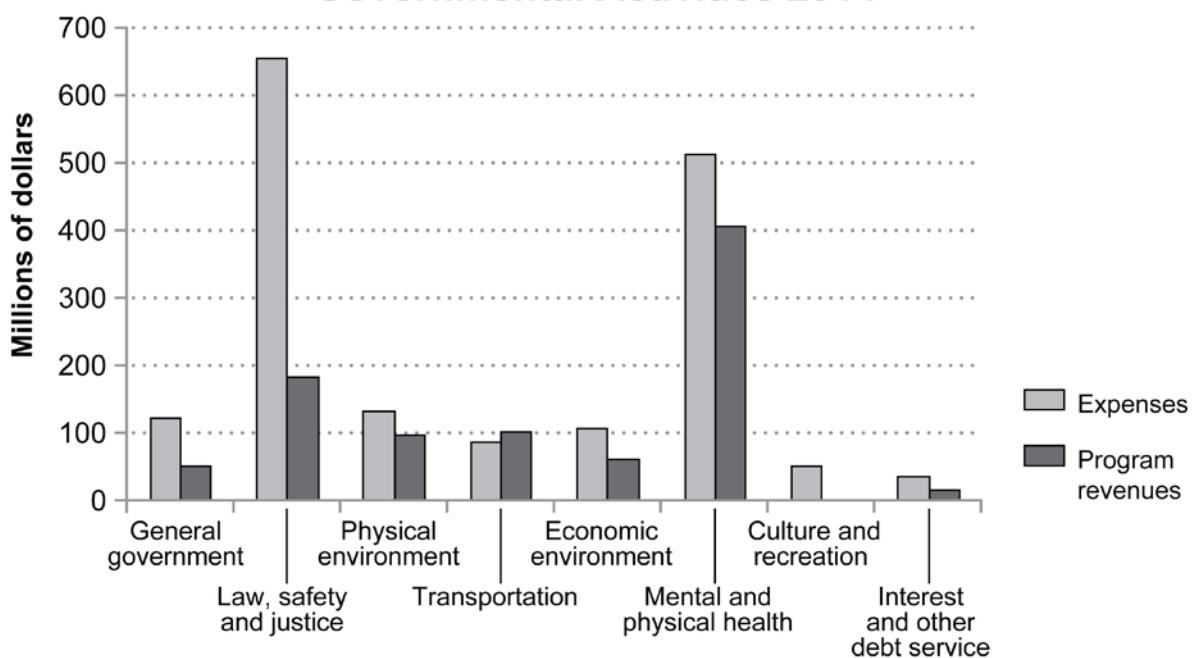
(b) Net position, beginning of year has been restated, see Note 18 - "Restrictions, Components of Fund Balance, and Changes in Equity" – Restatements of Beginning Balances.

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

Revenues by Source – Governmental Activities 2014



Expenses and Program Revenues – Governmental Activities 2014



Charges for services provided 37.4 percent, and property taxes 36.9 percent of total revenues for governmental activities. The largest expense was for law, safety and justice, a function that required the greatest usage of general government revenues. The second largest expense was for mental and physical health where the primary revenue sources were charges

for services and operating grants and contributions, which funded 78.7 percent of its activities. Transportation received \$17.8 million in infrastructure and right-of-way capital assets from developers, which helped program revenues exceed expenses by \$14.9 million.

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

(Expenses) Net of Program Revenues

General government	\$ (71,904)
Law, safety and justice	(474,565)
Physical environment	(39,710)
Transportation	14,876
Economic environment	(42,899)
Mental and physical health	(109,423)
Culture and recreation	(49,563)
Interest and other debt service costs	(21,101)
Total expenses	(794,289)

General revenues

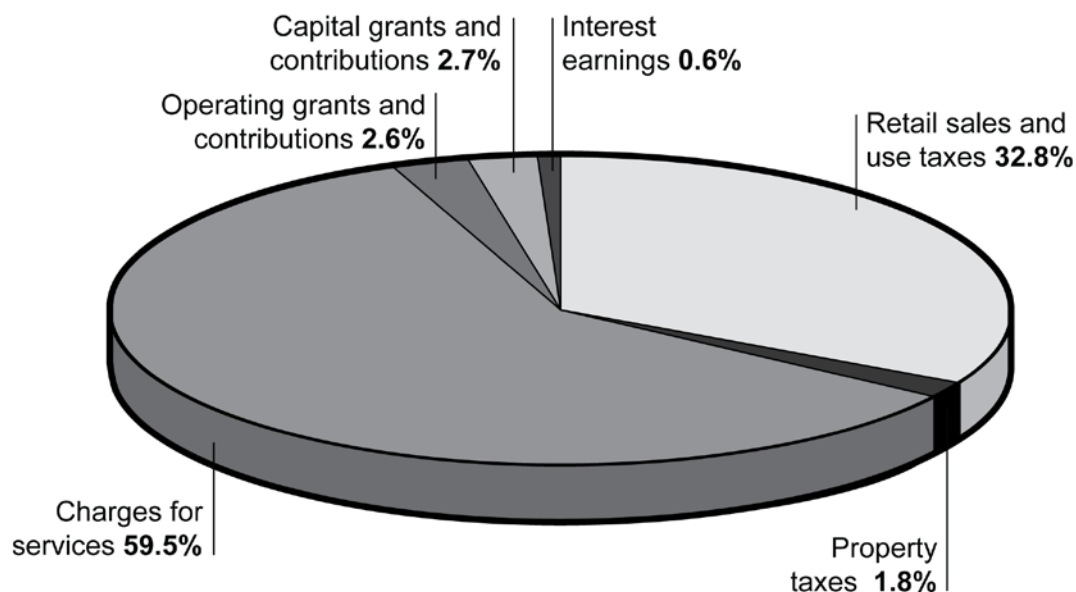
Property taxes	682,616
Retail sales and use taxes	187,500
Other taxes	67,273
Unrestricted interest earnings	7,994
Transfers to Business-type	(1,439)
Special Item	60
Increase in net position	\$ 149,715

Business-type activities. Business-type activities increased the County's net position by \$71.4 million in 2014, accounting for 32.3 percent of the total growth in net position of the County. Total revenues for business-type activities were \$1,464.2 million. The cost of all business-type activities for 2014 was \$1,394.2 million. Of that amount, 68.1 percent or \$949.4 million was funded from program revenues,

including \$871.4 million in charges for services, \$37.8 million from other governments and organizations that subsidized certain programs with operating grants, and \$40.2 million in capital grants and contributions. The Public Transportation operations are subsidized by retail sales and use tax revenues, which amounted to \$479.6 million in 2014 and property taxes which amounted to \$26.6 million.

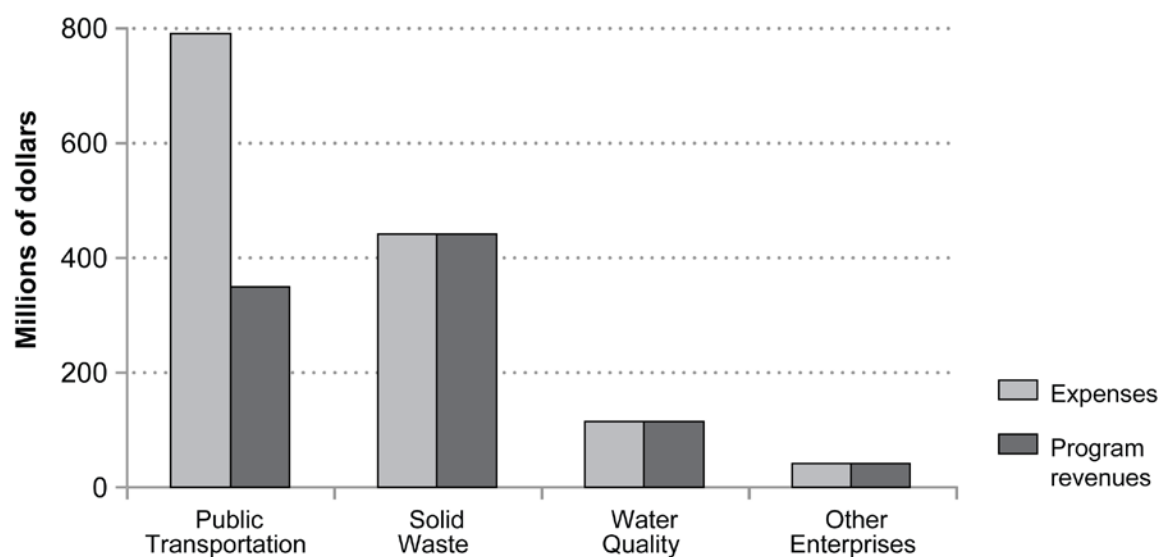
Business-type revenues by source:

Revenues by Source – Business-type Activities 2014



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

Expenses and Program Revenues – Business-type Activities 2014



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use. It represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County Council.

As of December 31, 2014, the County's governmental funds reported a combined ending fund balance of \$675.6 million, an increase of 5.6 percent or \$37.8 million compared to the prior year, as restated. Approximately 9.4 percent or \$64.3 million constitutes unassigned fund balance available for spending in the coming year at the discretion of County management. The remainder of fund balance comprise: nonspendable with 1.9 percent or \$13.0 million, restricted with 28.8 percent or \$194.7 million, committed with 16.2 percent or \$294.4 million, and assigned with 43.6 percent or \$290.7 million.

For 2014, overall governmental fund revenues totaled approximately \$1,971.0 million, which represents an increase of 8.5 percent or \$154.4 million over 2013. Property taxes increased by 9.0 percent or \$56.2 million, retail sales and use taxes increased by 9.9 percent or \$16.9 million and intergovernmental revenues increased by 14.7 percent or \$84.4 million. Proceeds from a new levy for parks improvements helped increase property tax revenues while an improving regional economy boosted sales tax receipts. Medicaid expansion contributed to the increase in intergovernmental revenues although tempered by some reductions in grant programs.

In 2014, total expenditures for governmental funds were \$1,960.0 million, an increase of 5.8

percent or \$107.0 million from the previous fiscal year. Current expenditures were also up by 9.1 percent or \$148.8 million from the previous fiscal year. This included increases in expenditures for physical environment by 55.0 percent or \$67.7 million; law, safety and justice by 4.8 percent or \$28.5 million; transportation by 29.1 percent or \$22.5 million; mental and physical health by 6.3 percent or \$31.0 million; and culture and recreation by 5.6 percent or \$2.5 million. However, general government expenditures decreased by 3.4 percent or \$7.0 million. In 2014, capital outlay expenditures were down by 34.4 percent or \$41.2 million.

Total governmental funds have an excess of revenues over expenditures by 0.9 percent or \$18.4 million in 2014, compared to last year where total expenditures exceeded revenues by \$36.4 million. In 2014, there was an increase in governmental fund balance of \$45.3 million, while in 2013 there was a decrease in fund balance of \$31.4 million.

The **General Fund** is the primary operating fund for the County. At the end of the 2014, total fund balance for the General Fund was \$103.2 million. Unassigned fund balance, the amount considered available to spend, totaled \$71.7 million, a decrease of 8.4 percent or \$6.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$649.9 million. Unassigned fund balance represents 11.0 percent of total General Fund expenditures, a modest decrease from the 12.6 percent for 2013. Total fund balance (excluding the Rainy Day Fund) was \$83.1 million, representing approximately 12.8 percent of total General Fund expenditures for 2014 and 15.2 percent or \$94.4 million for 2013.

Fund balance of the General Fund decreased by only 10.9 percent or \$12.6 million during 2014, compared to a decrease in fund balance of 18.1 percent or \$25.3 million in 2013. While revenues increased by 3.6 percent or \$24.4 million in 2014, expenditures also increased by 4.5 percent or \$28.2 million; Property tax revenues increased by 2.5 percent or \$7.7 million, and retail sales and use taxes also increased by 7.8 percent or \$7.5 million. The decrease in the General Fund's fund balance was largely due to a 3.8 percent increase in expenditures for law, safety and justice or 18.6 million. Spending increased for adult and juvenile

detention and public defense operations and administration.

The **Mental Health Fund** is part of the King County Mental Health Regional Support Network. This fund provides for the operations of the involuntary treatment program, the provision of mental health services for children and adults, community services for these individuals and criminal justice related programs to reduce jail populations. At the end of 2014 it had a total fund balance of \$54.5 million, an increase of 42.7 percent or \$16.3 million from the prior year. Revenues were up by 27.3 percent or \$44.9 million, largely due to the increase in Intergovernmental revenues by 28.4 percent or \$44.7 million from 2013 levels. Expenditures were also up 19.6 percent or \$31.6 million in 2014. This increase in both inflows and outflows of resources was largely an impact of the expanded health care coverages due to the Affordable Care Act.

The **Public Health Fund** is used to account for health service centers located throughout the County and other public health programs that promote health and prevent disease for King County residents. At the end of 2014 it had a total fund balance deficit of \$1.8 million, a decrease of 144.0% or \$5.9 million from the prior year. Total revenues increased slightly by 2.1 percent or \$3.4 million. Charges for services went up by 14.2 percent or \$2.3 million. Intergovernmental revenues were slightly increased by only 0.2 percent or \$197 thousand due largely to cuts and delays in federal Medicaid funding.

The State of Washington's Medicaid Administrative Claiming (MAC) has been operating under interim claiming since July 1, 2012. System-wide reimbursements have been reduced to 50 percent of allowable costs since July 1, 2013 while the Centers for Medicare and Medicaid Services (CMS) negotiated with the Washington State Health Care Authority (HCA) about resumption of normal claiming. Once normal claiming resumes on April 1, 2015, CMS and HCA will create a reconciliation plan under which Public Health management believes the vast majority of allowable costs for the period July 1, 2012 to March 31, 2015 will be recovered. While this will provide an important source of one-time funding to resolve the deficit, Public Health – Seattle and King County (PHSKC) is pursuing other strategies including the sale of

three surplus or underutilized properties held by the General Fund on behalf of PHSKC. The sale of these properties is projected to generate in excess of \$6.0 million for the Public Health fund.

Although the resumption of MAC claiming will help resolve the deficit, it will not help prevent future deficits from occurring. Among the new revenue options being pursued by the County as ongoing support for public health services is the Best Starts for Kids program. If passed, this potential prevention-oriented levy would invest, in part, in maternity support services provided within the Public Health Fund to prevent later interventions which are both more costly to the County and less effective. The department has also instituted expenditure controls, including employee step freezes with the cooperation of collective bargaining units for 2015, travel and training restrictions, and hiring controls for positions that do not directly generate revenue.

Proprietary Funds

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

The County's net position was increased by 2.7 percent, or \$71.0 million, from operations in its proprietary funds. The Public Transportation Enterprise net position increased 3.2 percent or \$55.2 million while the net position of the Water Quality Enterprise declined by 0.9 percent or \$4.8 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance, and capital improvements of the County's public transportation facilities. At the end of 2014, the Public Transportation Enterprise had total net position of \$1,803.9 million of which 66.1 percent or \$1,192.9 million was the investment in capital assets net of the associated borrowing; 0.6 percent or \$11.5 million was restricted for capital, debt service, and other purposes; while 33.2 percent or \$599.5 million remained unrestricted and available for spending. Net position increased in 2014 and 2013 by 3.2 percent or \$55.2 million in 2014 and 4.3 percent or \$72.1 million in 2013. The change in 2014 is primarily attributed to increases in sales tax receipts at 8.3 percent or \$36.6 million, property taxes at 8.4 percent or \$2.0 million, and

intergovernmental revenues at 5.6 percent or \$2.0 million.

The **Water Quality Enterprise** accounts for the operations, maintenance, capital improvements, and expansion of the County's water pollution control facilities. Total net position in the Water Quality Enterprise was \$555.1 million, a decrease of 0.9 percent or \$4.8 million at the end of 2014 of which 37.9 percent or \$210.4 million was the net investment in capital assets; 37.0 percent or \$205.3 million was restricted for debt service and regulatory assets and environmental liabilities; and the remaining 25.1 percent or \$139.4 million was unrestricted. Water Quality operating revenues increased by 3.3 percent or \$13.8 million to \$435.8 million, while operating expenses net of depreciation increased by 6.3 percent or \$7.6 million to \$126.8 million.

General Fund Budgetary Highlights

The County's final General Fund budget differs from the original budget in that it reflects an increase of \$26.0 million during the year due to 2014 supplemental budget appropriations. Budget adjustments were made during the year to law, safety and justice by \$13.0 million, which included, among others, \$6.9 million for public defense services and \$2.3 million for adult and juvenile detention. Other increases were for transfers to capital projects, \$6.1 million, and to the Public Health fund, \$3.0 million. The actual budgetary basis expenditures (including encumbrances) were \$22.4 million less than the final appropriation.

2014 was the final year for the General Fund annual budget as all County operating funds are now budgeted biennially. 2015-2016 is the first biennium for the General Fund. The biennial budget is a true twenty-four month budget, not two separate budgets enacted at the same time.

Revenues in 2014 came in slightly higher than budgeted but only by 0.4 percent. Declines in charges for services and fines and forfeits were offset by some gains in property and sales taxes and intergovernmental revenues. The fund ended 2014 with a 10.9 percent lower fund balance.

Sluggish revenue growth will be the prevalent pattern for the General Fund as it continues to face the challenges of state-imposed limitations on local property tax revenues. Capping property tax revenue growth so far below the rate of

inflation and population growth (typically 3.0-3.5 percent per year) has led to continued reductions in General Fund and other county services, despite significant efficiencies achieved in recent years.

CAPITAL ASSETS, INFRASTRUCTURE, AND DEBT ADMINISTRATION

Capital assets

The King County primary government's capital assets for its governmental and business-type activities as of December 31, 2014, amounted to \$3,023.4 million for governmental activities and \$5,763.4 million for business-type activities totaling \$8,776.5 million, net of depreciation.

Capital assets include land, rights-of-way, easements and development rights, buildings, improvements other than buildings, infrastructure, vehicles, machinery, computers, software and other equipment, and construction work-in-progress. The total increase in capital assets over the previous year was 34.1 million, net of depreciation.

Major capital asset events during 2014 included the following:

- The Taxiway Alpha rehabilitation project was completed in 2014 costing \$26 million. The project included re-paving a nine thousand foot long taxiway and improvements to related facilities and systems on the east side of King County International Airport.
- The new Factoria Recycling and Transfer Station project will replace the old station with a state-of-the-art, efficient and sustainable facility at a cost of about \$88.8 million. Construction period is from 2014 to 2017.
- The new South Park Bridge opened in June 2014 at a cost of \$96.0 million. The bridge is expected to handle about 20 thousand vehicles per day, including three-thousand freight trucks.
- Planning is underway on the voter-approved, \$210-million Children and Family Justice Center, which will replace the existing Youth Services Center. Ground-breaking is scheduled in for the spring of 2016, with completion anticipated in 2019.

A summary of the 2014 capital assets activity is shown below. More detailed information on the County's capital assets can be found in Note 7 – "Capital Assets."

	Capital Assets (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and land rights	\$ 993.2	\$ 965.0	\$ 491.2	\$ 493.1	\$ 1,484.4	\$ 1,458.1
Buildings*	614.6	651.9	** 1,935.1	1,959.1	** 2,549.7	2,611.0
Leasehold Improvements*	15.4	16.4	0.9	1.0	** 16.3	17.4
Improvements other than buildings*	45.8	43.6	135.4	117.0	** 181.2	160.6
Infrastructure - roads and bridges	1,114.0	1,075.7	-	-	1,114.0	1,075.7
Infrastructure - other*	11.1	8.0	1,776.0	1,709.1	1,787.1	1,717.1
Equipment, software and art collection*	110.6	121.4	1,024.0	1,079.3	1,134.6	1,200.7
Construction in progress	118.7	100.5	400.8	411.6	** 519.5	512.1
Total	\$3,023.4	\$2,982.5	** \$ 5,763.4	\$ 5,770.2	\$ 8,786.8	\$ 8,752.7

* Net of depreciation/amortization

** Restated

Infrastructure

The County has elected to use the modified approach in reporting roads and bridges. Under the modified approach, capital assets are not depreciated because the presumption is that they will be preserved indefinitely. The condition of the assets is disclosed to provide evidence that established condition levels are being met. The rating scales for pavements (roads) and bridges and the results of the most recent condition assessments are further explained in the required supplementary information which follows the notes to the basic financial statements.

Condition assessments for roads are undertaken every three years using a pavement condition index (PCI). This is a 100-point scale numerical index that represents the pavement's functional condition based on the quantity, severity, and type of visual distress. It is the policy of the King County Road Services Division to maintain at least 50 percent of the road system at a PCI of 40 or better. In the most recent condition assessment, more than two-thirds of the arterial and local access roads met the established condition level.

The County currently maintains 181 bridges. Physical inspections to uncover deficiencies are carried out at least every two years. A prioritization scale is maintained to determine which bridges are due for replacement or rehabilitation. The most significant criterion is the sufficiency rating which utilizes a 100-point priority scale based on various factors of bridge condition. The policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 6.5 percent will have a sufficiency rating of 20 or less. The most current complete assessment showed only five bridges at or below this threshold.

Debt Administration

At the end of 2014, King County had a total of \$4,762.9 million in bonds outstanding. Of this amount, \$1,949.1 million comprises debt backed by the full faith and credit of the County. The other \$2,813.8 million represents bonds secured by specific revenue sources generated by the debt-financed capital assets. A summary of the County's debt by type and activity is shown on the following page.

	Outstanding Debt (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 717.6	\$ 741.4	\$ 1,013.6	\$ 1,022.0	\$ 1,731.2	\$ 1,763.4
Lease revenue bonds	217.9	265.3	-	-	217.9	265.3
Revenue bonds	-	-	2,813.8	2,866.1	2,813.8	2,866.1
Total	<u>\$ 935.5</u>	<u>\$ 1,006.7</u>	<u>\$ 3,827.4</u>	<u>\$ 3,888.1</u>	<u>\$ 4,762.9</u>	<u>\$ 4,894.8</u>

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

Total debt decreased over the previous year by 2.7 percent or \$131.9 million (a 7.1 percent or \$71.2 million decrease for governmental activities and a 1.6 percent or \$60.7 million decrease for business-type activities). Governmental activities outstanding debt decreased primarily due to \$84.4 million debt service payments offset by an increase of \$15.4 million in new limited general obligation bond issuances. Business-type activities' outstanding debt decreased primarily due to the \$72.8 million debt service payment offset with an increase of \$15.8 million in new bonds to finance construction of solid waste facilities.

During 2014, the County refinanced some of its existing governmental activities debt to take advantage of favorable interest rates. The County refinanced \$37.1 million of lease revenue general obligation bonds that is expected to decrease future aggregate debt service payments by \$3.0 million over the life of the bonds. The County also refinanced business-type debt in the amount of \$280.8 million (\$10.0 million of general obligation bonds and \$270.9 million of revenue bonds) that is expected to decrease future aggregate debt service payments by \$20.8 million over the life of the bonds.

The County maintained a rating of "Aa1" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AA+" from Fitch for its limited tax general obligation debt. For its unlimited tax general obligation debt the County has a rating of "Aaa" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AAA" from Fitch. The ratings for Water Quality Enterprise's revenue debt are "Aa2" from Moody's and "AA+" from Standard & Poor's.

State statutes limit the amount of general obligation debt that the County may issue to 2.5 percent of its total assessed valuation for general county purposes and 2.5 percent for metropolitan functions. The current debt limitation of total general obligations for general county purposes is \$9.7 billion, significantly higher than the County's outstanding net general obligation long-term liabilities of \$1.1 billion. For metropolitan functions the debt limitation is \$9.7 billion and the County's outstanding net general obligation debt for metropolitan functions is \$1.1 billion.

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

ECONOMIC OUTLOOK AND 2015 BUDGET

Economic factors have a direct impact on the County's revenues and the demand for its services. County revenue sources are sensitive to the performance of both regional and local economies, particularly on income, employment, market valuation, investment and inflation, which directly influence property tax assessments, retail sales, and real estate transactions. For example, sales tax revenues are largely driven by income, capital investment, inflation and employment – when these factors rise, sales tax receipts typically increase as demand for goods and services gets a boost.

Similarly, County expenditures are driven by the demand for its services which is positively influenced by levels of affordability and access, but negatively by inflation and recession. A significant portion of county costs are directly tied to the local Consumer Price Index, such as salaries and wages, fuel, utilities and inventories.

The County's revenue sources include taxes, charges for services, intergovernmental revenues and interest earnings. The largest single source is taxes, which now comprise close to fifty percent of total general revenues. These consist primarily of taxes on real property and retail sales. Property taxes tend to be stable because levy amounts are based on procedures outlined in Washington state law that govern the growth of property tax levies. In most cases this leads to very stable growth of 1.0 percent plus the value of eligible "add-ons." Property tax rates are calculated months in advance with the assessed values established from the preceding four years of real estate sales. On the other hand, retail sales taxes are more volatile and directly affected by economic conditions.

The County's economy is growing due to improvements in the global and national scene, and because of the unique composition of businesses in the region. Unemployment has dropped to 4.1 percent, the lowest in the state, and markedly below the national rate of 5.6 percent. The region's most prominent employers, namely Boeing, Microsoft and Amazon.com, retain strong demand for their products. While both Boeing and Microsoft experienced mild slowdowns in hiring last year, Amazon.com experienced a boost in its employment as it expanded its services and opened new lines of business.

Real estate prices climbed throughout 2014, with the Case-Shiller Home Price Index up by approximately 8.5 percent on a year to year basis. Total assessed valuation (TAV) grew by 8.2 percent in 2014 and continued its rise in 2015 by 13.9 percent reaching \$388.1 billion. In Unincorporated King County, the increase in 2014 is at 6.2 percent while the increase in 2015 is at 13.2 percent. This is expected to stabilize in 2017 due to the effects of planned annexations. New construction grew 71.7 percent in tax year 2014 and is still up significantly in tax year 2015 by 46.6 percent. There are positive signs for continued growth in 2016 and beyond.

Taxable sales increased by 7.8 percent in King County in 2014 with construction sales a large contributor to that growth, up 11 percent. Retail, food service and accommodation sales continued to improve from the previous year. The annual inflation rate in the area remained tame at 1.9 percent for 2014 (CPI-W Seattle-Tacoma-Bremerton). Corrected for the rebounding home

price appreciation, annual inflation was only 0.4 percent.

The County is required by law to adopt a balanced budget. In 2015, the County fully adopted biennial budgeting. For the 2015-2016 biennium, the County Council approved a budget of about \$9.0 billion, with \$1.5 billion allotted to the General Fund. The General Fund expense budget maintains a six-percent minimum budgetary unassigned fund balance as a percentage of revenues.

King County continues to be saddled by fiscal challenges from an ongoing structural gap, caused by revenue growth that is slower than inflation; and, from after-effects of the previous recession, such as an environment where both interest and investment rates are low. Without action by the federal and state governments, public safety, transportation and public health infrastructures will continue to be problematic along with the quality of life these services afford. In order for the County to continue providing critical services for its residents, it has to introduce reforms, develop efficiencies through reorganization, promote technology and involve the private sector through innovative partnerships.

REQUESTS FOR INFORMATION

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

Basic Statements

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATEMENT OF NET POSITION
DECEMBER 31, 2014
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 1,041,666	\$ 1,282,197	\$ 2,323,863	\$ 260,021
Investments	-	-	-	23,076
Receivables, net	184,704	233,670	418,374	142,590
Internal balances	(79,472)	79,472	-	-
Inventories	2,728	28,629	31,357	8,568
Prepayments and other assets	10,928	6,793	17,721	9,316
Capital assets				
Non-depreciable assets	2,236,650	888,777	3,125,427	16,446
Depreciable assets, net of depreciation	786,831	4,874,538	5,661,369	314,913
Deposits with other governments	-	-	-	644
Regulatory assets - environmental remediation	-	63,303	63,303	-
Other utility assets	-	29,835	29,835	-
Other assets	-	4,700	4,700	13,583
TOTAL ASSETS	4,184,035	7,491,914	11,675,949	789,157
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	22,508	107,388	129,896	-
LIABILITIES				
Accounts payable and other current liabilities	120,347	253,231	373,578	65,531
Accrued liabilities	32,853	94,090	126,943	42,206
Notes payable	-	100,051	100,051	-
Unearned revenues	20,545	13,976	34,521	2,931
Noncurrent liabilities				
Due within one year	149,490	108,421	257,911	1,604
Due in more than one year	1,198,648	4,319,457	5,518,105	18,004
TOTAL LIABILITIES	1,521,883	4,889,226	6,411,109	130,276
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	-	34,250	34,250	-
NET POSITION				
Net investment in capital assets	2,204,046	1,616,435	3,820,481	328,277
Restricted for:				
Capital projects	147,168	247	147,415	-
Debt service	48,915	193,852	242,767	-
General government	50,155	-	50,155	-
Law, safety and justice	92,976	-	92,976	-
Physical environment	63,384	-	63,384	-
Transportation	21,267	-	21,267	-
Economic environment	41,783	-	41,783	-
Mental and physical health	95,841	-	95,841	-
Culture and recreation	14,735	-	14,735	-
Regulatory assets and environmental liabilities	-	22,704	22,704	-
Expendable	-	-	-	60,882
Nonexpendable	-	-	-	3,709
Unrestricted	(95,610)	842,588	746,978	266,013
TOTAL NET POSITION	\$ 2,684,660	\$ 2,675,826	\$ 5,360,486	\$ 658,881

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:					
Governmental activities:		\$ 120,781			
General government	\$ 172,554	\$ (51,773)	\$ 26,764	\$ 21,234	\$ 879
Law, safety & justice	634,454	20,487	160,874	19,502	-
Physical environment	132,917	1,216	75,191	16,668	2,564
Transportation	82,787	2,029	49,311	23,550	26,831
Economic environment	103,078	1,009	28,440	32,748	-
Mental & physical health	507,675	5,732	335,188	68,796	-
Culture & recreation	49,230	790	457	-	-
Interest and other					
debt service costs	36,098	-	14,995	2	-
Total governmental activities	<u>1,718,793</u>	<u>100,271</u>	<u>691,220</u>	<u>182,500</u>	<u>30,274</u>
Business-type activities:					
Airport	25,158	319	17,457	-	7,305
Public Transportation	778,283	14,783	289,943	37,751	24,470
Solid Waste	114,456	2,032	114,270	-	-
Water Quality	441,298	3,163	440,720	65	9
Institutional Network	2,107	47	2,560	-	-
Ferry District	6,709	82	2,063	-	8,420
Radio Communications Services	5,714	84	4,341	-	-
Total business-type activities	<u>1,373,725</u>	<u>20,510</u>	<u>871,354</u>	<u>37,816</u>	<u>40,204</u>
Total primary government	<u>\$ 3,092,518</u>	<u>\$ 120,781</u>	<u>\$ 1,562,574</u>	<u>\$ 220,316</u>	<u>\$ 70,478</u>
Component units	<u>\$ 831,414</u>		<u>\$ 808,558</u>	<u>\$ 8,620</u>	<u>\$ 1,418</u>
General revenues					
Property taxes					
Retail sales and use taxes					
Business and other taxes					
Penalties and interest - delinquent taxes					
Interest earnings					
Transfers					
Special item					
Total general revenues and transfers					
Change in net position					
Net position - January 1, 2014 (Restated)					
Net position - December 31, 2014					

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units Total	
Governmental Activities	Business-type Activities	Total		
\$ (71,904)	\$	\$ (71,904)	\$	
(474,565)		(474,565)		
(39,710)		(39,710)		
14,876		14,876		
(42,899)		(42,899)		
(109,423)		(109,423)		
(49,563)		(49,563)		
(21,101)		(21,101)		
(794,289)		(794,289)		
	(715)	(715)		
	(440,902)	(440,902)		
	(2,218)	(2,218)		
	(3,667)	(3,667)		
	406	406		
	3,692	3,692		
	(1,457)	(1,457)		
-	(444,861)	(444,861)		
(794,289)	(444,861)	(1,239,150)		
			(12,818)	
682,616	26,621	709,237	-	
187,500	479,579	667,079	-	
46,280	-	46,280	-	
20,993	-	20,993	-	
7,994	8,654	16,648	256	
(1,439)	1,439	-	-	
60	-	60	-	
944,004	516,293	1,460,297	256	
149,715	71,432	221,147	(12,562)	
2,534,945	2,604,394	5,139,339	671,443	
\$ 2,684,660	\$ 2,675,826	\$ 5,360,486	\$ 658,881	

King County, Washington

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)**

	GENERAL FUND	MENTAL HEALTH FUND	PUBLIC HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 71,558	\$ 61,923	\$ 60	\$ 554,491	\$ 688,032
Taxes receivable - delinquent	7,716	63	-	7,899	15,678
Accounts receivable, net	14,282	-	2,107	34,649	51,038
Other receivables, net	-	-	752	314	1,066
Interest receivable	6,817	-	-	-	6,817
Due from other funds	92	290	16	3,576	3,974
Due from other governments, net	34,531	1,178	34,688	42,228	112,625
Inventory of supplies	-	-	1,248	-	1,248
Prepayments	-	-	-	5,955	5,955
Advances to other funds	300	-	-	5,475	5,775
Total assets	<u>\$ 135,296</u>	<u>\$ 63,454</u>	<u>\$ 38,871</u>	<u>\$ 654,587</u>	<u>\$ 892,208</u>
LIABILITIES					
Accounts payable	\$ 3,806	\$ 7,665	\$ 10,296	\$ 66,692	\$ 88,459
Due to other funds	2,407	-	22	10,572	13,001
Interfund short-term loans payable	-	-	20,780	-	20,780
Due to other governments	513	349	4,207	5,239	10,308
Interest payable	-	-	-	98	98
Wages payable	14,471	232	2,923	5,144	22,770
Taxes payable	179	-	10	39	228
Bonds payable	-	-	-	3,905	3,905
Unearned revenues	1,724	664	1,686	16,794	20,868
Custodial accounts	1,021	-	-	7,587	8,608
Advances from other funds	-	-	-	5,775	5,775
Total liabilities	<u>24,121</u>	<u>8,910</u>	<u>39,924</u>	<u>121,845</u>	<u>194,800</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	6,236	48	-	6,573	12,857
Advanced mitigation fees	-	-	-	6,455	6,455
Unavailable revenue-other receivables	1,731	-	752	-	2,483
Total deferred inflows of resources	<u>7,967</u>	<u>48</u>	<u>752</u>	<u>13,028</u>	<u>21,795</u>
FUND BALANCES (DEFICITS)					
Nonspendable	300	-	1,248	11,430	12,978
Restricted	2,803	39,091	-	152,802	194,696
Committed	20,212	-	-	88,996	109,208
Assigned	8,151	15,405	-	270,895	294,451
Unassigned	71,742	-	(3,053)	(4,409)	64,280
Total fund balances (deficits)	<u>103,208</u>	<u>54,496</u>	<u>(1,805)</u>	<u>519,714</u>	<u>675,613</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 135,296</u>	<u>\$ 63,454</u>	<u>\$ 38,871</u>	<u>\$ 654,587</u>	<u>\$ 892,208</u>

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

Total fund balances - governmental funds	\$ 675,613
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	2,764,591
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	17,700
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	110,214
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(883,458)
Net position of governmental activities	<u>\$ 2,684,660</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	GENERAL FUND	MENTAL HEALTH FUND	PUBLIC HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes					
Property taxes	\$ 319,189	\$ 3,039	\$ -	\$ 358,301	\$ 680,529
Retail sales and use taxes	102,837	-	-	84,663	187,500
Business and other taxes	9,496	-	-	34,238	43,734
Penalties and interest - delinquent taxes	20,993	-	-	-	20,993
Licenses and permits	4,753	-	15,882	2,998	23,633
Intergovernmental revenues	118,774	202,150	126,018	209,888	656,830
Charges for services	113,270	3,056	18,874	135,777	270,977
Fines and forfeits	5,922	-	73	362	6,357
Interest earnings	1,633	337	-	3,038	5,008
Miscellaneous revenues	12,142	721	3,940	58,616	75,419
TOTAL REVENUES	709,009	209,303	164,787	887,881	1,970,980
EXPENDITURES					
Current					
General government	119,721	-	-	77,000	196,721
Law, safety and justice	501,420	-	-	117,741	619,161
Physical environment	-	-	-	190,979	190,979
Transportation	-	-	-	99,991	99,991
Economic environment	408	-	-	101,800	102,208
Mental and physical health	26,392	193,002	200,022	102,544	521,960
Culture and recreation	-	-	-	46,665	46,665
Debt Service					
Principal	-	-	-	71,998	71,998
Interest and other debt service costs	68	-	42	31,394	31,504
Refunding bond issuance costs	-	-	-	260	260
Capital outlay	1,895	-	423	76,277	78,595
TOTAL EXPENDITURES	649,904	193,002	200,487	916,649	1,960,042
Excess (deficiency) of revenues over (under) expenditures	59,105	16,301	(35,700)	(28,768)	10,938
OTHER FINANCING SOURCES (USES)					
Transfers in	118	1	30,188	145,312	175,619
Transfers out	(71,991)	(4)	(399)	(95,125)	(167,519)
General government debt issued	-	-	-	15,395	15,395
Premium on bonds sold	-	-	-	6,370	6,370
Refunding bonds issued	-	-	-	34,815	34,815
Sale of capital assets	156	-	-	1,001	1,157
Payment to refunded bonds escrow agent	-	-	-	(38,958)	(38,958)
TOTAL OTHER FINANCING SOURCES (USES)	(71,717)	(3)	29,789	68,810	26,879
Net change in fund balances	(12,612)	16,298	(5,911)	40,042	37,817
Fund balances - January 1, 2014 (Restated)	115,820	38,198	4,106	479,672	637,796
Fund balances - December 31, 2014	<u>\$ 103,208</u>	<u>\$ 54,496</u>	<u>\$ (1,805)</u>	<u>\$ 519,714</u>	<u>\$ 675,613</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)**

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

Net change in fund balances - total governmental funds	\$ 37,817
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	34,757
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.	10,894
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(1,931)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	51,951
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	6,776
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	9,451
Change in net position of governmental activities	<u>\$ 149,715</u>

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

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	<u>BUDGETED AMOUNTS (ANNUAL)</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes				
Property taxes	\$ 316,958	\$ 316,958	\$ 320,639	\$ 3,681
Retail sales and use taxes	98,231	98,231	102,837	4,606
Business and other taxes	8,448	8,448	9,496	1,048
Penalties and interest - delinquent taxes	22,000	22,000	20,993	(1,007)
Licenses and permits	3,844	3,844	4,753	909
Intergovernmental revenues	105,181	115,058	118,774	3,716
Charges for services	119,527	119,560	113,270	(6,290)
Fines and forfeits	8,613	8,613	5,922	(2,691)
Interest earnings	2,365	2,365	1,412	(953)
Miscellaneous revenues	11,910	11,910	12,143	233
Sale of capital assets	30	30	155	125
Transfers in	345	345	81	(264)
TOTAL REVENUES	697,452	707,362	710,475	3,113
EXPENDITURES				
Current				
General government services	117,646	123,039	120,269	2,770
Law, safety and justice	503,512	516,480	501,121	15,359
Economic environment	615	624	408	216
Mental and physical health	27,044	27,581	26,392	1,189
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	68	(65)
Capital outlay	1,474	2,174	1,895	279
Transfers out	68,162	74,594	71,991	2,603
TOTAL EXPENDITURES	718,490	744,529	722,144	22,385
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (21,038)</u>	<u>\$ (37,167)</u>	(11,669)	<u>\$ 25,498</u>
Adjustment from budgetary basis to GAAP basis			(943) ^(a)	
Net change in fund balance			(12,612)	
Fund balance - January 1, 2014 (Restated)			115,820	
Fund balance - December 31, 2014			<u>\$ 103,208</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized gains on investments on a GAAP basis			\$ 220	
Adjustments to expenditures				
Non-budgeted expenditures			(384)	
Encumbrances, not included in GAAP basis expenditures			1,107	
Adjustment from budgetary basis to GAAP basis			<u>\$ 943</u>	

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

MENTAL HEALTH FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE BIENNIUM ENDED DECEMBER 31, 2014
 (IN THOUSANDS)

	<u>BUDGETED AMOUNTS (BIENNIAL)</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes	5,998	5,998	6,028	30
Intergovernmental revenues	331,459	365,461	359,574	(5,887)
Charges for services	6,907	6,907	6,969	62
Miscellaneous revenues	-	2,722	1,108	(1,614)
Transfers in	-	-	1	1
TOTAL REVENUES	<u>338,366</u>	<u>381,088</u>	<u>373,680</u>	<u>(7,408)</u>
EXPENDITURES				
Current				
Mental and physical health	341,848	381,848	354,428	27,420
Transfers out	-	-	425	(425)
TOTAL EXPENDITURES	<u>341,848</u>	<u>381,848</u>	<u>354,853</u>	<u>26,995</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (3,482)</u>	<u>\$ (760)</u>	18,827	<u>\$ 19,587</u>
Adjustment from budgetary basis to GAAP basis - encumbrances			<u>-</u>	
Net change in fund balance			18,827	
Fund balance - January 1, 2013 (Restated)			<u>35,669</u>	
Fund balance - December 31, 2014			<u>\$ 54,496</u>	

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

PUBLIC HEALTH FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	<u>BUDGETED AMOUNTS (ANNUAL)</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Licenses and permits	\$ 14,969	\$ 15,578	\$ 15,882	\$ 304
Intergovernmental revenues	123,917	117,950	126,018	8,068
Charges for services	18,510	17,774	18,874	1,100
Fines and forfeits	-	6	73	67
Contribution donations from private sources	24,245	13,468	3,533	(9,935)
Miscellaneous revenues	41,542	12	407	395
Transfers in	28,857	30,187	30,188	1
TOTAL REVENUES	252,040	194,975	194,975	-
EXPENDITURES				
Current				
Mental and physical health	253,173	200,237	200,022	215
Debt service				
Interest and other debt service costs	40	42	42	-
Capital outlay	86	208	423	(215)
Transfers out	851	399	399	-
TOTAL EXPENDITURES	254,150	200,886	200,886	-
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (2,110)</u>	<u>\$ (5,911)</u>	(5,911)	<u>\$ -</u>
Adjustment from budgetary basis to GAAP basis - encumbrances			-	
Net change in fund balance			(5,911)	
Fund balance - January 1, 2014			4,106	
Fund balance - December 31, 2014			<u>\$ (1,805)</u>	

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets					
Cash and cash equivalents	\$ 524,990	\$ 204,064	\$ 104,427	\$ 833,481	\$ 357,876
Restricted cash and cash equivalents	20,200	146,651	486	167,337	81
Accounts receivable, net	50,019	44,081	8,576	102,676	665
Due from other funds	474	1,150	5,845	7,469	1,572
Interfund short-term loans receivable	20,780	-	308	21,088	-
Property tax receivable-delinquent	506	-	29	535	-
Due from other governments, net	122,434	3,782	4,219	130,435	56
Inventory of supplies	19,331	7,672	1,622	28,625	1,486
Prepayments and other assets	393	85	124	602	3,852
Total current assets	759,127	407,485	125,636	1,292,248	365,588
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	223	216,868	56,448	273,539	3,518
Due from other governments, net	24	-	-	24	-
Total restricted assets	247	216,868	56,448	273,563	3,518
Capital assets					
Non-depreciable assets	250,762	537,498	100,517	888,777	23,996
Depreciable assets, net of depreciation	1,056,475	3,585,369	224,013	4,865,857	243,575
Total capital assets	1,307,237	4,122,867	324,530	5,754,634	267,571
Other noncurrent					
Prepayments	5,766	425	-	6,191	-
Notes receivable	500	-	-	500	-
Advances to other funds	-	-	607	607	-
Regulatory assets - environmental remediation	-	63,303	-	63,303	-
Other utility assets, net of accumulated depreciation	-	29,835	-	29,835	-
Other assets	-	4,200	-	4,200	-
Total other noncurrent	6,266	97,763	607	104,636	-
Total noncurrent assets	1,313,750	4,437,498	381,585	6,132,833	271,089
TOTAL ASSETS	2,072,877	4,844,983	507,221	7,425,081	636,677
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	4,293	101,942	1,153	107,388	

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES					
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS	
LIABILITIES						
Current liabilities						
Accounts payable	\$ 67,295	\$ 27,283	\$ 6,492	\$ 101,070	\$ 11,763	
Retainage payable	4,653	2,352	468	7,473	11	
Estimated claim settlements	-	-	-	-	52,695	
Due to other funds	-	-	2	2	13	
Interest payable	393	79,115	451	79,959	1,028	
Interfund short-term loans payable	-	-	308	308	-	
Wages payable	10,353	2,210	1,562	14,125	3,620	
Compensated absences payable	8,753	565	348	9,666	888	
Taxes payable	89	17	159	265	12	
Unearned revenues	8,709	1,628	3,639	13,976	2,544	
Pollution remediation	-	5,632	-	5,632	-	
Revenue bonds payable	-	51,615	-	51,615	7,820	
General obligation bonds payable	10,830	9,000	5,235	25,065	4,340	
Capital leases payable	114	-	-	114	-	
State revolving loan payable	-	11,133	-	11,133	-	
Notes payable	-	100,000	51	100,051	-	
Landfill closure and post-closure care	-	-	4,804	4,804	-	
Other liabilities	-	144,299	502	144,801	2,233	
Total current liabilities	111,189	434,849	24,021	570,059	86,967	
Noncurrent liabilities						
Compensated absences payable	44,806	10,919	5,726	61,451	15,267	
Other postemployment benefits	9,267	1,351	1,117	11,735	2,160	
Advances from other funds	-	-	607	607	-	
General obligation bonds payable	99,110	770,505	118,935	988,550	23,465	
Revenue bonds payable	-	2,762,190	-	2,762,190	210,080	
Unamortized bond premium and discount	5,797	190,669	11,239	207,705	6,476	
Capital leases payable	2,760	-	-	2,760	-	
State revolving loans payable	-	147,920	-	147,920	-	
Landfill closure and post-closure care	-	-	96,379	96,379	-	
Estimated claim settlements	-	-	-	-	114,318	
Pollution remediation	379	39,168	670	40,217	-	
Other liabilities	-	-	550	550	-	
Total noncurrent liabilities	162,119	3,922,722	235,223	4,320,064	371,766	
TOTAL LIABILITIES	273,308	4,357,571	259,244	4,890,123	458,733	
DEFERRED INFLOWS OF RESOURCES						
Rate stabilization	-	34,250	-	34,250	-	
NET POSITION						
Net investment in capital assets	1,192,919	210,360	204,475	1,607,754	19,296	
Restricted for:						
Capital projects	247	-	-	247	70	
Debt service	11,234	182,618	-	193,852	-	
Regulatory assets and environmental liabilities	-	22,704	-	22,704	-	
Unrestricted	599,462	139,422	44,655	783,539	158,578	
TOTAL NET POSITION	\$ 1,803,862	\$ 555,104	\$ 249,130	2,608,096	\$ 177,944	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				67,730		
Net position of business-type activities				\$ 2,675,826		

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NOMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
I-Net fees	\$ -	\$ -	\$ 2,560	\$ 2,560	\$ -
Radio services	-	-	4,118	4,118	-
Solid waste disposal charges	-	-	106,292	106,292	-
Airfield fees	-	-	3,394	3,394	-
Hangar, building, and site rentals and leases	-	-	13,937	13,937	-
Passenger	161,726	-	1,764	163,490	-
Service contracts	85,082	-	-	85,082	-
Sewage disposal fees	-	364,591	-	364,591	-
Other operating revenues	23,053	71,197	3,069	97,319	524,544
Total operating revenues	269,861	435,788	135,134	840,783	524,544
OPERATING EXPENSES					
Personal services	427,529	47,508	53,611	528,648	127,845
Materials and supplies	74,806	16,529	10,367	101,702	14,046
Contract services and other charges	29,944	14,228	25,630	69,802	298,842
Utilities	4,970	14,373	3,087	22,430	-
Purchased transportation	56,526	-	2,838	59,364	-
Internal services	72,562	31,563	18,428	122,553	26,249
Environmental related amortization	-	2,581	-	2,581	-
Depreciation and amortization	121,199	163,976	18,227	303,402	17,847
Total operating expenses	787,536	290,758	132,188	1,210,482	484,829
OPERATING INCOME (LOSS)	(517,675)	145,030	2,946	(369,699)	39,715
NONOPERATING REVENUES					
Sales tax	479,579	-	-	479,579	-
Property tax	25,436	-	1,185	26,621	-
Intergovernmental	37,751	65	-	37,816	3
Interest earnings	3,569	3,856	1,185	8,610	2,689
DNRP administration	-	-	4,857	4,857	-
Other nonoperating revenues	20,082	1,787	700	22,569	-
Total nonoperating revenues	566,417	5,708	7,927	580,052	2,692
NONOPERATING EXPENSES					
Interest	2,710	150,007	2,871	155,588	11,777
DNRP administration	-	-	4,889	4,889	-
Loss on disposal of capital assets	5,137	3,001	2,247	10,385	139
Landfill closure and post-closure care	-	-	14,758	14,758	-
Other nonoperating expenses	8,841	2,356	908	12,105	434
Total nonoperating expenses	16,688	155,364	25,673	197,725	12,350
Income (loss) before contributions and transfers	32,054	(4,626)	(14,800)	12,628	30,057
Capital grants and contributions	24,470	-	17,890	42,360	3,504
Transfers in	-	-	1,093	1,093	2,009
Transfers out	(1,355)	(173)	(262)	(1,790)	(9,411)
Special items	-	-	-	-	3,256
CHANGE IN NET POSITION	55,169	(4,799)	3,921	54,291	29,415
NET POSITION - JANUARY 1, 2014 (RESTATED)	1,748,693	559,903	245,209		148,529
NET POSITION - DECEMBER 31, 2014	<u>\$ 1,803,862</u>	<u>\$ 555,104</u>	<u>\$ 249,130</u>		<u>\$ 177,944</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				17,141	
Change in net position of business-type activities				<u>\$ 71,432</u>	

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 275,039	\$ 414,909	\$ 135,125	\$ 825,073	\$ 528,886
Cash payments to suppliers for goods and services	(238,380)	(79,950)	(62,662)	(380,992)	(351,077)
Cash payments for employee services	(438,606)	(48,703)	(54,730)	(542,039)	(132,290)
Other receipts	-	-	4,957	4,957	4,250
Other payments	-	(5,957)	(5,768)	(11,725)	-
Net cash provided (used) by operating activities	<u>(401,947)</u>	<u>280,299</u>	<u>16,922</u>	<u>(104,726)</u>	<u>49,769</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	549,433	65	1,653	551,151	63
Interfund loan principal amounts loaned to other funds	(20,779)	-	(2,775)	(23,554)	-
Interfund loan principal repayments from other funds	5,864	-	303	6,167	-
Notes repayment from others	710	-	-	710	-
Grants to others	(8,841)	(17)	-	(8,858)	-
Transfers in	-	-	1,093	1,093	2,009
Transfers out	(1,355)	(173)	(262)	(1,790)	(9,411)
Net cash provided (used) by noncapital financing activities	<u>525,032</u>	<u>(125)</u>	<u>12</u>	<u>524,919</u>	<u>(7,339)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(108,001)	(154,085)	(28,924)	(291,010)	(12,176)
Proceeds from capital debt	-	27,618	17,000	44,618	-
Principal paid on capital debt	(10,479)	(67,331)	(4,835)	(82,645)	(12,415)
Interest paid on capital debt	(4,962)	(169,072)	(3,242)	(177,276)	(12,641)
Capital grants and contributions	26,340	-	15,275	41,615	-
Other capitalized payments	-	-	(303)	(303)	-
Proceeds from disposal of capital assets	1,657	23	382	2,062	1,225
Landfill closure and post-closure care	-	-	(3,540)	(3,540)	-
Net cash used by capital and related financing activities	<u>(95,445)</u>	<u>(362,847)</u>	<u>(8,187)</u>	<u>(466,479)</u>	<u>(36,007)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	3,569	3,856	1,185	8,610	2,690
Net cash provided by investing activities	<u>3,569</u>	<u>3,856</u>	<u>1,185</u>	<u>8,610</u>	<u>2,690</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,209	(78,817)	9,932	(37,676)	9,113
CASH AND CASH EQUIVALENTS - JANUARY 1, 2014	514,204	646,400	151,429	1,312,033	352,362
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2014	<u>\$ 545,413</u>	<u>\$ 567,583</u>	<u>\$ 161,361</u>	<u>\$ 1,274,357</u>	<u>\$ 361,475</u>

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

King County, Washington

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (517,675)	\$ 145,030	\$ 2,946	\$ (369,699)	\$ 39,715
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and amortization	121,199	163,976	18,227	303,402	17,847
Other nonoperating revenue/expense	1,550	1,646	(811)	2,385	-
Changes in assets - (increase) decrease					
Accounts receivable, net	3,924	(7,859)	(209)	(4,144)	404
Due from other funds	331	2,892	149	3,372	601
Due from other governments, net	-	-	(271)	(271)	18
Inventory of supplies	1,981	(420)	53	1,614	161
Prepayments	430	(40)	10	400	288
Other assets	(500)	(3,476)	-	(3,976)	-
Changes in liabilities - increase (decrease)					
Accounts payable	(1,887)	(2,783)	(1,395)	(6,065)	(4,903)
Due to other funds	(144)	(5)	(72)	(221)	(1,971)
Retainage payable	15	(17)	143	141	(96)
Wages payable	(12,055)	(1,523)	(1,488)	(15,066)	(5,213)
Taxes payable	33	10	(2)	41	3
Unearned revenues	(127)	300	127	300	20
Claims and judgments payable	-	-	-	-	2,737
Compensated absences	(85)	172	243	330	487
Other postemployment benefits	1,063	156	126	1,345	282
Customer deposits and other liabilities	-	240	(854)	(614)	(611)
Changes in deferred inflows of resources - increase (decrease)					
Rate stabilization	-	(18,000)	-	(18,000)	-
Total adjustments	115,728	135,269	13,976	264,973	10,054
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (401,947)	\$ 280,299	\$ 16,922	\$ (104,726)	\$ 49,769

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Public Transportation capital grants on account decreased by \$1,870 thousand in 2014.

Water Quality issued bonds in 2014 to refund debt issued from 2004 to 2008. The bond proceeds, \$295,108 thousand, were deposited into escrow for the defeasance of \$270,860 thousand of outstanding revenue bond principal and \$22,822 thousand of interest.

Nonmajor Enterprise Funds received \$2,165 thousand of capital assets from other funds and transferred \$29 thousand of capital assets to other funds.

Nonmajor Enterprise Funds issued capital bonds to refund debt issued in 2007. The \$11,325 thousand proceeds were deposited into escrow for the defeasance of \$9,955 thousand of outstanding bond principal and \$1,742 thousand of interest.

Internal Service Funds received \$3,444 thousand of capital assets from other funds and transferred \$165 thousand of capital assets to other funds.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)

	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS		
Cash and cash equivalents	\$ -	\$ 128,325
Assets held in trust		
External investment pool participants		2,610,589
External impaired investment pool participants	-	5,742
Investments	2,615,249	3,308
Taxes receivable - delinquent	-	66,820
Accounts receivable	-	4,245
Interest receivable	1,082	-
Assessments receivable	-	6,038
Notes and contracts receivable	-	51
TOTAL ASSETS	<u>2,616,331</u>	<u>2,825,118</u>
LIABILITIES		
Warrants payable	-	81,259
Accounts payable	-	1,253
Wages payable	-	21,954
Custodial accounts - County agencies	-	64,198
Due to special districts/other governments	-	2,656,454
TOTAL LIABILITIES	<u>-</u>	<u>\$ 2,825,118</u>
NET POSITION		
Held in trust for pool participants	<u>\$ 2,616,331</u>	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>
ADDITIONS	
Contributions	\$ 5,945,131
Net investment earnings	
Interest	12,900
Increase in the fair value of investments	<u>5,011</u>
TOTAL ADDITIONS	5,963,042
DEDUCTIONS	
Distributions	<u>5,874,783</u>
Change in net position	88,259
Net position - January 1, 2014	<u>2,528,072</u>
Net position - December 31, 2014	<u>\$ 2,616,331</u>

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

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2014
(IN THOUSANDS)

	Harborview Medical Center	Cultural Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 235,881	\$ 24,140	\$ 260,021
Investments	-	23,076	23,076
Receivables, net	142,590	-	142,590
Inventories	8,568	-	8,568
Prepayments	8,942	374	9,316
Non-depreciable assets	16,446	-	16,446
Depreciable assets, net of depreciation	314,913	-	314,913
Deposits with other governments	600	44	644
Other assets	13,583	-	13,583
Total assets	<u>741,523</u>	<u>47,634</u>	<u>789,157</u>
LIABILITIES			
Accounts payable and other current liabilities	65,195	336	65,531
Accrued liabilities	42,206	-	42,206
Unearned revenues	-	2,931	2,931
Noncurrent liabilities			
Due within one year	1,459	145	1,604
Due in more than one year	16,996	1,008	18,004
Total liabilities	<u>125,856</u>	<u>4,420</u>	<u>130,276</u>
NET POSITION			
Net investment in capital assets	328,277	-	328,277
Restricted for:			
Expendable	16,618	44,264	60,882
Nonexpendable	3,709	-	3,709
Unrestricted	267,063	(1,050)	266,013
Total net position	<u>\$ 615,667</u>	<u>\$ 43,214</u>	<u>\$ 658,881</u>

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Component units:				
Harborview Medical Center	\$ 822,872	\$ 808,527	\$ 6,125	\$ 1,418
Cultural Development Authority	<u>8,542</u>	<u>31</u>	<u>2,495</u>	<u>-</u>
Total Component units	<u>\$ 831,414</u>	<u>\$ 808,558</u>	<u>\$ 8,620</u>	<u>\$ 1,418</u>

Payments to King County for debt service interest

Interest earnings

Net general revenues

Change in net position

Net position - January 1, 2014

Net position - December 31, 2014

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

Net (Expense) Revenue and Changes in Net Position		
Harborview Medical Center	Cultural Development Authority	Total
\$ (6,802)	\$ -	\$ (6,802)
-	(6,016)	(6,016)
(6,802)	(6,016)	(12,818)
	(49)	(49)
-	305	305
-	256	256
(6,802)	(5,760)	(12,562)
622,469	48,974	671,443
\$ 615,667	\$ 43,214	\$ 658,881

Notes to the Financial Section

For the Year Ended December 31, 2014

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Note 1

Summary of Significant Accounting Policies

The Reporting Entity

The reporting entity "King County" consists of the Primary Government, its blended component units: (1) the King County Ferry District, (2) the Flood Control Zone District, and (3) two non-profit property management corporations; and, its discretely presented component units: (1) Harborview Medical Center (HMC) and (2) the Cultural Development Authority of King County (CDA). Most funds in this report pertain to the entity King County Government or its component units. Certain agency funds pertain to the County's custodianship of assets belonging to independent governments and are reported as Special Districts/Other Governments.

Under the County's Home Rule Charter, the King County Executive is the *ex officio* treasurer of all special districts of King County, other than incorporated cities and towns and the Port of Seattle. Pursuant to King County Code, the Director of the Finance and Business Operations Division (FBOD) is responsible for the duties of the comptroller and treasurer. Money received from or for the special districts is deposited in a central bank account. The FBOD Director invests or disburses money pursuant to the instructions of the designated officers of the respective special districts.

Component Units – Discretely Presented

Harborview Medical Center (HMC)

The Harborview Medical Center (HMC), a 413 licensed-bed hospital with extensive ambulatory services, is located in Seattle, Washington. HMC is managed by the University of Washington (UW).

The HMC Board of Trustees is appointed by the County Executive. The County's FBOD Director is the Treasurer of HMC. The management contract between the HMC Board of Trustees and the UW Board of Regents recognizes the Trustees' desire to maintain HMC as a means of meeting King County's obligation to provide the community with a resource for health services, and UW's desire that HMC be maintained as a continuing resource for medical education, training, and research. The general conditions of the

management contract specify that King County retains title to all real and personal property acquired for King County with HMC capital or operating funds.

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

HMC is a component unit of the County for the following reasons: (1) it possesses *de facto* corporate powers evident from the UW management agreement; (2) the County Executive appoints HMC's Board of Trustees, who may be removed only for statutorily defined causes; and (3) HMC creates a financial burden on the County because the County is responsible for the issuance and repayment of all general obligation bonds for HMC capital improvements.

HMC is reported in the County's CAFR using the discrete presentation method because the County and HMC's governing boards are not substantively the same and the hospital does not provide services solely to King County. HMC's fiscal year-end is June 30, 2014 while the County's fiscal year-end is December 31, 2014.

The primary classification of HMC is that of a component unit, however, the County is the issuer of HMC's general obligation bonds. Note 15 reports on all the general obligation bonds issued by the County as of December 31, 2014, including bonds reported by HMC as of June 30, 2014.

HMC hires independent auditors and prepares its own financial statements. These statements may be obtained from the Finance Section of the Harborview Medical Center, Box 359750, 325 Ninth Ave., Seattle, Washington, 98104.

Cultural Development Authority of King County (CDA)

The Cultural Development Authority of King County (CDA) is a public authority organized pursuant to chapter 35.21 RCW and King County Ordinance 14482. The CDA operates under the

name “4Culture”. It was created to support, advocate for, and preserve the cultural resources of the region in a manner that fosters excellence, vitality, and diversity.

The CDA is located in Seattle, Washington, and is governed by a 15-member board of directors and five *ex officio* members. The directors are appointed by the County Executive and confirmed by the County Council. The CDA receives funds from King County through the Public Art Program where one-percent of certain County construction project budgets are allocated to the CDA to be used in providing artwork at County public spaces. For 2013-2020, the CDA is authorized to spend an endowment that was set-aside in prior years from a portion of the King County lodging tax receipts.

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

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

Change in Reporting Entity

The Public Law Library of King County (hereinafter referred to as the Law Library) provides library services to lawyers, judges and other members of the legal community, unrepresented litigants and the general public. It has branches in Seattle, located at the King County Courthouse, and at the Regional Justice Center in Kent. It is governed by a five-member board of trustees that consists of the Chair of the King County Council (or her designee), one Superior Court judge, and three members of the

King County Bar Association. The main funding for the Law Library’s activities is through a portion of the fees for civil filings with the King County Superior Court. State law requires the Law Library to submit to the King County Council an annual financial report showing all its receipts and disbursements.

The State Auditor’s Office recently made a determination that county law libraries in the State of Washington are not separate legal entities from their counties of origin. Because of this, the Law Library is now reported as part of the primary government. (See Note 18 – “Restrictions, Components of Fund Balance, and Changes in Equity – Restatements of Beginning Net Position and Fund Balances.”)

Component Units – Blended

King County Ferry District

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

The KCFD is a component unit of the County for the following reasons: (1) it is a legally separate entity established as a quasi-municipal corporation and independent taxing authority; (2) King County appoints the voting majority of the KCFD board because the County Council members are the *ex officio* supervisors of the KCFD; and (3) the County can impose its will on the KCFD.

The KCFD financial presentation is on a blended basis because the two governing boards are substantively the same. It issues its own financial statements, which are audited by the State Auditor. Financial statements for the KCFD are included with other Nonmajor Enterprise Funds in the Proprietary Funds section of this CAFR. The audited statements for the KCFD can be obtained from Francis & Company, PLLC, 701 Dexter Avenue N, Suite 404, Seattle, WA 98109.

Flood Control Zone District (FCZD)

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

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

Building Development and Management Corporations

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

These nonprofit corporations are recognized as component units of the County. Although they have independently-appointed boards, the nature and significance of their relationships with the County's primary government are such that their exclusion would cause the King County reporting entity's financial statements to be misleading or incomplete. Because they provide services

exclusively to the County, these corporations are reported using the blended method. A single internal service fund, the Building Development and Management Corporations Fund, is used to report the combined activities of the corporations.

The nonprofit corporations and the related buildings under their management include: (1) CDP-King County III for the King Street Center building; and (2) NJB Properties for the Ninth & Jefferson Building. At the end of February 2014 the County refinanced the Lease Revenue bonds issued by Goat Hill Properties to finance the Chinook Building and Goat Hill Parking Garage. Title to the buildings effectively transferred to the County in December 2014 and Goat Hill Properties ceased to be a component unit. Separately issued and audited financial statements for the blended nonprofits may be obtained from the National Development Council, 1218 Third Avenue, Suite 1403, Seattle, WA 98101.

Joint Venture

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act of 1998. It functions as the United States Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because of the potential for liability to grantors over disallowed costs. If expenditures of funds is disallowed by a grantor agency, the WDC can recover the funds from (in order): (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, from King County and the City of Seattle, each responsible for one-half of the disallowed amount. As of December 31, 2014, there are no outstanding program eligibility issues that might lead to a liability on the part of King County.

The WDC contracts with King County to provide programs related to dislocated workers and workforce centers. For 2014, the WDC reimbursed King County approximately \$3.63 million for the Employment and Education Resource Program in eligible program costs.

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

Jointly governed organization

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

Related Organizations

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

the County. For these reasons, they are related organizations.

The County serves as the treasurer for the KCLS and the LCFD, providing services such as tax collection and warrant issuance. Due to this fiduciary relationship, these districts are reported as agency funds to distinguish them from County funds.

Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule include interfund services provided and used between functions which are not eliminated because to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. The County also has 67 nonmajor Special Revenue and Capital Projects funds that are combined into 14 roll-up funds.

Major Governmental Funds

The County reports three major governmental funds:

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

The Mental Health Fund is part of the King County Mental Health Regional Support Network, one of 13 Regional Support Networks in the state of Washington. This fund provides for the operations of the involuntary treatment program, the provision of mental health services for children and adults, and community services for these individuals. This fund also includes criminal justice-related programs to reduce jail populations. Its main sources of funding are federal and state grants, charges for services, intergovernmental services, and property taxes.

The Public Health Fund is used to finance health service centers located throughout King County and public health programs. The Public Health Fund supports clinical health services/primary care assurance, management and business services, and targeted community health services. Its main sources of funding are federal and state grants, license and permit fees, charges for services and fines.

Major Proprietary Funds

The County reports two major proprietary funds.

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

are funded through sales taxes, bonds, and federal grants.

The Water Quality Enterprise accounts for the operations, capital improvements, and maintenance of the County's water pollution control facilities. The enterprise has three large treatment plants, the recently constructed Brightwater Treatment Plant that came online in 2011-12, the West Point Treatment Plant in Seattle, and the South Treatment Plant in Renton, as well as two smaller facilities, namely the Carnation and Vashon Island Treatment Plants.

Nonmajor Governmental Funds

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

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

Capital Projects Funds are used to account for the acquisition, construction, and improvement of major capital assets and other capital-related activities such as infrastructure preservation, parks development and open space preservation, flood control, technology systems, and historic preservation.

Nonmajor Proprietary Funds

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

Internal Service Funds are used to account for the provision of motor pool, data processing, risk management, construction and facilities management, financial, employee benefits program, and other services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The Wastewater Equipment Rental Fund was established to exclusively serve the Water

Quality Enterprise. It is consolidated for reporting purposes with business-type activities in the government-wide financial statements.

Fiduciary Funds

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

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

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. User fees (sewage fees, passenger fares, disposal charges, etc.) charged by the County's enterprise funds for the use of its business-type facilities and charges for services of internal service funds are classified as operating revenues. Rental income is operating revenue to the Airport enterprise, whose principal operation is leasing real property. The corresponding costs of service provision and delivery, including direct administration costs, depreciation or amortization of capital assets,

and other allocations of future costs to current year operations (e.g., landfill post-closure, other postemployment benefits), comprise operating expenses. All other revenues and expenses not meeting this definition are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first. For governmental funds, whenever committed, assigned and unassigned resources are available to spend on the same purpose, committed are used first, followed by assigned, and lastly, unassigned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably estimated. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include property taxes, sales and use taxes, business and occupation taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria are met. Expenditure-driven grant revenue is considered available if it can be collected at the same time cash is disbursed to cover the associated grant expenditure. All other accrued revenue sources are determined to be available if collectible within 12 months.

New Accounting Standards

GASB Statement 67 – *Financial Reporting for Pension Plans – An amendment of GASB Statement 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for*

Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement does not directly apply to the County since its pension benefits are administered by the Washington State Public Employees Retirement System (PERS) and other pension plan trusts.

GASB Statement 69 – *Government Combinations and Disposals of Government Operations*. The new standard establishes accounting and financial reporting related to government combinations such as mergers, acquisitions and transfers of operations, as well as disposals of government operations. There were no significant transactions during 2014 that relate to this new guidance.

GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Guarantees*. The new standard gives accounting and financial reporting guidance to state or local governments that either offer nonexchange financial guarantees or receive guarantees on their obligations. This was early implemented by the County in 2013.

Terminology

Expenditure Functions

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

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

Physical Environment – Provided to achieve a satisfactory living environment for the community and the individual. This function

includes Natural Resources, River Improvement, Animal Control, Surface Water Management, and River and Flood Control Construction.

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

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

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

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

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

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

Certain Accounts are Grouped on the Statement of Net Position:

- The asset account *Receivables, net* combines Taxes receivable – delinquent; Accounts receivable, net; Other receivables, net; Interest receivable; Notes and contracts receivable; and Due from other governments, net.
- The liability account *Accounts payable and other current liabilities* combines Accounts payable, Due to other governments, Taxes payable, Contracts payable, Custodial accounts, and other liabilities.
- The liability account *Accrued liabilities* combines Wages payable and Interest payable.
- The liability account *Noncurrent liabilities* includes Claims and judgments payable, Estimated claim settlements, General obligation bonds, Special assessment bonds, Revenue bonds payable, Capital leases, State revolving loans payable, Compensated absences, Pollution remediation, Unamortized bond premium or discount and other liabilities.

Cash and Cash Equivalents

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

All County funds and most component units and special districts participate in the King County Investment Pool (the Pool) maintained by the King County Treasury Operations Section. (See Note 4 - “Deposits and Investments.”) The Pool consists of internal and external portions. For Pool participants, the Pool functions essentially as a demand deposit account where participants receive an allocation of their proportionate share of pooled earnings. Each fund’s equity share of the internal portion of the Pool’s net position is reported on the balance sheet as Cash and cash equivalents and reflects the change in fair value

of the corresponding investment securities. Included in the internal portion of the Pool is the investment of short-term cash surpluses not otherwise invested by individual funds. The interest earnings related to investment of short-term cash surpluses that are not pool participants are allocated to the General Fund in accordance with legal requirements and are used in financing general County operations.

Investments (See Note 4 – “Deposits and Investments”)

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

Investments purchased for individual funds are reported as investments, regardless of length of maturity. Those attributed to both the external portion of the Pool and those in individual investment accounts are classified as “Investments” in separate investment trust funds. Statements of participants in the Pool’s internal portion report pooled investments as cash equivalents. Statements of participants in the external portion report pooled investments as “Assets held in trust – external investment pool.” Special district funds with individual investment accounts report their portion of net position as “Assets held in trust – individual investment accounts.” Investments are reported at fair value in compliance with the GASB Codification, Section 150.105, which provides for reporting investments of governmental entities using fair value. Fair value is the amount at which a financial instrument could be exchanged in a transaction between willing parties, other than in a forced or liquidation sale.

Receivables (See Note 5 – “Receivables”)

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

Taxes Receivable – Property taxes levied for the current year are recorded on the balance sheet as Taxes receivable and unearned revenues.

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

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

Assessments Receivable – In the governmental funds, unpaid assessments are reported in three accounts: Current, Delinquent, and Deferred. Current assessments are those due within one year, Delinquent assessments are past due, and unearned assessments are due in the future.

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

Advances to/from Other Funds – Noncurrent portions of long-term interfund loans are reported as advances. In governmental funds, Advances to Other Funds represent nonspendable fund balance that indicates they do not constitute expendable financial resources and are not available for appropriation.

Inventories

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

Prepayments

Payments made in advance to vendors for certain goods or services, such as building rent that will benefit future periods are recorded as prepaid items. The expenditures are recognized in the period of consumption or occupancy.

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

Capital assets include: Land (fee simple land, rights-of-way and easements, and farmland development rights); Infrastructure (roads and bridges network); Buildings; Improvements other than buildings; Furniture, machinery and equipment; Software and Artwork. Work-in-progress is reported for all unfinished construction, development and extended acquisitions for most capital assets except for roads and bridges infrastructure.

General capital assets, including those in internal service funds that support governmental funds, are reported in the governmental activities column of the government-wide statement of net position.

Capital assets of enterprise funds, including those in internal service funds that exclusively support enterprise funds, are reported in the business-type column of the government-wide Statement of Net Position. Enterprise and internal service fund capital assets are also reported in the individual proprietary fund statement of net position.

The capitalization threshold in the King County primary government is \$5 thousand for machinery and equipment, \$500 thousand for

internally developed and purchased software, and \$100 thousand for buildings, and other improvements.

Because the County is committed to maintaining the roads and bridges infrastructure indefinitely, it has elected to use the modified approach to infrastructure reporting in lieu of the depreciation method. The County is eligible to use the modified approach because it has an asset management system in place that allows for periodic monitoring of the infrastructure to ensure that assets are maintained and preserved at the predetermined condition level set by the Road Services Division. The asset management system tracks the mileage, condition, and the actual and planned maintenance and preservation costs of individual infrastructure assets.

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

Capital assets and their components useful lives are as follows:

<u>Description</u>	<u>Life (Years)</u>
Buildings and other improvements	10 - 50
Buses and trolleys	12 - 18
Cars, vans, and trucks	5 - 10
Downtown transit tunnel	50
Equipment - Other	5 - 25
Software	3 - 10
Sewer Plant	20 - 50

Interest incurred during the construction phase of capital assets in enterprise funds is included as part of the capitalized value of the assets constructed. This year total interest expenses incurred for were \$175.5 million, of which \$15.1 million was capitalized.

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

Capital assets other than land, roads and bridges infrastructure, and artwork are depreciated or amortized over their estimated useful lives using a standard straight-line allocation method.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

period and advanced grants subject to timing requirements.

Unearned Revenues

Unearned revenues are liabilities and should be distinguished from deferred inflows of resources. Unearned revenues are true obligations that the County has little or no discretion to avoid such as parks program revenue and building, land development permit fees in governmental funds, rent prepaid by tenants in internal service funds, and other advanced inflows of resources of proprietary funds.

Regulatory Accounting

The King County Council has taken various regulatory actions resulting in differences between the recognition of revenues for rate-making purposes in the Water Quality Enterprise fund and their treatment under generally accepted accounting principles for nonregulated entities. Currently, the Water Quality Enterprise is authorized to apply the accounting treatment of costs under the GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" criteria because the rates for its services are regulated by the King County Council, and the regulated rates chargeable to its customers are designed to recover the enterprise's allowable costs of operations.

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

Regulatory Assets – GASB Statement No. 62 is used to treat pollution remediation obligations as regulatory assets to allow for cost recovery through future rate increases. The portion of regulatory asset costs that have been accrued is being amortized over a recovery period of 30 years.

Rebatable Arbitrage

The County's tax-exempt debt is subject to arbitrage restrictions as defined by the Internal Revenue Code. All of the County's bonded debts are tax-exempt except certain taxable debts as identified in Note 15 - "Debt." Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. Because investment yields of the County's Investment Pool remained at low-levels, during 2014, arbitrage on outstanding bond proceeds were insignificant.

Compensated Absences

Eligible King County employees earn 12 days of sick leave and 12 to 30 days of vacation per year. An unlimited amount of sick leave and a

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

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

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

Long-term Obligations

Long-term debt and other long-term obligations are reported in the applicable accrual basis statements of net position. Bond premiums and discounts, refunding gains and losses, are deferred and amortized over the life of the bonds using outstanding principal balance method. Bonds payable are reported net of the applicable premium or discount. Refunding losses are reported as deferred outflows of resources while refunding gains are reported as deferred inflows of resources. (See Note 15 - "Debt").

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 2

Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position (in thousands): The governmental funds balance sheet includes reconciliation

between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

Bonds payable	\$ 685,930
Plus: Unamortized premiums on bonds sold	56,850
Accrued interest payable	6,841
Deferred charge on refunding (to be amortized as interest expense)	(22,508)
Compensated absences	82,220
Retroactive retirement contribution settlement	28,409
Other postemployment benefits	<u>45,716</u>
Net adjustment to reduce <i>fund balance – total</i> governmental funds to arrive at net position - governmental activities	<u>\$ 883,458</u>

Another element of that reconciliation states, “Capital assets used in governmental activities are not financial resources and are not reported in the funds.”

Capital assets reported for governmental activities:	
Nondepreciable	\$ 2,236,650
Depreciable	786,831
Less: Capital assets in governmental internal service funds (All ISFs except Wastewater Equipment Replacement)	<u>(258,890)</u>
Net adjustment to increase <i>fund balance – total</i> governmental funds to arrive at net position - governmental activities	<u>\$ 2,764,591</u>

Another element of the reconciliation states, “Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.”

Receivables from component units	\$ 1,185
Earned but unavailable taxes and assessments	14,784
Earned but unavailable court fines and penalties	<u>1,731</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$17,700</u>

Another element of that reconciliation states, Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and

liabilities of the internal service funds are included in governmental activities in the statement of net position."

Net position of the governmental activities internal service funds	\$ 161,436
Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	(37,277)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	<u>(13,945)</u>
Net adjustment to increase fund balance - <i>total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 110,214</u>

Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (in thousands): The governmental funds statement of revenues, expenditures, and

changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds and changes in net positions of governmental activities* reported in the government-wide statement of activities.

One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

Capital outlay	\$ 78,581
Depreciation expense	<u>(43,824)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 34,757</u>

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position."

In the statement of activities, only the gain on the sale of capital assets is reported in governmental activities while gross proceeds increase financial resources in the funds. The difference is the net book value of capital assets sold.	\$ (8,758)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds	<u>19,652</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 10,894</u>

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds."

Property tax accrual	\$ 3,922
Abatement fee accrual	164

Noxious weed assessment accrual	755
Surface Water Management service charge accrual	1,442
Fines and forfeits net accrual	(4,595)
Advance grant	(3,679)
Special Item	60
Net adjustment to increase <i>net changes in fund</i>	
<i>balances - total governmental funds to arrive at</i>	
<i>changes in net position of governmental activities</i>	<u>\$ (1,931)</u>

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

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

Debt issued or incurred	
Issuance of general government debt	\$ 15,395
Issuance of refunding bonds	34,815
Premium on bonds sold	6,370
Principal repayments	(71,998)
Receipts from component units for principal repayments	2,425
Payment to escrow agent	<u>(38,958)</u>
Net adjustment to increase <i>net changes in fund</i>	
<i>balances - total governmental funds to arrive at</i>	
<i>changes in net position of governmental activities</i>	<u>\$ (51,951)</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds."

Compensated absences	\$ (293)
Accrued unemployment compensation	2,569
Other postemployment benefits	(5,063)
Interest on long term debt	7,246
Transfers	817
Retroactive retirement contribution settlement	<u>1,500</u>
Net adjustment to increase <i>net changes in fund</i>	
<i>balances - total governmental funds to arrive at</i>	
<i>changes in net position of governmental activities</i>	<u>\$ 6,776</u>

Another element of that reconciliation states, "Net revenues and expenses of certain activities of internal service funds are reported with governmental activities."

Investment interest earnings	\$ 2,645
Intergovernmental revenues	3
Revenues related to services provided to outside parties	2,829

Expenses related to services provided to outside parties	(2,611)
Gain on disposal of capital assets	(303)
Interest on long-term debt	(11,777)
Capital contributions	1,042
Transfers in	2,006
Transfers out	(9,359)
Internal service fund gains allocated to governmental activities	<u>24,976</u>
Net adjustment to increase net changes in fund	
balances - total governmental funds to arrive at	
changes in net position of governmental activities	<u>\$ 9,451</u>

Explanation of certain differences between the Proprietary Funds Statement of Net Position and the Government-wide Statement of Net Position (in thousands): The proprietary funds statement of *net position* includes reconciliation between *net position - total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of *net position*. The description of the

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

Net position of the business-type activities internal service fund	\$ 16,508
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	37,277
Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	<u>13,556</u>
Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position of business-type activities</i>	<u>\$ 67,341</u>

Explanation of certain differences between the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position and the Government-wide Statement of Activities (in thousands): The proprietary funds statement of revenues, expenses, and changes in fund net position includes a reconciliation

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

Investment interest earnings	\$ 44
Revenues related to services provided to outside parties	185
Expenses related to services provided to outside parties	(171)
Gain on disposal of capital assets	164
Capital contributions	2,462
Transfers out	(49)
Internal service fund gains allocated to business-type activities	<u>14,117</u>
Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position of business-type activities</i>	<u>\$ 16,752</u>

Note 3

Stewardship, Compliance, and Accountability

Basis of Budgeting

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

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

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

The Debt Service Funds have adopted biennial budgets for 2013–2014.

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

Encumbrances

Encumbrances outstanding as of December 31, 2014, by fund type (in thousands):

General Fund	\$1,107
Special Revenue Funds	669
Nonmajor Enterprise Funds	245
Internal Service Funds	4,042
Total All Funds	<u>\$6,063</u>

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

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

Most Enterprise and Internal Service Funds have adopted biennial budgets for 2013–2014 except for Finance Management Services Fund and the Business Resources Center Fund. These budgets are on the modified accrual basis rather than the accrual basis. Appropriations are based on an estimate of expenditures expected to be incurred during the fiscal year or biennium. Estimated revenues are based on the amount estimated to be earned and available during the fiscal year or biennium.

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

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

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

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

Budgeted Level of Expenditures

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

- The General Fund is appropriated at the department/division level,
- Selected Special Revenue Funds are also appropriated at the department/ division level:
 - Children and Family Services
 - Community Development Block Grant
 - County Roads
 - Developmental Disabilities
 - Mental Illness and Drug Dependency
 - Miscellaneous Grants
 - Public Health
- Capital Projects Funds are appropriated at the project level.

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

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

Funds with Annual or Biennial Budgets

All funds with annual or biennial budgets completed the year within their legally

authorized expenditures, including other financing uses. Two departments of the General Fund overspent their 2014 annual budget, namely, Public Defense, by \$351 thousand, and Special Programs - Internal Support, by \$40 thousand. The Internal Support variance resulted from 2013 unemployment benefits charges that were made in 2014. Also, in the Children and Family Services Fund, the Children and Family Services – DCHS unit overspent its 2013-14 budget by \$390 thousand due to a contract expenditure that was charged to the wrong appropriation unit. The other unit ended the year under budget.

Material Fund Balance Deficits

Renton Maintenance Facilities Construction Fund

The unassigned fund balance deficit of \$3.1 million was the result of prior pre-funding of expenditures through interfund borrowing in anticipation that the sale of Summit Pit property to the Tahoma School District in 2014 would make the fund whole. However, due to the allocation of \$2.9 million of the sale proceeds to the Roads Capital Construction Fund per Council action, a shortfall remains for the fund going into 2015. It is anticipated that future sales of other land will cover the cash deficit although the timing is uncertain.

Park Facilities Rehabilitation Fund – The unassigned deficit of \$192 thousand is due to timing of reimbursements from the Real Estate Excise Tax (REET) funds. The reimbursement process is being streamlined to ensure deficiencies do not occur in the future.

Parks, Recreation and Open Space Fund – The unassigned deficit of \$1.1 million is due to timing of reimbursements from the REET funds. The reimbursement process is being streamlined to ensure deficiencies do not occur in the future.

Public Health Fund – The deficit of \$1.8 million resulted from similar challenges for funding that public health services in other counties are facing across the state. This budget shortfall in the Public Health Fund, at its root, is neither new nor unexpected, but the problem has been accelerated by cuts to state and federal funding - including changes in the federal reimbursement policy for Medicaid Administrative Claiming (MAC). While the expected resumption in MAC claims reimbursements in 2015 will provide an important source of funds to resolve the deficit, Public Health – Seattle and King County (PHSKC)

is pursuing other strategies as well including the sale of three surplus properties held by the General Fund on behalf of PHSKC in Kent, Bothell/Northshore, and Renton which could, with the approval of the Metropolitan King County Council, generate in excess of \$6 million of one-time funds for the Public Health Fund.

Material Net Position Deficits

Building Development and Management Corporations Fund – The deficit of \$10.5 million is the result of the depreciation on capital assets being greater than the principal payments on the lease revenue bonds, and bond interest expenses exceeding rent collected in the initial years of a building's operation. When bond payments become progressively larger the deficit will be reduced.

Construction and Facilities Management Fund – Based on the budgetary basis, the Facilities Management Division's ending fund balance is \$1.1 million for the year ended December 31, 2014. Due to required GAAP adjustments recorded for financial reporting, recognizing long-term obligations for compensated absences and other post-employment benefits liabilities, the resulting fund balance for GAAP financial statement's is a net deficit of \$2.1 million. This condition is consistent with current County budgetary policy which does not call for internal service funds to accumulate sufficient reserves to cover these types of liabilities.

I-Net Enterprise Fund – The current deficit of \$42 thousand in unrestricted net position is due to the cost of constructing IT investments. \$1.8 million was transferred in 2012 to the KCIT

capital fund to plan and replace the aged I-Net infrastructure system. The negative unrestricted net position is expected to be reduced as the fund collects the revenue from customers in future years. I-Net service fees include a surcharge for system replacement.

Office of Information Resource Management Operating Fund – The deficit of \$699 thousand is primarily caused by \$458 thousand of vacation/sick leave liability increase due to the Information Technology (IT) departmental reorganization. The IT reorganization efforts consolidated IT employees from various departments in the executive branch to a single department resulting in a large increase in the operating fund's long-term liabilities. The future efforts to accumulate equity to cover these unfunded liabilities will improve the net position of the fund.

Solid Waste Enterprise Fund – The deficit of \$394 thousand in unrestricted net position is the result of recognizing a long-term liability for landfill closure and post-closure care which is being funded through annual contributions from operations.

Note 4

Deposits and Investments

Deposits

King County maintains deposit relationships with several local commercial banks in addition to its concentration bank. All deposits that are not entirely insured by the Federal Deposit Insurance Corporation (FDIC) are fully collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC). Effective July 1, 2009, all public depositaries were required to pledge securities at 100 percent of their public deposits not covered by FDIC insurance. The PDPC is a statutory authority established under chapter 39.58 RCW that governs public depositaries and provides that "All public funds deposited in public depositaries, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter." It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositaries within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may

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

As of December 31, 2014 the County's total deposits, excluding the equity in the component units, were \$106.8 million in carrying amount and \$107.7 million in bank balance, of which \$3.6 million was exposed to custodial credit risk as uninsured and uncollateralized as shown in the following schedule (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Uninsured and Uncollateralized</u>
Demand deposits	\$ 103,201	\$ 104,128	\$ -
Money Market accounts	3,588	3,588	3,588
Total deposits	<u>\$ 106,789</u>	<u>\$ 107,716</u>	<u>\$ 3,588</u>

The money market accounts in the schedule above are comprised of cash held with trustees for two Washington state nonprofit corporations reported as Building Development and Management Corporations, a blended component unit of King County. The cash held in the Bank of New York Mellon Trust Company (Trustee) is invested in United States Government Money Market accounts. All of the \$3.6 million cash balance held at The Bank of New York Mellon is exposed to custodial credit risk as uninsured and uncollateralized.

Investments

King County Investment Pool - The King County Investment Pool (the main Pool) operates in accordance with the King County Investment Policy which has been prepared in accordance with State law. This policy is reviewed and approved annually by the King County Executive Finance Committee (EFC). The policy applies to all financial assets invested in the Pool as defined in King County Code (KCC) 4.10.090. This policy also covers King County non-pooled investments and investments made by individual districts unless otherwise requested by those districts.

Non-pooled King County investments which do not meet the criteria of this policy require approval by the EFC.

These policies are designed to help King County meet the objectives of the Pool. The objectives of the County's investment policy are to invest public funds in a manner which will preserve the safety and liquidity of all investments within the Pool while obtaining a reasonable return within established investment guidelines. The Pool consists of the pooled monies invested on behalf of the County and other special purpose districts within the County including school, fire, sewer, library, water and other districts.

The King County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC), which serves the role of the County Finance Committee as defined in RCW 36.48.070.

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

Investment Instruments State statutes authorize King County to invest in:

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

advances to member banks as determined by the board of governors of the Federal Reserve System.

- Commercial paper (within the policies established by the State Investment Board)
- Debt instruments of banking institutions, local and state general obligations.
- GO bonds issued by any states and Revenue bonds issued by Washington State governments that are rated at least "A" by a nationally recognized rating agency.

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

The County is authorized to enter into repurchase agreements to meet the investment needs of the Pool. Such transactions are governed by a Master Repurchase Agreement. County investment policies require that securities' tri-party underlying repurchase agreements must have a market value equal to at least 102 percent of repurchase price, plus accrued interest. Repurchase agreements in excess of 60 days are not allowed. Currently, the County's tri-party custodial bank monitors compliance with these provisions.

Although the County is authorized to enter into reverse repurchase agreements, the County chose not to enter into this type of transaction during the year. Also, the County did not buy, sell, or hold any derivative or similar instrument except for certain U.S. agency collateralized mortgage obligation securities during the year. Although these securities, usually resulting from a decline in interest rates, County's policies are in place to ensure that only the lowest risk securities of this type are acquired.

External Investment Pool The King County Investment Pool administered by the King County Treasury Operations Section is an external investment pool. For investment purposes, the County pools the cash balances of County funds and participating component units, and allows for

participation by other legally separate entities such as special districts, for which the County is the *ex officio* treasurer, and public authorities. The external portion of the Pool (the portion that belongs to special districts and public authorities other than component units) is reported in an Investment Trust Fund. It is County policy to invest all County funds in the Pool. All non-County participation in the Pool is voluntary.

All securities are reported at fair value. Fair value reports are prepared monthly and are distributed to all Pool participants. Fair value pricing is provided by the County's investment accounting system. If a security is not priced by the County's accounting system vendor, prices are obtained from the County's safekeeping bank or from Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. In 2014, the County also obtained quotes from primary investment dealers to help determine the fair values of the impaired Victoria investment. The County has not provided or obtained any legally binding guarantees to support the value of the Investment Pool's shares.

The main Pool values participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative

participation during the period. Income is calculated based on: (1) realized investment gains and losses; (2) interest income based on stated rates (both paid and accrued); and (3) the amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon fees. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses due to changes in the fair values. The net change in the fair values of the investments is reported as an increase or decrease in cash and cash equivalents in the statement of net position.

The Main Pool Balance The main Pool's total investment was \$5,241.7 million. Excluding \$236.1 million of equity in the component unit, the net total investment was \$5,005.6 million. At year-end, the change in the fair value of the total investments for the reporting entity, after considering purchases, sales and maturities, resulted in a net markdown from cost of \$983 thousand. The following schedule shows the types of investments, the average interest rate, and the effective duration limits of the various components of the King County Investment Pool as of December 31, 2014 (in thousands):

KING COUNTY INVESTMENT POOL

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>
Repurchase Agreements	\$ 144,000	\$ 144,000	0.09%	0.005
Commercial Paper	164,989	165,000	0.12%	0.049
U.S. Agency Discount Notes	559,230	559,792	0.15%	0.622
Bank Notes	169,536	167,731	0.64%	1.067
U.S. Treasury Notes	1,839,864	1,835,000	0.71%	1.796
U.S. Agency Notes	1,798,259	1,799,498	0.64%	1.525
U.S. Agency Collateralized Mortgage Obligations	8,629	8,028	4.34%	2.636
State Treasurer's Investment Pool	556,391	556,391	0.10%	0.003
Totals	<u>\$ 5,240,898</u>	<u>\$ 5,235,440</u>	<u>0.53%</u>	<u>1.261</u>

Custodial credit risk – Investments Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled "delivery versus payment

(DVP)." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County's safekeeping bank or its tri-party custodian banks. Exempt from the DVP policy are Certificates of Deposits (CDs) and funds placed with the State of Washington Local Government Investment Pool.

Concentration of credit risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end the Pool had concentrations greater than 5 percent of the total investment pool portfolio in the following issuers: Federal Home Loan Mortgage Corporation, 11.3 percent, Federal National Mortgage Association, 13.1 percent, Federal Home Loan Bank, 13.6 percent, Federal Farm Credit Bank, 7.1 percent and Wells Fargo Bank, 5.0 percent.

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the main Pool. The policy limit for the Pool's maximum effective duration is 1.5 years, and 40 percent of the Pool's total value in securities must have a maturity of 12 months or less. Securities in the portfolio cannot have an average life greater than five years at purchase. As of December 31, 2014, the effective duration of the main Pool was 1.261 years.

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

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

Credit Quality Distribution

<u>Investment Type</u>	<u>AAA or A-1</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>	<u>Total</u>
Repurchase Agreements	\$ 144,000	\$ -	\$ -	\$ -	\$ 144,000
Commercial Paper	164,988	-	-	-	164,988
U.S. Agency Discount Notes	659,203	-	-	-	659,203
Bank Notes	-	60,473	109,062	-	169,535
U.S. Agency Notes	-	1,698,286	-	-	1,698,286
U.S. Agency Collateralized Mortgage Obligations	-	8,629	-	-	8,629
State Treasurer's Investment Pool	-	-	-	556,391	556,391
TOTAL	\$ 968,191	\$ 1,767,388	\$ 109,062	\$ 556,391	\$ 3,401,032

The main Pool's policies limit the maximum amount that can be invested in various securities. At year-end the Pool was in compliance. The Pool's actual composition consisted of Repurchase Agreements, 2.8 percent, Commercial Paper, 3.1 percent, U.S. Agency Discount Notes, 10.7 percent, Bank Notes, 3.2 percent, U.S.

Treasury Notes, 35.1 percent, U.S. Agency Notes, 34.3 percent, U.S. Agency Collateralized Mortgage Obligations, 0.2 percent, and the State Treasurer's Investment Pool, 10.6 percent. The following table summarizes the Pool's diversification policy:

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

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

N/A = Not applicable

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

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

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

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

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

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

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

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

Impaired Investment Pool The King County Executive Finance Committee approved the bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments.

For the bifurcation, the County placed four impaired commercial paper investments into an impaired investment pool (Impaired Pool). The Impaired Pool holds one commercial paper asset (Victoria), in which the County accepted an exchange offer in 2009 and is receiving the cash flows from the investment's underlying securities. For the other three commercial paper investments (Cheyne, Mainsail and Rhinebridge), the County accepted a cash-out option in 2008, based on the results of three separate restructuring auctions conducted by the designated "receiver" of each commercial paper asset.

The Depository Trust Company (DTC), a clearing house for settling trades, was responsible for distributing the cash proceeds from each restructuring auction based on directions provided by each applicable receiver. However, DTC insisted on being indemnified before it would consent to distribute proceeds from the restructuring process. The receivers agreed to set aside a "reserve" for potential legal claims that might arise and potentially impact the receiver and/or DTC. The receivers also retained funds for possible legal actions and to protect other parties involved in the restructuring process. At year-end, the amount reserved for the County remained at a total of \$2.0 million for the Cheyne, Rhinebridge, and Mainsail restructurings. The "estimated fair value" of the \$2.0 million was based on the value of the cash retained by the receivers as of December 31, 2014.

Between 2008 and 2010, the County initiated lawsuits seeking recovery for losses associated with all four of the impaired investments. In 2012, the County settled the litigation concerning Mainsail and Victoria, and executed a settlement with three of the defendants in the lawsuits concerning Rhinebridge. The net settlement payments have been distributed to each pool participant. In 2013, the County received final

settlement payments for the litigation concerning Rhinebridge and Cheyne and has distributed the net settlement payments to each pool participant.

When accounting for all four impaired investments, the fair value of the Impaired Pool at December 31, 2014, was \$10 million and the book value was \$16.5 million. The fair value at year-end was determined by a combination of the December 2014 value of Victoria based on a market quote from one dealer and, as stated earlier, the value of the cash retained by the receivers as of December 31, 2014. The majority of the amount remaining in the impaired

investment pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. During 2014, VFNC Trust distributed a total of \$3.7 million to the County. Including all the receipts to date brings the cash recovery rate on the original Victoria investment to 76 percent. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay. This monthly distribution is expected to continue for at least the next five years. Also, because of extremely low interest rates, the County chose not to discount these future cash flows.

King County Investment Pool and Impaired Investment Pool Condensed Statements

The King County Investment Pool's (the main Pool) and the Impaired Investment Pool's Condensed Statements of Net Position and Changes in Net Position as of December 31, 2014 (in thousands):

Condensed Statement of Net Position

	Total	Main Pool	Impaired Pool
Assets	\$ 5,252,818	\$ 5,242,812	\$ 10,006
Net Position held in trust for pool participants	\$ 5,252,818	\$ 5,242,812	\$ 10,006
Equity of internal pool participants	\$ 2,636,487	\$ 2,632,223	\$ 4,264
Equity of external pool participants	2,616,331	2,610,589	5,742
Total equity	\$ 5,252,818	\$ 5,242,812	\$ 10,006

Condensed Statement of Changes in Net Position

Net Position - January 1, 2014	\$ 4,848,515	\$ 4,836,543	\$ 11,972
Net change in investments by pool participants	404,303	406,269	(1,966)
Net Position - December 31, 2014	\$ 5,252,818	\$ 5,242,812	\$ 10,006

Individual Investment Accounts

King County also purchases individual investments for other legally separate entities, such as special districts and public authorities that are not part of the financial reporting entity. Net position in these individual investment accounts are reported in a separate Investment Trust Fund in the Fiduciary Funds section. At year-end, all special districts have joined the Pool, therefore the net position of held in trust for individual investment account participants was zero.

Component Units

Harborview Medical Center (HMC)

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

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that in the event of a bank failure, the HMC's deposits may not be recovered. HMC maintains demand deposit accounts in various banks (insured up to

\$250 thousand per bank) totaling \$4.5 million in bank balance and reports a carrying amount of \$5.8 million. In addition, HMC has equity in the Investment Pool (reported as cash equivalents on June 30, 2014) totaling \$229.6 million in bank balance and report a carrying amount of \$230.1 million. As of June 30, 2014, all of the deposits

were covered entirely by the FDIC or uninsured but fully collateralized under the PDPC collateral pool. Accordingly, the HMC has no custodial credit risk for its deposits as shown in the following table (in thousands):

**Harborview Medical Center
Deposits and Investments**

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash in other banks	\$ 5,783	\$ 4,473
Equity in Investment Pool	230,098	229,562
Total	<u>\$ 235,881</u>	<u>\$ 234,035</u>

Cultural Development Authority of King County
(CDA)

Deposits The Cultural Development Authority of King County (CDA) maintains a deposit relationship with a local commercial bank. All deposits with this qualified public depository that are not insured by the FDIC are fully collateralized by the PDPC. Accordingly, the CDA has no custodial credit risk for its deposits. Carrying amounts of deposits for book purposes are materially the same as bank balances.

Investments The CDA has an investment policy to guide the management of its assets and ensure that all investment activity is within regulations established by state law and county codes. The primary objective is the preservation of principal.

State statutes authorize the CDA to invest in certificates, notes, and bonds of the United States, and other obligations of the United States or its agencies, or any corporation wholly owned by the government of the United States. Statutes also authorize the CDA to invest in bankers' acceptances purchased on the secondary market, Federal Home Loan bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes and debentures, and guaranteed certificates of participation.

The CDA is also authorized to invest in the Washington State Local Government Investment Pool (LGIP), which is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. The LGIP funds are limited to high quality obligations with limited maximum and average maturities, which has the effect of minimizing both market and credit risk.

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

The following schedule shows the types of investments, the average interest rate, the effective duration limits and the concentration of all CDA investments as of December 31, 2014 (in thousands):

**Cultural Development Authority
Investments By Type**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>	<u>Concentration</u>
U.S. Treasury Notes	\$ 9,983	\$ 9,399	3.18%	3.057	21.66%
Federal Home Loan Mortgage Corp Debentures	2,121	2,051	4.20%	1.667	4.60%
Federal National Mortgage Association Notes	2,716	2,657	4.81%	1.729	5.89%
Federal Home Loan Bank Bonds	2,918	2,767	4.10%	4.564	6.33%
Federal Farm Credit Bank Bonds	688	634	4.24%	3.162	1.49%
State Treasurer's Investment Pool	23,009	23,009	0.10%	0.003	49.93%
Other/Money Market Fund	4,650	4,650	0.03%	0.003	10.09%
Subtotals	<u>\$ 46,085</u>	<u>\$ 45,167</u>	<u>1.54%</u>	<u>1.179</u>	<u>100.00%</u>
Less State Treasurer's Investment Pool (Cash Equivalent)	<u>(23,009)</u>				
Total Investments per Statement of Net Position	<u>\$ 23,076</u>				

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the CDA manages its exposure to interest rate risk by setting maturity and effective duration limits for its portfolio. As of December 31, 2014, the combined weighted average effective duration of the CDA's portfolio was 1.179 years.

Credit risk Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2014, all issuers of investments in the CDA portfolio had a Standard & Poor's rating of "AA+." The Washington State Local Government Investment Pool is not rated.

Concentration of credit risk – Investments Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of December 31, 2014, the CDA had concentrations greater than 5 percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal National Mortgage Association, 5.9 percent, and Federal Home Loan Bank, 6.3 percent.

Note 5

Receivables

Estimated Uncollectible Accounts Receivable

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

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

Governmental	General Fund	Mental Health Fund	Public Health Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts receivable					
Accounts receivable	\$ 85,476	\$ -	\$ 3,960	\$ 36,625	\$ 126,061
Estimated uncollectible accounts receivable	(71,194)	-	(1,853)	(1,976)	(75,023)
Net accounts receivable	<u>\$ 14,282</u>	<u>\$ -</u>	<u>\$ 2,107</u>	<u>\$ 34,649</u>	<u>\$ 51,038</u>
Other receivables					
Abatements receivable	\$ -	\$ -	\$ 2,891	\$ 398	\$ 3,289
Estimated uncollectible abatements receivable	-	-	(2,139)	(84)	(2,223)
Net other receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752</u>	<u>\$ 314</u>	<u>\$ 1,066</u>
Due from other governments	\$ 34,828	\$ 1,178	\$ 34,688	\$ 42,227	\$ 112,921
Estimated uncollectible due from other governments	(297)	-	-	-	(297)
Net due from other governments	<u>\$ 34,531</u>	<u>\$ 1,178</u>	<u>\$ 34,688</u>	<u>\$ 42,227</u>	<u>\$ 112,624</u>
Proprietary	Public Transportation	Water Quality	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current					
Accounts receivable	\$ 50,074	\$ 44,967	\$ 8,836	\$ 103,877	\$ 665
Estimated uncollectible accounts receivable	(55)	(886)	(260)	(1,201)	-
Net accounts receivable	<u>\$ 50,019</u>	<u>\$ 44,081</u>	<u>\$ 8,576</u>	<u>\$ 102,676</u>	<u>\$ 665</u>
Due from other governments	\$ 122,434	\$ 3,782	\$ 4,219	\$ 130,435	\$ 56
Net due from other governments	<u>\$ 122,434</u>	<u>\$ 3,782</u>	<u>\$ 4,219</u>	<u>\$ 130,435</u>	<u>\$ 56</u>
Noncurrent					
Due from other governments	\$ 24	\$ -	\$ -	\$ 24	\$ -
Net noncurrent due from other governments	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ -</u>

Note 6

Property Taxation

Taxing Powers

The County is authorized to levy both “regular” property taxes and “excess” property taxes.

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

Excess Property Taxes. The County also may impose “excess” property taxes, which are not subject to limitation, when authorized by a 60 percent majority popular vote, as provided in Article VII, Section 2 of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40 percent of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the number of voters approving the excess levy is at least 60 percent of a number equal to 40 percent of the number who voted at the last County general election. Excess levies also may be imposed without a popular vote when necessary to prevent the impairment of the obligation of contracts.

Maximum Rate Limitations. The County may levy regular property taxes for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to \$1.80 per thousand of assessed value, and the County levied \$1.32983 in 2014. The road district levy, which is levied in unincorporated areas of the county for road construction and maintenance and other County services provided in the unincorporated areas, is limited to \$2.25 per thousand of assessed value, for which the County currently is at its maximum rate in 2014 tax year. Additional statutory provisions limit the increase in the aggregate amount of taxes levied.

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

The \$1.80 per thousand limitation on the general purposes levy is exclusive of the following regular property taxes:

- (1) A voted levy for emergency medical services, limited to \$0.50 per thousand (RCW 84.52.069),
- (2) A voted levy to finance affordable housing for very low income households, limited to \$0.50 per thousand (RCW 84.52.105), however, the County has not sought approval from voters for this levy,
- (3) A non-voted levy for conservation futures, limited to \$0.0625 per thousand (RCW 84.34.230), and
- (4) A non-voted levy for transit-related purposes, limited to \$0.075 per thousand (RCW 84.52.140).

One Percent Aggregate Regular Property Tax Levy Limitation. Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of one percent of the true and fair value of property (or \$10.00 per thousand) by Article VII, Section 2, of the State Constitution and RCW 84.52.050.

\$5.90/\$1,000 Aggregate Regular Property Tax Levy Limitation. Within the one percent limitation described above, aggregate regular property tax levies by all taxing districts except the State, port districts and public utility districts are subject to a rate limitation of \$5.90 per thousand of assessed value by RCW 84.52.043(2). This limitation is exclusive of excess levies authorized by Article VII, Section 2, of the State Constitution; levies for emergency medical services, affordable housing for very low income households, transit-related purposes, for criminal justice purposes, and acquisition of conservation futures; a portion of certain levies by metropolitan park districts and by fire protection districts; levies imposed by ferry districts, and certain flood control zone districts.

If aggregate regular property tax levies exceed the one percent or \$5.90 per \$1,000 of assessed value limitations, then, in order to bring the aggregate levy into compliance, levies requested by “junior” taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010). Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts, and public utility districts.

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

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

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had

been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as “banked” levy capacity. The County currently has no such banked levy capacity.

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

Component Units with Taxing Authority. In 2014, the countywide flood control zone district levy rate was \$0.15369 and the countywide ferry district levy rate was \$0.00349 per thousand of assessed value. The boundaries of each district are coterminous with the boundaries of the County and the members of the County Council serve (at least initially) as the legislative body for each district, but under State law, each district is a separate taxing district with independent taxing authority.

Assessed Valuation Determination

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

For tax purposes, the assessed value of property is 100 percent of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments. Personal property is valued

each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the County Council receives the Assessor's final certificate of assessed value of property within the County.

Tax Collection Procedures

Property taxes are levied in specific amounts by the County Council and the rate for all taxes levied for all taxing districts in the County is determined, calculated and fixed by the Assessor based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the tax levied within each taxing district upon a tax roll that contains the total amounts of taxes levied and to be collected and assigns a tax account number to each tax lot. The tax roll is delivered to the Treasury Operations Section Manager, who is responsible for the billing and collection of taxes due for each account. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds \$50, one-half may be paid then and the balance no later than October 31 of that year (except that the half to be paid on April 30 may be paid at any time prior to October 31 if accompanied by penalties and interest accrued until the date of payment).

The methods for giving notice of payment of taxes due, collecting such taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed State statutes. Personal property taxes levied by the County Council are secured by a lien on the personal property assessed. A federal tax lien filed before the County Council levies the personal property taxes is senior to the County's personal property tax lien. In addition, a federal civil judgment lien is senior to a lien on real property taxes once the federal lien has been recorded. In all other respects, and subject to the possible "homestead exemption" described below, the lien of property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law,

the County may commence foreclosure on a tax lien on real property after three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first \$125 thousand in proceeds of the forced sale of a family residency or other "homestead" property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment due

Accounting for Property Taxes Receivable

In the governmental funds, property taxes levied for the current year are recorded on the balance sheet as taxes receivable and unavailable revenue – property taxes at the beginning of the year. The County uses a 60-day availability period to recognize revenues on taxes receivables at year-end that would be collected soon enough to be used to pay liabilities of the current period. For the government-wide financial statements, the deferred inflow of resources related to the current period, net of the allowance for uncollectible property taxes, is reclassified as revenue.

Allocation of Tax Levies

The following table compares the allocation of the 2014 and 2013 countywide, Emergency Medical Services (EMS), and unincorporated County (road district) levies. The original tax levy reflects the levy before any supplemental levies, tax cancellations, or other adjustments. The 2014 countywide assessed valuation was \$340.6 billion, an increase of \$25.9 billion from 2013; the assessed valuation for the unincorporated area levy was \$32.1 billion, an increase of \$1.8 billion from 2013.

The AFIS levy, a regular property tax levy (RCW 84.55.050), was renewed on November 6, 2012, for a six-year term by a majority of voters in the County. The levy began in 2013 at a rate of \$0.0592 or less per thousand of assessed value, and in 2014 the rate is \$.05588 per thousand of assessed value.

In August 2013, the Park lid lift levy was renewed by voters for six years, for a rate of \$0.1877 per thousand of assessed value.

The Veterans and Family Human Services Levy, approved by voters in 2011, is a regular property tax levy to be levied for six years beginning in 2012 at a rate of \$0.05243 or less per thousand of assessed value. The 2014 rate is \$0.04948.

The Children and Family Justice Center is a nine-year temporary levy lid lift approved by voters on August 7, 2012. In the first year, 2013, the levy rate was \$0.07000 per thousand. The rate for 2014 is \$0.06597 per thousand assessed value.

The County's levy rate for transit-related purposes is \$0.07500 and its levy rate for conservation futures is \$0.05296 in 2014.

The County's EMS levy was approved at a special election on November 5, 2013, for an additional six years, at a rate of \$0.33500 or less per thousand of assessed value, with collections beginning in 2014.

ALLOCATION OF 2014 AND 2013 TAX LEVIES

	2014 Original Taxes Levied (in thousands)	2014 Levy Rate (per thousand)	2013 Original Taxes Levied (in thousands)	2013 Levy Rate (per thousand)
Countywide Levy				
Assessed Valuation:				
\$340,643,616 thousand ^(a)				
Items Within Operating Levy^(b)				
General Fund	\$ 320,367	\$ 0.94477	\$ 313,220	\$ 1.00051
Veterans' Relief	2,706	0.00798	2,649	0.00846
Human Services	6,070	0.01790	5,946	0.01899
Intercounty River Improvement	51	0.00015	50	0.00016
Limited GO Bonds Debt Service	-	0.00000	7	0.00000
Automated Fingerprint Identification System	18,948	0.05588	18,533	0.05920
Parks Levy	63,643	0.18770	41,295	0.13190
Veterans and Human Services	16,778	0.04948	16,417	0.05243
Children and Family Justice Center	22,367	0.06597	21,909	0.07000
Total Operating Levy	450,930	1.32983	420,026	1.34165
 Public Transportation ^(c)	 25,431	 0.07500	 23,480	 0.07500
Conservation Futures Levy				
Conservation Futures Levy ^(d)	9,380	0.02766	9,505	0.03036
Farmland and Park Debt Service	8,579	0.02530	8,067	0.02577
Total Conservation Futures Levy	17,959	0.05296	17,572	0.05613
Unlimited Tax GO Bonds				
(Voter-approved Excess Levy)	19,628	0.05826	21,037	0.06772
Total Countywide Levy	513,948	1.51605	482,115	1.54050
EMS Levy				
Assessed Valuation:				
\$211,742,668 thousand ^(a)				
EMS Levy	70,608	0.33500	58,786	0.30000
Unincorporated County Levy				
Assessed Valuation:				
\$32,075,398 thousand ^(a)				
County Road Fund ^(e)	71,721	\$ 2.25000	67,544	\$ 2.25000
Total County Tax Levies^(f)	\$ 656,277		\$ 608,445	

(a) Assessed valuation for taxes payable in 2014.

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

(c) The Public Transportation Levy is limited statutorily to \$0.075 per thousand of assessed valuation.

(d) The Conservation Futures Levy is limited statutorily to \$0.0625 per thousand of assessed valuation.

(e) The County Road Fund levy is levied only in the unincorporated areas of the County and the tax rate is statutorily limited to a maximum of \$2.25 per thousand of assessed valuation.

(f) 2014 and 2013 original tax levies excludes tax levy of the blended component units a) the Flood Control Zone District of \$52,112 thousand and \$41,355 thousand, respectively, and b) the Ferry District of \$1,183 thousand and \$1,184 thousand, respectively.

Note 7

Capital Assets

Primary Government

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

	Balance 1/1/2014	Additions	Retirements	Transfers/ Re- classifications	Balance 12/31/2014
Governmental Activities:					
Capital assets not being depreciated	651,856				
Land	\$ 503,513	\$ 19,449	\$ -	\$ 3,618	\$ 526,580
Rights-of-way and easements	461,484	5,822	(727)	-	466,579
Infrastructure - road and bridges	1,075,716	42,754	(4,422)	-	1,114,048
Art collections	10,970	1	(236)	26	10,761
Work in progress	100,512	29,191	-	(11,021)	118,682
Total capital assets not being depreciated	2,152,195	97,217	(5,385)	(7,377)	2,236,650
Capital assets being depreciated					
Buildings	1,039,001	26	-	-	1,039,027
Leasehold Improvements	19,076	-	-	-	19,076
Improvements other than buildings	58,068	812	-	3,800	62,680
Infrastructure – levees	8,921	-	-	3,514	12,435
Furniture, machinery & equipment	147,023	12,016	(10,082)	(2,551)	146,406
Software	108,359	87	(3,705)	(87)	104,654
Total capital assets being depreciated	1,380,448	12,941	(13,787)	4,676	1,384,278
Less accumulated depreciation for:					
Buildings	(387,145)	(37,216)	-	-	(424,361)
Leasehold Improvements	(2,710)	(954)	-	-	(3,664)
Improvements other than buildings	(14,494)	(2,435)	-	8	(16,921)
Infrastructure – levees	(880)	(415)	-	-	(1,295)
Furniture, machinery & equipment	(104,478)	(11,410)	9,675	543	(105,670)
Software	(40,511)	(7,618)	2,582	12	(45,535)
Total capital assets being depreciated - net	830,230	(47,107)	(1,530)	5,239	786,832
Governmental activities capital assets - net	\$ 2,982,425	\$ 50,110	\$ (6,915)	\$ (2,138)	\$ 3,023,482
Business-type Activities:					
Capital assets not being depreciated					
Land	\$ 458,534	\$ -	\$ (5,234)	\$ 3,295	\$ 456,595
Rights-of-way and easements	27,458	-	-	251	27,709
Art collections	3,701	-	-	-	3,701
Work in progress	411,599	273,080	-	(283,907)	400,772
Total capital assets not being depreciated	901,292	273,080	(5,234)	(280,361)	888,777
Capital assets being depreciated					
Buildings	3,240,392	4,345	(1,400)	71,844	3,315,181
Leasehold Improvements	1,467	-	-	-	1,467
Improvements other than buildings	236,715	172	-	27,675	264,562
Rights-of-way - temporary easement	7,635	-	-	-	7,635
Infrastructure – water quality	2,146,454	12,353	-	100,555	2,259,362
Furniture, machinery & equipment	2,242,275	6,787	(49,641)	76,614	2,276,035
Software	151,890	-	(9,501)	6,375	148,764
Total capital assets being depreciated	8,026,828	23,657	(60,542)	283,063	8,273,006
Less accumulated depreciation for:					
Buildings	(1,281,273)	(99,951)	1,116	(8)	(1,380,116)
Leasehold Improvements	(440)	(147)	-	-	(587)
Improvements other than buildings	(119,697)	(9,429)	-	-	(129,126)
Rights-of-way - temporary easement	(491)	(218)	-	-	(709)
Infrastructure – water quality	(437,331)	(46,066)	-	-	(483,397)
Furniture, machinery & equipment	(1,247,268)	(130,250)	47,688	(556)	(1,330,386)
Software	(71,282)	(12,366)	9,501	-	(74,147)
Total capital assets being depreciated - net	4,869,046	(274,769)	(2,237)	282,499	4,874,538
Business-type activities capital assets - net	\$ 5,770,338	\$ (1,690)	\$ (7,471)	\$ 2,138	\$ 5,763,315

Governmental activities include capital assets of governmental internal service funds except for the Wastewater Equipment Rental Fund, which is

reported under business-type activities because it provides services exclusively to the Water Quality Enterprise.

Depreciation Expense

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

	2014
Governmental Activities	
General government services	\$ 19,614
Law, safety and justice	18,647
Physical environment	211
Transportation	367
Economic environment	191
Mental and physical health	1,176
Culture and recreation	3,618
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	16,224
Total depreciation - Governmental activities	<u>\$ 60,048</u>
Business-type Activities	
Water Quality	\$ 163,976
Public Transportation	121,199
Solid Waste	12,678
King County International Airport	4,211
Institutional Network	96
Radio Communications	730
King County Ferry District	512
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	1,623
Total depreciation and amortization expense - Business-type activities	305,025
Less Amortization - Water Quality Other Assets	(6,599)
Total depreciation - Business-type activities	<u>\$ 298,426</u>

Infrastructure

Roads and Bridges Infrastructure Valuation

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

Rights-of-Way

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

Construction Commitments

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

Enterprise Funds

Public Transportation Enterprise - \$213.4 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - \$115.1 million is committed to completing construction of the conveyance to Puget Sound for a new major wastewater treatment plant and ensuring the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises \$63.8 million is committed to improving the County's solid waste regional landfill and transfer stations and \$3.5 million is committed to maintaining the radio communications systems within the county.

Capital Projects Funds

\$363.3 million is committed to various capital projects, including: (1) open space and conservation easement acquisitions, (2) development and improvement of trails, playgrounds and ballfields, and other cultural facilities; (3) affordable housing; (4) technology initiatives to improve business efficiency, emergency preparedness, and network security; (5) flood control projects to protect the ecosystem and public property; (6) preservation of roads construction of bridges; and (7) improvements and major repairs to office buildings and other facilities. This amount is larger than reported in previous years because of the conversion from a single year to a biennial budget for 2015-2016.

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

Capital assets activity for HMC during the fiscal year ended June 30, 2014 (in thousands):

	Balance 07/1/2013	Additions	Retirements	Transfers	Balance 06/30/14
Capital assets not being depreciated:					
Land	\$ 1,586	\$ -	\$ -	\$ -	\$ 1,586
Work in progress	13,344	13,502	-	(11,986)	14,860
Total capital assets not being depreciated	14,930	13,502	-	(11,986)	16,446
Capital assets being depreciated:					
Buildings	400,699	-	-	6,390	407,089
Improvements other than buildings	14,494	-	-	580	15,074
Equipment	409,020	6,089	(2,236)	5,016	417,889
Total capital assets being depreciated	824,213	6,089	(2,236)	11,986	840,052
Less accumulated depreciation for:					
Buildings	(161,522)	(13,377)	-	-	(174,899)
Improvements other than buildings	(4,982)	(944)	-	-	(5,926)
Equipment	(317,798)	(28,636)	2,120	-	(344,314)
Total accumulated depreciation	(484,302)	(42,957)	2,120	-	(525,139)
HMC capital assets, net	<u>\$ 354,841</u>	<u>\$ (23,366)</u>	<u>\$ (116)</u>	<u>\$ -</u>	<u>\$ 331,359</u>

HMC owns other properties (net book value of \$13.6 million) which are held for future use and are reported under "Other assets" in the component unit's statement of net position.

Note 8

Restricted Assets

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

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

Proprietary Funds

<u>Public Transportation</u> - restricted for future construction projects, debt service and obligations.	\$ 20,447
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	363,519
<u>King County International Airport</u> - restricted for construction projects and obligations.	591
<u>Radio Communications Services</u> - restricted for construction projects and obligations.	5
<u>Solid Waste</u> - restricted for landfill closure and post-closure care costs.	56,338
<u>Building Development & Management Corporations</u> - restricted for construction projects and debt service.	3,588
<u>Construction & Facilities Management</u> - restricted for construction projects and obligations.	11
Total Proprietary Funds restricted assets	<u><u>\$ 444,499</u></u>

Component Unit - Harborview Medical Center (HMC)

<u>HMC Construction Fund</u> - restricted for construction projects, seismic, public safety and other improvements, and furnishings of HMC buildings.	\$ 11,686
<u>HMC Special Purpose Fund</u> - restricted donations, gifts, and bequests from various sources for specific uses.	8,683
<u>HMC Operating Fund</u> - restricted resources that are board-designated for specific purposes, including planned capital and service components, self-insurance, commuter services, research and training.	54,927
<u>HMC Plant Fund</u> - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.	37,807
Total HMC restricted assets	<u><u>\$ 113,103</u></u>

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

<u>Public Arts Projects Fund</u> - restricted for the one percent for public art programs operated for the benefit of King County.	\$ 2,931
<u>Cultural Grant Awards Fund</u> - restricted for arts and heritage cultural programs.	44,703
Total CDA restricted assets	<u><u>\$ 47,634</u></u>

Note 9

Pension Plans

Substantially all County employees participate in one of the following pension plans:

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

PERS, LEOFF, and PSERS are administered by the Washington State Department of Retirement Systems (DRS). DRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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

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

Plan Descriptions

The State Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members who joined the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was 5.5 percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

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

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

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index (CPI). The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the CPI), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year

of service. The AFC is the monthly average of the 60 consecutive highest paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the CPI), capped at 3 percent annually.

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

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

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

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

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

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

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

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

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

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service

credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the CPI) capped at 3 percent annually.

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

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

Judicial Benefit Multiplier

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and beneficiaries receiving benefits	85,328
Terminated plan members entitled to, but not yet receiving benefits	31,047
Active plan members vested	150,706
Terminated plan members nonvested	101,191
Total	<u>368,272</u>

Funding Policy

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

contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Members not participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	9.21%	9.21%	9.21%
Employee	6.00%	4.92%	Variable

The employer rates include the employer administrative expense fee currently set at 0.18 percent. PERS Plan 3 is the defined benefit portion only. Variable rate: 5.0% minimum/15.0% maximum based on rate selected by the PERS 3 member.

Members participating in the JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer - Local government	9.21%	9.21%	9.21%
Employee - Local government	12.26%	12.30%	7.50%

PERS Plan 3 is the defined benefit portion only and 7.5 percent is the minimum rate for PERS Plan 3 members participating in the JBM. Both the County and the employees made the required contributions.

The County's required contributions for the years ended December 31 (in thousands):

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	\$ 2,255	\$ 50,402	\$ 8,621
2013	2,211	60,285	10,408
2014	2,244	73,115	12,793

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

Plan Descriptions

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

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The

Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was 5.5 percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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

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

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

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30

percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

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

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

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

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation

and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

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

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

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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and beneficiaries receiving benefits	10,511
Terminated plan members entitled to, but not yet receiving benefits	699
Active plan members vested	16,830
Terminated plan members nonvested	1,600
Total	<u>29,640</u>

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board.

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

For DRS' Fiscal Year 2014, Washington State contributed \$55.6 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer	0.18%	5.23%
Employee	None	8.41%

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

Below are the County's required contributions for the years ended December 31 (in thousands):

	LEOFF Plan 1	LEOFF Plan 2
2012	\$ 1	\$ 4,163
2013	\$ 1	\$ 4,216
2014	\$ 1	\$ 4,325

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

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

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

Covered employers include:

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

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; or

- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2014, the rate was 5.5 percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of living allowance is granted (based on the CPI), capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

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

living allowance is granted (based on the CPI), capped at 3 percent annually.

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

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

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2013:

Retirees and beneficiaries receiving benefits	43
Terminated plan members entitled to, but not yet receiving benefits	119
Active plan members vested	4,513
Terminated plan members nonvested	1,383
Total	<u>6,058</u>

Funding Policy

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

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

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

	<u>PSERS Plan 2</u>
Employer	10.54%
Employee	6.36%

The employer rate includes an employer administrative expense fee of 0.18 percent. Both the County and the employees made the required

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

	<u>PSERS Plan 2</u>
2012	\$ 2,120
2013	\$ 2,565
2014	\$ 3,064

Seattle City Employees' Retirement System (SCERS)

SCERS is a cost-sharing, multiple-employer retirement plan administered in accordance with

chapter 4.36 of the Seattle Municipal Code. County employees of the Department of Public Health who have established membership in SCERS remain covered by the City Retirement System. Employees of Public Transportation who

are former employees of Seattle Transit are also covered by the system. SCERS provides retirement, death, and disability benefits.

Employees covered by this plan may retire after 30 years of service regardless of age; after age 52 with 20 years or more of service; after age 57 with 10 or more years of service; and after age 62 with five or more years of service. Disability retirement is available after 10 years of service. The unmodified monthly retirement allowance is based on a percentage of average salary for every year of service to a maximum of 60 percent. The average salary for this plan is defined as the highest consecutive 24-months' average rate of pay. The percentage for each year of service used to compute the retirement benefit depends on the age at retirement and the years of service. It ranges from 1.2 percent at age 52 with 20 years of service to a maximum of 2 percent for each year of service. The maximum allowance a member can receive is the unmodified plan, which has no provision for a beneficiary and, at the member's death, stops all payments. Several optional retirement benefit formulas exist which provide for beneficiaries with reduced monthly allowances.

The SCERS member contribution rate is 14.31 percent of compensation except for members qualifying for lower rates prior to June 1972. The County is required to contribute at an actuarially determined rate. The current rate is 12.89 percent of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the Board of Administration. Both the County

and the employees made the required contributions. The County's required contributions for the years 2012, 2013 and 2014 ending December 31 were \$540, \$582, and \$620 thousand, respectively.

Component Unit – Harborview Medical Center (HMC)

HMC personnel are University of Washington (UW) employees. HMC faculty and professional staff participate in the University of Washington Retirement Plan (UWRP), an IRC Section 403 (b) defined contribution retirement plan, authorized by the Board of Regents. HMC staff participate in a plan authorized by the State of Washington Department of Retirement Systems (DRS). Plan participation is defined by position, with the majority of HMC employees enrolled in one of the three Public Employees' Retirement Systems (PERS) plans.

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

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

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

Note 10

Postemployment Health Care Plan

The County is required to accrue other postemployment benefits (OPEB) expense related to its postretirement health care plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the County has recorded a liability of \$59.6 million for the difference between the actuarially calculated ARC and the estimated contributions made.

The effect of GASB No. 45 for the current fiscal year was to decrease the County's excess of revenue over expenses before capital contributions and the County's increase in net position for the year ended December 31, 2014 by approximately \$6.7 million.

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

benefit health care plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees. The Health Plan does not issue a separate stand-alone financial report.

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

For the fiscal year ended December 31, 2014, the County contributed an estimated \$5.1 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits.

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

The components of the County's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the County's net OPEB obligation to the Health Plan for the year ended December 31, 2014 (in thousands):

Normal cost - Unit Credit Method	\$ 4,266
Amortization of unfunded actuarial accrued liability (UAAL)	9,039
Annual Required Contribution (ARC)	13,305
Interest on net OPEB obligation	1,059
Adjustment to annual required contribution	(2,525)
Annual OPEB cost (expense)	11,839
Contributions made	(5,149)
Increase in net OPEB obligation	6,690
Net OPEB obligation - beginning of year	52,917
Net OPEB obligation - end of year	\$ 59,607

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	\$ 12,861	39.8%	\$ 46,228
12/31/2013	11,838	43.5%	52,917
12/31/2014	11,838	43.5%	59,607

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2014 (in thousands):

Actuarial accrued liability (AAL) – Unit Credit	\$ 167,420
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>167,420</u>
Funded ratio (actuarial value of plan assets ÷ AAL)	<u>0.00%</u>
Covered payroll	\$1,073,511
UAAL as a percentage of covered payroll	15.6%

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

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

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

percent for HMO medical/pharmacy, each reduced by decrements to an ultimate rate of 4.2 percent after 70 years and 7 years for medical and pharmacy, respectively. The miscellaneous trend rate is 7.0 percent, and the Medicare Premium trend rate is 6.0 percent, for all years. All trend rates include a 3.0 percent inflation assumption. The amortization of the UAAL at transition uses a level dollar amount on an open basis. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 24 years.

Component Unit – Harborview Medical Center (HMC)

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

An actuarial study performed by the Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been recorded in the University's nor the Medical Center's financial statements. This liability is recorded at the statewide level. The Medical Center was billed and paid \$46.7 million and \$56.9 million, for health care expenses for the years ended June 30, 2014, and 2013, respectively, which included funding of the OPEB liability.

Note 11

Risk Management

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

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

Insurance Fund

The Insurance Fund, an internal service fund, accounts for the County's property/casualty

program. The fund accounts for the County's exposures to loss due to the tortious conduct of the County, including those exposures commonly covered by general liability, automobile liability, police professional, public officials, errors and omissions, and professional malpractice insurance policies. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2014, is \$72.8 million.

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

Effective July 1, 2014, the County renewed the property insurance policy. This policy has a blanket limit of \$500 million above a \$250 thousand per occurrence deductible and provides an overall earthquake sublimit of \$100 million and a flood sublimit of \$250 million.

In addition to its excess liability policy and property insurance policies, the County has the following specific insurance policies to cover some of its other exposures.

COVERAGE	AMOUNT	DEDUCTIBLE
Aircraft liability & physical damage	\$50 million per occurrence & scheduled value	None for liability, \$1,000 to \$85,000 for property damage
Crime and fidelity for employee dishonesty	\$2.5 million	\$50,000
Excess workers' compensation	Statutory	\$2.5 million per occurrence
Fiduciary liability for employees' benefit	\$20 million	None
Foreign liability in general and automobile	\$1 million	None
Airport general liability	\$300 million per occurrence	\$50,000 aggregate
Airport property damage	\$160 million with sublimits of \$100 million for flood and \$50 million for earthquake	\$100,000
Marine (includes Ferry District)	\$150 million	Various from \$2,500 to \$75,000
Parks swimming pools general liability	\$7.5 million	\$5,000

There was no occurrence that resulted in payment in excess of the \$7.5 million self-insured retention in 2013 or 2014.

historical claims experience and other actuarial techniques. Nonincremental claim adjustment expenses are not included as part of the liability.

With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon

Changes in the Insurance Fund's estimated claims liability in 2013 and 2014 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2013	\$ 68,537	\$ 14,635	\$ (14,742)	\$ 68,430
2014	68,430	14,888	(10,545)	72,773

Safety and Workers' Compensation Fund

The Safety and Workers' Compensation Fund, an internal service fund, accounts for the County's self-insurance for workers' compensation as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act. Interfund premiums are based on the hours worked by the fund/department-covered employees times an hourly rate that varies for different classes of employees and are recorded as quasi-external interfund transactions. Public Transportation and Water Quality internal fund charges are derived from actuarial projections of their future claims and administrative costs. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the financial statements is not discounted due to low rate of return on investment. As of December 31, 2014, the total claim liability is \$75.7 million.

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

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

Changes in the Safety and Workers' Compensation Fund's claims liability in 2013 and 2014 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2013	\$ 81,305	\$ 13,165	\$ (17,088)	\$ 77,382
2014	77,382	14,819	(16,502)	75,699

Employee Benefits Program Fund

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

month basis and charged to departments through a composite rate of expected claims and expenses. In some cases, there are employee contributions towards premiums.

The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2014, is \$18.5 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2013 and 2014 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2013	\$ 19,721	\$ 204,497	\$ (205,754)	\$ 18,464
2014	18,464	197,073	(196,996)	18,541

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

Harborview Medical Center (HMC) participates in a self-insurance revolving fund for professional liability coverage through the University of Washington (UW). As of June 30, 2010, the UW did not carry commercial general liability coverage at levels below \$10 million per occurrence. The UW's philosophy, with respect to its self-insurance programs, is to fully fund its anticipated losses through the establishment of actuarially determined self-insurance reserves. These reserves are deposited in a statutorily created and regulated fund and can only be expended for payment of claim costs and related expenses.

The annual funding to the self-insurance revolving fund is determined by the UW administration, based on recommendations from the UW's Risk Management Advisory Committee. The HMC's *pro rata* share of premiums paid to the self-insurance revolving fund was approximately \$2.9 million in the period July 1, 2012 to June 30, 2013, and \$3.2 million in the period July 1, 2013 to June 30, 2014.

Employee Benefits Program

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

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

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

Insurance Fund

The Cultural Development Authority of King County (CDA) carries comprehensive general liability, auto liability, and employee benefit liability coverage with a limit of \$10 million per occurrence and no aggregate limit. Commercial property losses are covered up to the replacement cost on file with Enduris Washington. The CDA also carries Public Official Errors and Omissions Liability coverage with a limit of \$10 million per occurrence and an aggregate limit of \$10 million.

Employee Benefits Program

The CDA provides its eligible employees with a comprehensive health benefits package through the Public Employees Benefits Board (PEBB), which includes medical, dental, basic life, and long-term disability coverage. In addition, the PEBB offers the following optional products: long-term care, auto, and home insurance. WageWorks, Inc. is the administering authority. The CDA also offers insurance with American Family Life Assurance Company (AFLAC). With the AFLAC coverage, the CDA employees can pick from a selection of insurance policies at their own expense.

Note 12

Leases

Capital Leases

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

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

Capital assets and outstanding liabilities relating to capital lease agreements contracts as of December 31, 2014 (in thousands):

	Business-type Activities	
	Capital Assets	Capital Leases Payable
Leasehold improvements	\$ 4,881	\$ 2,874
Less depreciation	(2,085)	-
Totals	<u>\$ 2,796</u>	<u>\$ 2,874</u>

Future minimum lease payments under capital lease agreements together with the present value of the net minimum lease payments as of December 31, 2014 (in thousands):

	Minimum Lease Payments
2015	\$ 255
2016	255
2017	255
2018	255
2019	255
2020-2024	1,275
2025-2029	1,275
2030-2034	<u>404</u>
Total minimum lease payments	4,229
Less: Amount representing interest	<u>(1,355)</u>
Present value of net minimum lease payments	<u><u>\$ 2,874</u></u>

Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year ended December 31, 2014 for long-term operating expenses for office space, equipment,

and other operating leases amount to \$18.7 million. The patterns of future lease payment requirements are systematic and rational.

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

<u>Year</u>	<u>Office Space</u>	<u>Other</u>	<u>Total</u>
2015	\$ 29,527	\$ 7,098	\$ 36,625
2016	28,381	6,428	34,809
2017	27,596	5,755	33,351
2018	27,574	5,312	32,886
2019	27,324	4,936	32,260
2020-2024	132,681	11,851	144,532
2025-2029	82,890	3,347	86,237
2030-2034	-	2,319	2,319
2035-2039	-	1,364	1,364
2040-2044	-	1,364	1,364

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

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

The County's investment in property under long-term, noncancelable operating leases as of December 31, 2014 (in thousands):

	<u>Governmental activities</u>	<u>Business-type Activities</u>	
		<u>Airport</u>	<u>Other</u>
Land	\$ 65	\$ 14,960	\$ 87
Buildings	397	26,256	-
Less depreciation	(397)	(12,423)	-
Total cost of property under lease	<u>\$ 65</u>	<u>\$ 28,793</u>	<u>\$ 87</u>

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2014 (in thousands):

<u>Year(s)</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Total</u>
		<u>Airport</u>	<u>Other</u>	
2015	3,486	12,172	72	15,730
2016	2,386	11,843	38	14,267
2017	1,485	11,520	5	13,010
2018	1,269	11,399	5	12,673
2019	1,129	11,331	5	12,465
2020-2024	4,473	53,049	27	57,549
2025-2029	4,038	50,733	27	54,798
2030-2034	1,182	21,248	27	22,457

Note 13

Landfill Closure and Post-Closure Care

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

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

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

The County is required by state and federal laws and regulations to make annual contributions to a reserve fund to finance closure and post-closure care. The County is in compliance with these requirements. As of December 31, 2014, cash and cash equivalents of \$47.5 million were held in the Landfill Reserve Fund and \$8.4 million were held in the Landfill Post-closure Maintenance Fund.

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

The \$101.2 million reported as landfill closure and post-closure care liability as of December 31, 2014, represents the cumulative percentage reported based on the amount that each of the landfills has been filled to date as follows (dollars in thousands):

Landfill	Percent Filled	Estimated Liability	Estimated Remaining Liability	Estimated Year of Closure
Cedar Hills	80.6%	\$ 73,257	\$ 23,277	2024
Covered	100%	22,317	-	Closed
Custodial	100%	5,609	-	Closed

Note 14

Pollution Remediation

The County recognizes a liability for pollution remediation whenever the County is obligated for future cleanup and the amounts are reasonably estimable.

Liabilities reported at the end of 2014 do not include potential costs of cleanup that may arise out of the legal issues described in Note 19 - "Legal Matters, Contingent Liabilities, and Other Commitments." The likelihood of negative outcomes in these matters, the amount of liabilities that may arise, and the resultant allocation among potentially responsible parties, cannot be reasonably estimated at this time. The major sites where the County is conducting remediation activities are:

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

Both projects may result in additional cleanup efforts as a result of future regulatory orders. These potential cleanup liabilities cannot be currently estimated. Ongoing regulatory action may identify other PRPs for the Lower Duwamish Waterway cleanup.

There are no estimated recoveries at this time that will reduce the amount of these obligations. However, the State of Washington has indicated that it intends to fund grants in support of the Lower Duwamish Waterway cleanup. The total pollution remediation

liability at December 31, 2014, stands at \$44.8 million. This liability is an estimate and is subject to changes resulting from price increases or reductions, changes in technology, or changes in applicable laws or regulations.

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

Lake Union Tank and Dearborn Groundwater Monitoring – The Public Transportation Enterprise reported a pollution remediation liability of \$379 thousand at December 31, 2014. The pollution obligation is primarily related to monitoring soil and ground water contamination at the Lake Union Tank and Dearborn sites (under consent decrees from the DOE, dating back to the mid-1990's) and groundwater monitoring at two bus operation bases on a voluntary basis. The liability was measured at the estimated amounts compiled by Metro Transit staff with knowledge of pollution issues at the sites, using the expected cash flow technique. Cost estimates are subject to changes when additional information becomes available regarding the level of contamination at specific sites, when existing agreements or remediation methods are modified, or when new applicable regulations emerge.

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

sediments surrounding Gasworks Park. The City and PSE named Metro Transit and Chevron Corporation as additional potentially liable parties (PLP) related to the Gasworks sediment site. Subsequently, the DOE notified Metro Transit and Chevron Corporation that they might be PLPs under the Model Toxics Control Act. The DOE has not issued a final decision regarding Metro Transit's status as a PLP. No liability was recorded because outlays for the site cleanup were not reasonably estimable at December 31, 2014.

Maury Island Gravel Mine Site – King County acquired approximately 250 acres of property on Vashon Island back in 2010. The property is within the footprint of the former ASARCO smelter plume, and contains elevated levels of lead and arsenic, a condition that was known at the time of acquisition. In February 2011, King County was named a “potentially liable party” for cleanup of the site by the Washington State Department of Ecology. An Agreed Order between Ecology and King County was finalized in January 2013 requiring the County to conduct a remediation investigation, a feasibility study and a cleanup action plan. The County cannot estimate the cost of remediation at this time. Because the remediation was a prerequisite to the purchase agreement and is a necessary activity to prepare a portion of the land for its intended use, the County intends to capitalize the cost of pollution as part of the land. As of December 31, 2014, the remediation project is in a planning and permitting phase.

Former Standard Service Station Site - A tenant took a core sample of soil on undeveloped airport property in an area planned for a future development. The sample indicated that there was contamination in the soil and groundwater that was outside of the standards established by Washington State's Model Toxic Control Act. The Airport then contracted an environmental engineering firm to do a further investigation. The environmental firm confirmed the contamination in a report dated November 13, 2012 and recommended two cleanup alternatives. The estimated liability, which was estimated using the expected cash flow technique, is \$9 thousand at December 31, 2014. Remediation cost estimates are subject to changes due to price increases or reductions,

changes in technology, or changes in applicable laws or agreements.

7400 Perimeter Road South Cleanup - In September 2012, a Phase II Environmental Site Assessment was performed on the Standard Gas Oil Parcel located on the west side of Airport Way South and extends across 7490 Perimeter Road South in Seattle. The contaminants of concern identified for soil and groundwater were gasoline and BTEX. A feasibility study was performed in March 2013 to determine remedial alternatives and costs. Remedial action is under way in 2014. Quarterly groundwater monitoring will be performed for a year after remediation. The Airport reported a pollution remediation liability of \$71 thousand at December 31, 2014.

Hangar 5 Site 7875 PRS - In August 2013, a Phase II Environmental Site Assessment was completed on the Hangar 5 property located at 7575 and 7585 Perimeter Road South. Gasoline, diesel, and heavy oil range petroleum hydrocarbons were not detected above the laboratory reporting limit in any of the soil samples analyzed. However, BTEX concentrations were detected. Concentrations of benzene exceeding the MTCA Method A cleanup level of 30 ug/kg were detected in samples. PCE and TCE were detected above the MTCA Method A cleanup level of 30 ug/kg. The VOC compounds TCE and DCE were detected at low concentrations in several groundwater samples. Vinyl chloride was detected above the MTCA Method A cleanup level. A Feasibility Study was completed on September 27, 2013 to determine remedial alternatives and costs. Remedial action was underway in 2014. Quarterly groundwater monitoring will be performed for a year after remediation is completed. The Airport reported a pollution remediation liability of \$590 thousand at December 31, 2014.

Note 15

Debt

Short-term Debt Instruments and Liquidity

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

at year-end. The commercial paper has remaining maturity dates ranging from 61 to 92 days as of year-end. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the Enterprise. The debt will be repaid from operating revenues.

**CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)**

	Balance 01/01/14	Additions	Reductions	Balance 12/31/14
Business-type activities:				
Commercial paper	\$ 100,000	\$ 411,110	\$ (411,110)	\$ 100,000
Business-type activities short-term debt	<u>\$ 100,000</u>	<u>\$ 411,110</u>	<u>\$ (411,110)</u>	<u>\$ 100,000</u>

Long-term Debt

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

For business-type activities, long-term debt consists of limited tax general obligation bonds

accounted for in the King County International Airport, Institutional Network (I-NET), Solid Waste, Public Transportation, and Water Quality Enterprise Funds; capital leases accounted for in the Public Transportation Fund; and Sewer Revenue Bonds and State of Washington revolving loans accounted for in the Water Quality Enterprise Fund.

King County, Washington

SCHEDULE OF LONG-TERM DEBT (IN THOUSANDS) (PAGE 1 OF 2)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/14
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
2004A LTGO Refunding 1996A Bonds	09/21/04	01/01/16	2.00-5.00%	\$ 57,045	\$ 14,695
2004B LTGO (Payoff BAN2003A) Bonds	10/01/04	01/01/25	2.50-5.00%	82,435	3,905
2005A LTGO Refunding 1993B Bonds	06/29/05	01/01/19	5.00%	22,510	4,795
2006 LTGO Refunding 1996B, 1997G and 1999A Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	38,330	15,045
2006 LTGO HUD Section 108 Bonds – Greenbridge Project	09/14/06	08/01/24	4.96-5.70%	6,783	2,465
2007A LTGO Refunding 1997F (Kingdome Debt) Bonds	09/05/07	12/01/15	4.00-5.00%	48,665	17,770
2007C LTGO (Payoff BAN2006A) Bonds	11/01/07	01/01/28	4.00-4.50%	10,695	8,295
2007D LTGO (Payoff BAN2006B) Bonds	11/01/07	01/01/28	4.00-5.00%	34,630	27,065
2007E LTGO Peoplesoft/Oracle Upgrade Bonds (Partial)	11/27/07	12/01/27	4.00-5.00%	3,070	1,075
2009B2 LTGO Capital Facilities Project Bonds	05/12/09	06/01/29	2.00-5.13%	34,810	27,900
2009C LTGO Refunding 1993B Bonds	12/10/09	01/01/24	4.50%	17,150	16,975
2010A LTGO Refunding 2001 and 2002 Bonds (Partial)	10/28/10	06/01/21	2.00-5.00%	21,445	14,240
2010B LTGO (BABs) (Taxable) Bonds	12/01/10	12/01/30	2.85-6.05%	17,355	17,355
2010C LTGO (RZEDBs) (Taxable) Bonds	12/01/10	12/01/30	4.58-6.05%	23,165	23,165
2010D LTGO (QECBs) (Taxable) Bonds	12/01/10	12/01/25	5.43%	2,825	2,825
2010E LTGO (Data Center Relocation) Bonds	12/01/10	12/01/30	2.00-4.50%	10,025	8,525
2011 LTGO Refunding 2002, 2003A, and 2003B Bonds	08/01/11	06/01/23	2.00-5.00%	25,700	20,380
2011B LTGO Flood Planning/Payoff BAN2010B Bonds	12/01/11	12/01/19	2.00-4.00%	5,725	5,725
2011C LTGO Flood Planning/Payoff BAN2010C (Taxable) Bonds	12/01/11	12/01/17	0.03-1.85%	15,530	7,470
2011D LTGO (Maury Island/Open Space Acquisition) Bonds	12/21/11	12/01/31	2.00-3.50%	21,895	17,685
2012A LTGO (ABT Project) Bonds	03/29/12	07/01/22	3.00-5.00%	65,935	62,015
2012B LTGO (S. Park Bridge) Bonds	05/08/12	09/01/32	3.00-5.00%	28,065	26,410
2012C LTGO Refunding 2004B and 2005 Bonds	08/28/12	01/01/25	5.00%	54,260	54,260
2012D LTGO Refunding 2002BOP Lease (HMC) Bonds	11/29/12	12/01/31	2.00-5.00%	41,810	38,815
2012E LTGO SE District Court Relocation Bonds (Partial)	12/19/12	12/01/27	2.00-5.00%	3,000	2,680
2012F LTGO (QECBs) (Taxable) KCCF HVAC Project (Partial)	12/19/12	12/01/22	2.20%	3,010	3,010
2013 Multi-Modal LTGO Variable Rate Refunding 2009A Bonds	08/06/13	06/01/29	Variable ^(a)	41,460	39,400
2013B LTGO Refunding 2005 GHP Lease Bonds	12/19/13	12/01/26	3.00-5.00%	42,820	42,820
2014A LTGO Refunding 2005 GHP Lease Bonds	02/26/14	12/01/32	5.00%	34,815	34,420
2014B LTGO (Tall Chief Acquisition/SWM) Bonds	06/24/14	06/01/34	2.00-5.00%	15,395	15,395
Total Payable From Limited Tax GO Redemption Fund				<u>830,358</u>	<u>576,580</u>
Payable From Internal Service Funds					
2010B LTGO (BABs) (Taxable) Bonds	12/01/10	12/01/30	4.58-6.05%	7,125	7,125
2012E LTGO (IT Business Empowerment) Bonds (Partial)	12/19/12	12/01/27	2.00-5.00%	22,405	20,680
Total Payable From Internal Service Funds				<u>29,530</u>	<u>27,805</u>
Total Limited Tax General Obligation Debt				<u>859,888</u>	<u>604,385</u>
IB. Unlimited Tax General Obligation Bonds (UTGO)					
Payable From Unlimited Tax GO Redemption Fund					
2009A UTGO Refunding 2001(HMC) Bonds	12/10/09	12/01/20	4.30-5.00%	19,570	12,160
2010A UTGO Refunding 2000 Bonds	10/28/10	12/01/15	3.00-5.00%	16,305	455
2012 UTGO Refunding 2004 (HMC) and 2004B (HMC) Bonds	08/14/12	12/01/23	2.00-5.00%	94,610	93,420
2013 UTGO Refunding 2003 Bonds	07/02/13	06/01/19	3.00-5.00%	8,660	7,220
Total Payable From Unlimited Tax GO Bond Redemption Fund				<u>139,145</u>	<u>113,255</u>
IC. Lease Revenue Bonds ^(b)					
Payable From Internal Service Funds					
2006A NJB Properties – HMC	12/05/06	12/01/36	5.00%	179,285	164,165
2006B NJB Properties – HMC (Taxable)	12/05/06	12/01/36	5.51%	10,435	9,610
2007 King Street Center Project Refunding 1997	03/08/07	06/01/25	4.00-5.00%	62,400	44,125
Total Lease Revenue Bonds Payable from Internal Service Funds				<u>252,120</u>	<u>217,900</u>
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				<u>1,251,153</u>	<u>935,540</u>

King County, Washington

SCHEDULE OF LONG-TERM DEBT (IN THOUSANDS) (PAGE 2 OF 2)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/14
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
2006 LTGO Refunding 1999A Bonds (Partial)	12/14/06	01/01/15	4.00-5.00%	\$ 7,995	\$ 675
2007E LTGO (Solid Waste) Bonds (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	20,575
2008 LTGO (WQ) Refunding 1998B Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	219,505
2009 LTGO (Transit) Refunding 1998A Bonds	02/18/09	12/01/19	2.00-4.00%	48,535	23,980
2009B LTGO (WQ) Capital Improvement Projects Bonds	04/08/09	07/01/39	5.00-5.25%	300,000	294,105
2010A LTGO Refunding 2001 (Airport) Bonds (Partial)	10/28/10	06/01/21	2.00-5.00%	5,110	3,680
2010B LTGO (BABs) (Transit) Taxable Bonds	12/01/10	12/01/30	2.85-6.05%	20,555	20,555
2010D LTGO (QECBs) (Transit) Taxable Bonds	12/01/10	12/01/20	4.33%	3,000	3,000
2010A Multi-Modal LTGO (WQ) Bonds	01/12/10	01/01/40	Variable ^(a)	50,000	50,000
2010B Multi-Modal LTGO (WQ) Bonds	01/12/10	01/01/40	Variable ^(a)	50,000	50,000
2012A LTGO (WQ) Refunding 2005A Bonds	04/18/12	01/01/25	2.00-5.00%	68,395	67,755
2012B LTGO (WQ) Refunding 2005A Bonds	08/02/12	01/01/29	5.00%	41,725	41,725
2012C LTGO (WQ) Refunding 2005A Bonds	09/19/12	01/01/34	5.00%	53,405	53,405
2012D LTGO (Transit) Refunding 2002 and 2004 Bonds	10/16/12	06/01/34	2.00-5.00%	71,670	62,405
2012F LTGO (WQ) (South Plant Pump) Bonds	12/19/12	12/01/22	2.20%	3,010	3,010
2013 LTGO (Solid Waste) Bonds	02/27/13	12/01/40	3.10-5.00%	77,100	74,070
2014C LTGO & Refunding 2007E (Solid Waste) Bonds	07/30/14	12/01/34	2.00-5.00%	25,515	25,170
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>1,103,600</u>	<u>1,013,615</u>
IIB. Revenue Bonds, Capital Leases and Loans					
Payable From Enterprise Funds					
2001A WQ Revenue Junior Lien Variable Rate Demand Bonds	08/06/01	01/01/32	Variable ^(c)	\$ 50,000	\$ 50,000
2001B WQ Revenue Junior Lien Variable Rate Demand Bonds	08/06/01	01/01/32	Variable ^(c)	50,000	50,000
2006A WQ Revenue and Refunding 1999-1 Bonds	05/16/06	01/01/36	5.00%	124,070	24,070
2006B2 WQ Revenue and Refg 1999-1, 02A & 96C WQ-LTGO Bonds	11/30/06	01/01/36	3.50-5.00%	193,435	128,765
2007 WQ Revenue (Capital Improvement Projects) Bonds	06/26/07	01/01/47	5.00%	250,000	144,335
2008 WQ Revenue (Capital Improvement Projects) Bonds	08/14/08	01/01/48	5.00-5.75%	350,000	309,750
2009 WQ Revenue (Capital Improvement Projects) Bonds	08/12/09	01/01/42	4.00-5.25%	250,000	247,290
2010 WQ Revenue & Refunding 2001 Bonds	07/19/10	01/01/50	2.00-5.00%	334,365	323,355
2011 WQ Revenue (Capital Improvement Projects) Bonds	01/25/11	01/01/41	5.00-5.125%	175,000	171,795
2011B WQ Revenue Refunding 2001, 2002A, 2002B, and 04A Bonds	10/05/11	01/01/41	1.00-5.00%	494,270	436,450
2011C WQ Revenue Refunding 2001, 2002A, and 2004A Bonds	11/01/11	01/01/35	3.00-5.00%	32,445	32,445
2011 WQ Revenue Junior Lien Variable Rate Demand Bonds	10/26/11	01/01/42	Variable ^(c)	100,000	100,000
2012 WQ Revenue and Refunding 2004A Bonds	04/18/12	01/01/52	5.00%	104,445	104,445
2012B WQ Revenue and Refunding 2004A Bonds	08/02/12	01/01/35	4.00-5.00%	64,260	64,260
2012C WQ Revenue and Refunding 2004A and 2006 Bonds	09/19/12	01/01/33	2.50-5.00%	65,415	65,415
2012 WQ Revenue Junior Lien Variable Rate Demand Bonds	12/27/12	01/01/43	Variable ^(c)	100,000	100,000
2013A WQ Revenue Refg 2003, 2006, and 2005 WQ-LTGO Bonds	04/09/13	01/01/35	2.00-5.00%	122,895	119,495
2013B WQ Revenue and Refunding 2004B Bonds	10/29/13	01/01/44	2.00-5.00%	74,930	74,475
2014A WQ Revenue Refunding 2007 Bonds	07/08/14	01/01/47	5.00%	75,000	75,000
2014B WQ Revenue Refg 2004B, 2006, 2006B, 2007 and 2008 Bonds	08/12/14	07/01/35	1.00-5.00%	192,460	192,460
2000-2014 State of Washington Revolving Loans	Various	Various	0.50-3.10%	195,906	159,053
2000 Public Transp. Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	2,874
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				<u>3,403,618</u>	<u>2,975,732</u>
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				<u>4,507,218</u>	<u>3,989,347</u>
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				<u>\$ 5,758,371</u>	<u>\$ 4,924,887</u>

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

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

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

King County, Washington

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES						
Year	General Obligation Bonds		Lease Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	83,852	29,922	7,820	10,587	91,672	40,509
2016	67,626	26,542	8,200	10,208	75,826	36,750
2017	59,212	23,910	8,595	9,810	67,807	33,720
2018	56,728	21,437	9,010	9,394	65,738	30,831
2019	58,375	18,968	9,430	8,977	67,805	27,945
2020-2024	229,887	58,792	54,390	37,643	284,277	96,435
2025-2029	120,565	21,398	43,950	25,635	164,515	47,033
2030-2034	41,395	3,379	51,905	14,272	93,300	17,651
2035-2039	-	-	24,600	1,871	24,600	1,871
TOTAL	\$ 717,640	\$ 204,348	\$ 217,900	\$ 128,397	\$ 935,540	\$ 332,745

BUSINESS-TYPE ACTIVITIES							DEBT SERVICE REQUIREMENTS TO MATURITY	
Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	25,065	47,951	62,862	135,512	87,927	183,463	179,599	223,972
2016	25,475	46,822	63,856	134,129	89,331	180,951	165,157	217,701
2017	37,670	45,452	55,753	131,755	93,423	177,207	161,230	210,927
2018	39,415	43,635	61,534	129,458	100,949	173,093	166,687	203,924
2019	41,265	41,722	62,557	126,981	103,822	168,703	171,627	196,648
2020-2024	183,465	181,831	334,026	593,813	517,491	775,644	801,768	872,079
2025-2029	216,325	132,651	393,151	511,122	609,476	643,773	773,991	690,806
2030-2034	231,140	78,375	571,664	397,695	802,804	476,070	896,104	493,721
2035-2039	109,810	37,207	417,275	270,366	527,085	307,573	551,685	309,444
2040-2044	103,985	4,567	613,885	147,778	717,870	152,345	717,870	152,345
2045-2049	-	-	293,915	43,507	293,915	43,507	293,915	43,507
2050-2054	-	-	45,254	2,588	45,254	2,588	45,254	2,588
TOTAL	\$ 1,013,615	\$ 660,213	\$ 2,975,732	\$ 2,624,704	\$ 3,989,347	\$ 3,284,917	\$ 4,924,887	\$ 3,617,662

King County, Washington

Summary of changes in long-term liabilities for the year ended December 31, 2014 (in thousands):

	<u>Balance 01/01/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 741,373	\$ 50,210	\$ (73,943)	\$ 717,640	\$ 83,852
Lease revenue bonds ^(a)	265,325	-	(47,425)	217,900	7,820
Less: Unamortized bonds premium and discount	71,193 *	6,662	(14,529)	63,326	-
Total bonds payable	1,077,891	56,872	(135,897)	998,866	91,672
Compensated absences liability	97,638	113,086	(112,304)	98,420	5,123
Other postemployment benefits	42,531	5,461	(116)	47,876	-
Unemployment compensated liabilities	2,569	-	(2,569)	-	-
Wetlands Mitigation	-	6,455	-	6,455	-
Estimated claims settlements and other liabilities	194,185	234,587	(233,350)	195,422	52,695
Total Governmental activities long-term liabilities	<u>\$ 1,414,814</u>	<u>\$ 416,461</u>	<u>\$ (484,235)</u>	<u>\$ 1,347,039</u>	<u>\$ 149,490</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 1,022,010	\$ 25,515	\$ (33,910)	\$ 1,013,615	\$ 25,065
Revenue bonds	2,866,085	267,460	(319,740)	2,813,805	51,615
Less: Unamortized bonds premium and discount	194,273	36,234	(22,802)	207,705	-
Total bonds payable	4,082,368	329,209	(376,452)	4,035,125	76,680
Capital leases	2,983	-	(109)	2,874	114
State revolving loans	146,672	22,343	(9,962)	159,053	11,133
Compensated absences liability	70,787	80,444	(80,114)	71,117	9,666
Other postemployment benefits	10,390	1,894	(549)	11,735	-
Landfill closure and post-closure care liability	89,965	11,218	-	101,183	4,804
Pollution remediation	46,330	5,180	(5,661)	45,849	5,632
Customer deposits	747	215	(20)	942	392
Total Business-type activities long-term liabilities ^(b)	<u>\$ 4,450,242</u>	<u>\$ 450,503</u>	<u>\$ (472,867)</u>	<u>\$ 4,427,878</u>	<u>\$ 108,421</u>

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of \$167.0 million are included in the above amount. Governmental activities compensated absences and other postemployment benefits are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

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

(b) The beginning balance of retainage payable in the amount of \$7 million was reclassified from noncurrent liabilities to current liabilities in 2014 for the business-type activities long-term liabilities.

* Restated

Computation of Legal Debt Margin

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

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

The legal debt margin computation for the year ended December 31, 2014 (in thousands):

2014 ASSESSED VALUE (2015 TAX YEAR)	\$ 388,118,856
Debt limit of limited tax (LT) general obligations for metropolitan functions	
0.75 % of assessed value	\$ 2,910,891
Less: Net LT general obligation indebtedness for metropolitan functions	(1,084,234)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 1,826,657</u>
Debt limit of LT general obligations for general county purposes and metropolitan functions - 1.5 % of assessed value	\$ 5,821,783
Less: Net LT general obligation indebtedness for general county purposes	(971,457)
Net LT general obligation indebtedness for metropolitan functions	(1,084,234)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	(2,055,691)
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 3,766,092</u>
Debt limit of total general obligations for metropolitan functions	
2.5 % of assessed value	\$ 9,702,971
Less: Net total general obligation indebtedness for metropolitan functions	(1,084,234)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 8,618,737</u>
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	\$ 9,702,971
Less: Net unlimited tax general obligation indebtedness for general county purposes	(106,106)
Net LT general obligation indebtedness for general county purposes	(971,457)
Net total general obligation indebtedness for general county purposes	(1,077,563)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 8,625,408</u>

Refunding and Defeasing General Obligation Bond Issues – 2014

Limited Tax General Obligation (GO) Refunding Bonds, 2014A – On February 26, 2014, the County issued \$34.8 million in limited tax general obligation bonds, 2014A with an effective interest cost of 4.0 percent to advance refund \$37.1 million of outstanding limited tax GO lease revenue bonds, 2005 Goat Hill Properties with an effective interest rate of 4.9 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$1.8 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2032, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$4.9 million over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$3 million.

Limited Tax General Obligation and Refunding (Solidwaste) Bonds, 2014C – On July 30, 2014, the County issued \$25.5 million in limited tax general obligation bonds, 2014C of which \$9.8 million with an effective interest cost of 2.4 percent was to advance refund \$10 million of outstanding limited tax general obligation bonds, 2007E, with an effective interest rate of 5.0 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$1.1 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2024, using the

outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$790 thousand over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$697 thousand.

Refunding and Defeasing Sewer Revenue Bond Issues – 2014

Sewer Revenue Refunding Bonds, 2014A – On July 8, 2014, the County issued \$75 million in sewer revenue refunding bonds, 2014A, with an effective interest cost of 4.2 percent to purchase \$75 million of outstanding sewer revenue bonds, 2007, with an average coupon rate of 5.0 percent.

The reacquisition price exceeded the net carrying amount of the old debt by \$3.5 million. This transaction resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$5.3 million.

Sewer Revenue Refunding Bonds, 2014B – On August 12, 2014, the County issued \$192.5 million in sewer revenue refunding bonds, 2014B, with an effective interest cost of 3.4 percent to advance refund \$195.9 million of outstanding sewer revenue bonds, 2004B, 2006-1, 2006-2, 2007 and 2008 bonds, with an effective interest rate of 5.0 percent.

The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$15.8 million. This amount, reported in the statement of net position as a reduction in bonds payable, is being charged to operations through fiscal year 2036, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$32 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$20.1 million.

Refunded Bonds

King County has seven refunded and defeased bond issues consisting of limited tax general obligation bonds (\$268.9 million) and sewer revenue bonds (\$216.7 million) that were originally reported in the Primary Government's statement of net position. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, U.S. Bank of Washington, and the liability for the defeased bonds has been removed from the statement of net position.

Note 16

Interfund Balances and Transfers

Interfund Balances

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	All Others	\$ 92
Public Health Fund	All Others	16
Mental Health Fund	All Others	290
Nonmajor Governmental Funds	General Fund	1,374
	Nonmajor Governmental Funds	2,181
	All Others	22
Public Transportation Enterprise	Public Health Fund	20,780
	All Others	474
Water Quality Enterprise	Nonmajor Governmental Funds	810
	All Others	340
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	5,710
	All Others	443
Internal Service Funds	Nonmajor Governmental Funds	1,357
	All Others	215
Total		<u>\$ 34,104</u>

The interfund balances resulted from the time lag between the dates: (1) when interfund goods and services were provided or reimbursable expenditures incurred, and when interfund payments were made; and (2) when interfund short-term loans were made and when the loans were repaid. \$20.8 million due from Public Health Fund to the Public Transportation Enterprise was short-term loan made for the purpose of cash flow.

Advances from/to other funds (in thousands)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 300
Nonmajor Governmental Funds	Nonmajor Governmental Funds	5,475
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	607
Total		<u>\$ 6,382</u>

All of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2015.

Interfund Transfers (in thousands)

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Public Health Fund	\$ 29,858
	Nonmajor Governmental Funds	41,420
	All Others	713
Public Health Fund	All Others	399
Mental Health Fund	All Others	4
Nonmajor Governmental Funds	Public Health Fund	330
	Nonmajor Governmental Funds	92,704
	Nonmajor Enterprise Funds	698
	Internal Service Funds	1,274
	All Others	119
Public Transportation Enterprise	Nonmajor Governmental Funds	1,313
	All Others	42
Water Quality Enterprise	All Others	173
Nonmajor Enterprise Funds	All Others	262
Internal Service Funds	Nonmajor Governmental Funds	9,203
	All Others	208
Total transfers out		<u>\$ 178,720</u>

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

Note 17

Related Party Transactions

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly occupancy fee and rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth & Jefferson Building. The County became the legal owner of the Patricia Steel Memorial Building in December 2012 when it refinanced the original developer issued bonds. HMC will continue to use the building. Rent is also paid by HMC to the County for use of Ninth and Jefferson Building (NJB), owned by a nonprofit corporation that is a blended component unit of the County. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofit which funded construction of NJB. In both situations, HMC has agreed to include the annual rental payments in their operating budget for as long as they use the buildings. In 2014, the primary government received \$17.6 million in building lease and occupancy revenues from HMC.

The Cultural Development Authority (CDA), a discretely presented component unit of King County, annually receives funding from various County funds under the One Percent for Art program. Revenues are used to support activities related to the development and maintenance of County public art. In 2014, the King County primary government transferred \$1.4 million to the CDA. The CDA spent \$551 thousand on art projects for which the County recorded a corresponding decrease in receivables from the CDA and an increase in artwork work-in-progress.

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

The lease calls for an annual lease payment with a 3.0 percent increase each year, commencing with the year ended December 31, 2003. The lease payment is due within 90 days following the end of each calendar year. A portion of the annual lease payment is restricted for use on future Federal Transit Administration projects. The term of the lease is 50 years with one option to extend for 25 years. Metro Transit recorded lease revenue of \$42 thousand for 2014. The lease and loan payments are payable out of net cash flow in the order and priority established in the lease.

Note 18

Restrictions, Components of Fund Balance, and Changes in Equity

Net Position

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

Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt attributed to the acquisition, construction, or improvement of those assets.

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

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

Components of Fund Balance

King County's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

• *Nonspendable.* Balances that either are not in a spendable form or are legally or contractually required to remain intact.

• *Restricted.* Balances restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.

• *Committed.* Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the King County Council. A Council ordinance or motion is required to establish, modify or rescind a commitment of fund balance.

• *Assigned.* Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.

Assignments are authorized by chief officers of executive departments and administrative offices.

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

Rainy Day Reserve Ordinance 15961 created the Rainy Day Reserve for the purpose of accumulating revenues to be available for emergencies. The fund is fully invested for its own benefit.

The ordinance states that the Rainy Day Reserve shall be used in the event of an emergency, as declared by a vote of the County Council, for the following purposes:

1. Maintenance of essential county services in the event that current expense fund revenue collections in a given fiscal year are less than 97 percent of adopted estimates;

2. Payment of current expense fund legal settlements or judgments in excess of the County's ability to pay from other sources;

3. Catastrophic losses in excess of the County's other insurances against such losses; and

4. Other emergencies as determined by the County Council.

The Rainy Day Reserve is reported as part of the General Fund. As of December 31, 2014, it had a committed fund balance of \$20.1 million.

King County, Washington

A summary of governmental fund balances at December 31, 2014, is as follows (in thousands) (page 1 of 2):

	General Fund	Public Health Fund	Mental Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Advances	\$ 300	\$	\$	\$ 3,617	\$ 3,917
Youth Sports Facilities					
Grant Endowment				2,620	2,620
Inventories		1,248			1,248
Flood Control Zone District				4,000	4,000
Prepayments				1,193	1,193
Total Nonspendable Fund Balance	\$ 300	\$ 1,248	\$ -	\$ 11,430	\$ 12,978
Restricted for:					
Crime Victim Compensation Program	\$ 71	\$	\$	\$	\$ 71
Criminal Justice	920				920
Dispute Resolution	205				205
Drug Enforcement	1,582				1,582
Real Property Title Assurance	25				25
Mental Health			39,091		39,091
Conservation Futures				23,993	23,993
Children & Family Justice Center Construction				38,830	38,830
Open Space Projects				646	646
Real Estate Excise Tax Capital				14,963	14,963
Information and Telecommunication Capital				20,631	20,631
Building Construction and Improvements				213	213
Road Construction and Improvement				9,157	9,157
Flood Control Zone District				39,407	39,407
PFD Stadium Bond Debt Service				12,756	12,756
Total Restricted Fund Balance	\$ 2,803	\$ -	\$ 39,091	\$ 160,596	\$ 202,490
Committed for:					
Antiprofitereering Program	\$ 69	\$	\$	\$	\$ 69
Rainy Day Reserve	20,143				20,143
Parks Capital Funding				35,673	35,673
Information and Telecommunication Capital				7,480	7,480
Farmland and Open Space Acquisitions				1,389	1,389
Building Repair and Replacement				1,038	1,038
CDBG Greenbridge Loan				634	634
Debt Service				42,488	42,488
Total Committed Fund Balance	\$ 20,212	\$ -	\$ -	\$ 88,702	\$ 108,914
Assigned for:					
Inmate Welfare	\$ 3,892	\$	\$	\$	\$ 3,892
County Roads				19,889	19,889
Capital Projects	2,548				2,548
Emergency Medical Services				39,516	39,516
Enhanced 911 Emergency Telephone System				27,619	27,619
Local Hazardous Waste				13,244	13,244
Major Maintenance Reserve				19,186	19,186
Risk Abatement				28,580	28,580
Road Improvement Districts Construction				5	5
Mental Illness and Drug Dependency				16,258	16,258

A summary of governmental fund balances at December 31, 2014, continues (in thousands) (page 2 of 2):

	General Fund	Public Health Fund	Mental Health Fund	Nonmajor Governmental Funds	Total
Assigned - continued:					
Mental Health	\$	\$	\$ 15,405	\$	\$ 15,405
Youth Employment Programs				1,453	1,453
Youth Sports Facilities Grant				854	854
Long-term Leases				(763)	(763)
Surface Water Management				8,432	8,432
Noxious Weed Control				903	903
King County Flood Control contract				(32)	(32)
Intercounty River Improvement				6	6
SWM CIP Non-bond subfund				9,328	9,328
Recorder's Operations and Management				2,114	2,114
Treasurer's Operations and Management				81	81
Critical areas mitigation				1,002	1,002
Transfer of Development Credit Program				592	592
Green River flood mitigation				2,538	2,538
Parks and Recreation				11,461	11,461
King County Marine Division				1	1
Community Development Block Grant				32,352	32,352
Arts and Culture				(1,864)	(1,864)
Department of Permitting and Environmental Review				1,160	1,160
Historical Preservation and Programs				86	86
Urban Restore Habitat Restoration				681	681
Animal Services				1,075	1,075
Citizen Councilor Revolving				2	2
Automated Fingerprint ID System				16,683	16,683
Regional Justice Projects				1,065	1,065
Law Library				376	376
Veterans' Relief				399	399
Developmental Disabilities				7,432	7,432
Veterans and Human Services				4,007	4,007
Children and Families Services				1,651	1,651
Alcoholism and Substance Abuse Services				4,433	4,433
Miscellaneous Grants				(910)	(910)
Reappropriation	1,711				1,711
Total Assigned Fund Balance	\$ 8,151	\$ -	\$ 15,405	\$ 270,895	\$ 294,451
Unassigned for:					
Renton Maintenance Facility	\$	\$	\$	\$ (3,141)	\$ (3,141)
Open Space Acquisitions for Parks and Recreation				(1,075)	(1,075)
Parks Facility Rehabilitation				(192)	(192)
General Fund	71,742				71,742
Public Health Fund		(3,053)			(3,053)
Total Unassigned Fund Balance	\$ 71,742	\$ (3,053)	\$ -	\$ (4,409)	\$ 64,280
Total Fund Balance	\$ 103,208	\$ (1,805)	\$ 54,496	\$ 527,214	\$ 683,113

Reporting Entity Change

The King County Law Library had been reported by the County, prior to 2014, as a Special District Fund under Miscellaneous Special Districts. Because of a determination by the State Auditor's Office that county law libraries in the State of

Washington are not legally separate from their counties of origin, the Law Library is now reported within the primary government under the Justice and Safety - Nonmajor Special Revenue Fund.

Entity Change – Special Item

In February 2014 the County exercised its option to refinance the lease revenue bonds held by Goat Hill Properties (GHP), a County blended component unit and lessor for the Chinook Building and the Goat Hill Parking Garage that is under lease to the County. Final defeasance of the bonds occurred in December 2014 when title to the property legally transferred to the County.

GHP then ceased to be a component unit and its residual assets and liabilities were removed from the County's statements of net position with the resultant change of \$3.3 million reported as a special item in the Internal Service Funds activity statements. A related special item is also reported in governmental activities.

Restatements of Beginning Balances

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

Changes in Net Position or Fund Balances	Governmental Activities	Total Governmental Funds	Major Funds		Nonmajor Governmental Funds	Internal Service Funds
			General	Mental Health		
Net Position/Fund Balance - January 1, 2014	\$ 2,544,249	\$ 636,350	\$ 114,370	\$ -	\$ 521,980	\$ 147,371
Mental Health determination to be a major fund	-	-	-	38,184	(38,184)	
Capital projects transfer from special revenue funds	-	19,137	-	-	19,137	
Special revenue transfer to capital projects		(19,137)			(19,137)	
Property taxes:						
Change in property tax availability policy	-	2,708	1,450	14	1,244	
Adjust prior year property taxes revenue	(5,093)	-			-	
Critical areas mitigation revenue deferral	(5,757)	(5,757)	-	-	(5,757)	
Law Library inclusion within primary government	389	389	-	-	389	
Effect of accounting method changes	1,158	-	-	-	-	1,158
Net Position/Fund Balance - January 1, 2014 (Restated)	<u>\$ 2,533,788</u>	<u>\$ 633,690</u>	<u>\$ 115,820</u>	<u>\$ 38,198</u>	<u>\$ 479,672</u>	<u>\$ 148,529</u>

The Mental Health fund, which was previously reported under the Health - Nonmajor Special Revenue fund, became a major fund due to an increase in its service levels and reimbursement activity brought about by a significant rise in the demand for mental health services when insurance and Medicaid coverages were expanded under the Affordable Care Act.

The Children and Family Justice Center fund reported last year under the Justice and Safety - Nonmajor Special Revenue fund, was reclassified as a nonmajor capital projects fund because it accounts for property taxes restricted for the construction of capital facilities, (e.g. detention center, courthouse and parking garage). Amounts offset at the entity-wide level.

Prior year property taxes revenue was restated for adjustments, write-offs and other corrections to the recorded revenue of that year. The amount resulted from the difference between the 2014 levy amount which is recognized as revenue at the entity-wide level and the fund level amount recorded using the modified accrual basis.

Prior year mitigation fees recognized as revenues of the Critical Areas Mitigation fund, under

Environmental Sustainability - Nonmajor Special Revenue Fund, were deferred because they are legally restricted for specific future mitigation projects. At the government-wide level, a liability for performing future mitigation was recognized.

The King County Law Library was determined to be legally part of King County government and not a separate legal entity. It is now reported as part of the primary government in lieu of a County agency fund. The beginning fund balance of the Justice and Safety - Nonmajor Special Revenue fund was increased by \$389 thousand. (The Law Library was previously reported within the Miscellaneous Special Districts in the Fiduciary section as part of the County's financial reporting entity. Both beginning total assets and liabilities of the Miscellaneous Special Districts fund were each reduced by \$389 thousand.)

The 63-20 nonprofit corporations blended component units that comprise the Building Development and Management Corporations internal service fund revised the accounting for bond premiums, cost of issuance, and interest calculation resulting in a retroactive restatement of net position.

Component Unit – Harborview Medical Center (HMC)

Restricted Net Position

Restricted expendable net position – \$16.6 million of expendable net position is restricted for either capital purposes use or through donor-restrictions. Restrictions are imposed by King County on the use of resources for designated capital projects. Other restrictions are placed by donors or external parties, such as creditors, through purpose or time restrictions on the use of the assets.

Restricted nonexpendable net position – The \$3.7 million consists of permanent endowments provided by donors with restrictions requiring HMC to maintain the assets in perpetuity.

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

Restricted Net Position

Restricted nonexpendable net position – \$44.3 million is restricted by RCW 67.28.180.3 and King County ordinance to be used only for the arts and heritage cultural program awards fund and special account, for which the amount is derived according to a specified formula.

Note 19

Legal Matters, Financial Guarantees, and Other Commitments

Pending Litigation and Other Claims

King County and its agencies are parties to routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits that could significantly impact expenditures and future budgets. The County's threshold for disclosure of loss contingencies is \$500 thousand.

- King County was the defendant in a lawsuit by public defenders claiming that they should have been enrolled in the State's Public Employees Retirement System (PERS). The Supreme Court affirmed that claim and remanded the case to the Superior Court for further proceedings. A settlement agreement was approved by the Superior Court on June 7, 2013. The State Department of Retirement Systems successfully appealed the settlement with the Court of Appeals who remanded the case back to Superior Court.
- King County has negotiated an Agreed Order with the Washington State Department of Ecology under the Model Toxics Control Act regarding the known contamination at the Maury Island Gravel Mine site. Due to the high level of regulatory review, approval requirements, and environmental permitting associated with any remediation project, the eventual alternative to be required, the schedule of the required remediation and the cost of any such remediation are not determinable at this time. The County expects to obtain partial funding for the remediation costs from the former owners of the property, and through Department of Energy remediation grants.

King County is contesting or negotiating the following claims and lawsuits which have the potential to result in material damages against the County although the outcomes are uncertain at this time:

- An administrative order from the Environmental Protection Agency (EPA) required the County, the City of Seattle, the

Boeing Company, and the Port of Seattle to conduct a feasibility study to determine the nature and extent of the contamination in the Lower Duwamish Waterway. The feasibility study has been issued in final form by the EPA. The EPA issued a Record of Decision in 2014 which contains the EPA's final plan for cleanup. If parties that participate in the allocation accept their allotted shares, they then expect to enter into a settlement agreement and to negotiate a consent decree with the EPA to implement the cleanup. Due to the fact that the parties do not yet know their respective shares of cleanup costs and no consent decree has been negotiated with the EPA, the County is unable to determine the schedule or cost of any required remediation. In addition, the County is unable to determine the extent to which it and the Wastewater Treatment Division will be responsible for the cost of such remediation.

- A potential requirement for additional cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The King County Wastewater Treatment Division (WTD) has already performed interim cleanup costing \$3.6 million to comply with an agreed order issued by the Washington State Department of Ecology. There are no current plans underway for additional cleanup; however monitoring will be implemented at the site. The Department of Ecology has reserved the right to require additional or different remedial actions at the site. The County is unable to determine an amount, if any, for which the WTD may be responsible.
- Potential claims exist for past and future cleanup costs at the Harbor Island Superfund Site. Certain removal costs already incurred by the Port of Seattle are expected to be defrayed by the County and the City of Seattle. The City of Seattle, Port of Seattle and King County intend to negotiate the amount, if any, that the City and the County will contribute. This is an extremely complex negotiation for which the County is unable to determine an amount that the WTD may be responsible for, if any. The parties have also agreed to share the cost of a supplemental investigation and feasibility study required by the EPA. The agreement states that the WTD has only a one-third pro rata share of the study costs

although that portion may still be reallocated among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the study has been completed.

- King County is pursuing insurance recovery for costs arising out of a design engineer's error in failing to provide sufficient surge protection to respond to an emergency power loss to pump motors. Insurers funded remedial installation of larger motors. In February 2015, King County filed suit against insurers in King County Superior Court. In March 2015, King County amended its filing to add the engineering firm to the complaint. The case has been removed to federal court. In April 2015, the firm formally admitted the design error, made no substantive claim against King County, and requested only its fees and costs.
- In a class action lawsuit alleging violations of State law regarding meal periods for transit operators, King County filed a motion for summary judgment regarding liability which was denied. The County's motion for discretionary review of this decision was granted. Briefing for the Court of Appeals is scheduled to be completed in the summer of 2015. If needed, class certification would be decided after a decision from the Court of Appeals. King County is vigorously defending the litigation.
- The County sued the prime contractor of the Brightwater Central Tunnel, including the contractor's sureties, and sought damages due for failure to complete the work within the contract time period. On December 21, 2012, the jury awarded the County \$155.0 million and the contractor \$26.2 million. In post-trial motions the court awarded the County an additional \$14.7 million for attorney's fees and costs. While the contractor has paid the net judgment amount, it has also filed an appeal, as have the sureties, which is currently pending in Division I Court of Appeals.
- A potential lawsuit by a contractor who worked on the Brightwater Liquids GCCM contract. The contractor may seek \$695 thousand for costs it incurred when the

County directed it to remediate the damage to the 66-inch pipeline caused by its subcontractor's defective work. The contractor will likely abandon this claim if there is further insurance recovery.

- King County purchased property interests in the southern portion of the East Side Railroad Corridor (ESRC) from the Port of Seattle for use as a recreational trail. In 2014, over 80 adjacent property owners named King County and other public entities as defendants in a quiet title and declaratory judgment action. The owners contend that the Port of Seattle did not acquire railroad easement rights in portions of the ESRC and could not have conveyed those rights to King County or others because those rights were legally extinguished. No damages are sought but an adverse decision would presumably diminish the monetary value of the County's property interests in the ESRC and could potentially require the county to re-acquire certain property interests for its wastewater treatment system. The County, at this time, is not able to determine the likelihood of an adverse decision, nor the potential monetary diminution of the County's property interest.
- In a newly-filed case similar to the preceding one, seven property owners, in March 2015, filed a lawsuit against King County and other public entities as defendants, alleging that the Port of Seattle did not acquire railroad easement rights in portions of the ESRC and could not have conveyed those easement rights to King County or others because those rights were legally extinguished. Such a ruling could require the county to re-acquire certain property interests for its wastewater treatment system. The lawsuit seeks damages under diverse theories such as conspiracy to defraud, trespass, inverse condemnation, and slander of title. Plaintiffs' counsel has requested that the matter be certified as a class action, potentially involving hundreds of adjoining property owners. Because this lawsuit has just commenced, the County is not able to determine the likelihood of an adverse decision. The County has retained outside counsel with experience in defending class-action litigation relating to utilities and other corridors.

- A new \$192-million South Park Bridge has been built over the Duwamish River. The contractor is seeking \$6.8 million in additional compensation for what it asserts are differing soil conditions than what was represented in the plans and specifications. As the project neared completion, the contractor asserted several new bases claiming entitlement to receive additional compensation of \$20.0 million. The County disputes this and has retained outside counsel to assist in its defense. In December 2014, the County sued the contractor for payment of liquidated damages in the amount of \$4.4 million. In March 2015, the case was settled and the County agreed to pay \$7.5 million. The lawsuit is expected to be dismissed after the contractor completes several closeout tasks.
- A recent federal audit of Public Health - Seattle and King County questioned approximately \$6.8 million in costs under the Ryan White federal grant program for 2011 and 2012 due to alleged shortcomings in record-keeping and monitoring of grant sub-recipients. The actual value of this un-asserted assessment is unknown.

Financial Guarantees

King County has extended nonexchange financial guarantees in the form of contingent loan agreements with the King County Housing Authority (KCHA), a related organization to the County, and other owners/developers of affordable housing. The County will provide credit support, such as assumption of monthly payments, for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The County's credit enhancement program, managed by the Department of Community and Human Services, allows up to \$200 million in total commitment. At the end of 2014, there are 13 contingent loan agreements outstanding totaling \$110.7 million. These agreements have maturity dates ranging from 11 to 32 years. All projects are currently self-supporting and the County has not made any payments pursuant to these agreements. It is unlikely that the County will make any payments in relation to these guarantees based on available information at the end of December 31, 2014 and the standards

prescribed under GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Other Commitments

The Solid Waste Enterprise paid the County General Fund \$3.4 million for rent on the Cedar Hills landfill site in 2014. The Enterprise is committed to paying rent to the General Fund as long as the Cedar Hills site continues to accept waste.

Component Unit – Harborview Medical Center

Harborview Medical Center (HMC) is involved in litigation arising in the course of business. It is HMC management's opinion that these matters will be resolved without material adverse effect to HMC's future financial position or results of operations.

The current regulatory environment in the healthcare industry is one of increasing governmental activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers that could result in the imposition of significant fines and penalties, including significant repayments of patient services previously billed. HMC believes that it complies with the fraud and abuse regulations, as well as other laws and regulations. Compliance with such laws and regulations can be subject to future governmental review and interpretation and regulatory actions unknown or unasserted at this time.

HMC is operated by the University of Washington under a management and operations contract with King County. In this contract, the University of Washington agrees to defend, indemnify, and save harmless King County's elected and appointed officials, employees, and agents, from and against any damage, cost, claim, or liability arising out of the negligent acts or omissions of the University, its employees or agents, or arising out of the activities or operations of the medical center.

Note 20

Subsequent Events

Debt Issuances in 2015

In February 2015, the County issued \$721.9 million of Sewer Revenue Refunding and Limited Tax General Obligation (payable from sewer revenues) Refunding Bonds. The proceeds from these bonds were used to refund all of the Sewer Revenue Bonds, Series 2007; a portion of Sewer Revenue Bonds, Series 2008 and Series 2009; and a portion of the outstanding Limited Tax General Obligation Bonds (payable from sewer revenues), 2009.

In May 2015, the County completed the defeasance of limited tax general obligation (Kingdome stadium) refunding bonds, 2007A for \$18.7 million using the excess proceeds from hotel/motel tax revenues; and, the partial defeasance of the Harborview portion of limited tax general obligation bonds, 2006 and 2010A at a total amount of \$804 thousand.

Change in Reporting Entity in 2015

King County Ferry District

Effective January 1, 2015, under Ordinance 17935, King County assumed all rights, powers, functions and obligations of the King County Ferry District (KCFD) as set forth in RCW chapter 36.54. The KCFD will subsequently be reported as part of the primary government under the Marine Operations Enterprise Fund in the Proprietary Funds section of the CAFR. In prior years, it was reported as a blended component unit of the County.

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

I. Postemployment Health Care Plan

Schedule of Funding Progress for the Plan (in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)
2012	12/31/2012	\$ -	\$ 178,502	\$ 178,502	0.0%	\$ 961,982	18.6%
2013	12/31/2013	\$ -	\$ 167,420	\$ 167,420	0.0%	\$ 1,000,353	16.7%
2014	12/31/2014	\$ -	\$ 167,420	\$ 167,420	0.0%	\$ 1,073,511	15.6%

II. Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Roads

The County performs condition assessments on its network of roads through the King County Pavement Management System. This system generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index from zero to one hundred (0-100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress,

such as pavement cracking. Based on the PCI score, condition ratings are assigned as follows: a PCI of less than 30 is defined as "poor to substandard" (heavy pavement cracking and potholes); a PCI of 30 or more but less than 50 is defined to be in "fair" condition (noticeable cracks and/or utility cuts); and a PCI of 50 and higher is defined to be in "excellent to good" condition (relatively smooth roadway). Condition assessments are undertaken every three years.

The condition assessments of the County's roads are shown below for the last three completed cycles.

<u>Condition ratings</u>	<u>2013-2011</u>		<u>2010-2008</u>		<u>2007-2005</u>	
	<u>(miles)</u>	<u>%</u>	<u>(miles)</u>	<u>%</u>	<u>(miles)</u>	<u>%</u>
Arterial roads						
Excellent to good	297.7	64.9	348.2	71.8	485.4	89.6
Fair	32.0	7.0	20.3	4.2	14.5	2.7
Poor to substandard	129.0	28.1	116.7	24.0	41.6	7.7
Total	<u>458.7</u>	<u>100.0</u>	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>
Local access roads						
Excellent to good	742.0	70.7	867.0	75.6	1,094.5	83.4
Fair	91.4	8.7	74.2	6.5	127.3	9.7
Poor to substandard	216.5	20.6	205.8	17.9	91.2	6.9
Total	<u>1,049.9</u>	<u>100.0</u>	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>

The following table (derived from the table of condition ratings) shows the number and percentage of miles of roads that meet the 40 PCI level.

PCI score interval	2013-2011		2010-2008		2007-2005	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	315.7	68.8	360.0	74.2	493.4	91.1
PCI 0 - 39	143.0	31.2	125.2	25.8	48.1	8.9
Total	<u>458.7</u>	<u>100.0</u>	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>
Local access roads						
PCI 40 - 100	786.5	74.9	900.0	78.5	1,170.3	89.1
PCI 0 - 39	263.4	25.1	247.0	21.5	142.7	10.9
Total	<u>1,049.9</u>	<u>100.0</u>	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>

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

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

preservation have declined due to the impact of low property valuations and annexations on taxes and the reduction in gas tax revenues. Because of the uncertainty in future funding for roads, the County formally lowered its established condition level to 50 percent of the roads at a PCI of 40 or better. The 2014 budgeted amounts below already account for the change in the established condition level.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network from 2010 to 2014. The budgeted amount is equivalent to the anticipated amount needed to maintain roads at the 50/40 required condition level for the Modified Approach (in thousands). The amount budgeted in 2014 for road preservation and maintenance was \$50.4 million. The amount actually expended was \$36.2 million.

	2014	2013	2012	2011	2010
Budgeted	\$50,453	\$59,110	\$52,658	\$62,947	\$78,844
Expended	36,269	46,782	45,082	52,080	52,701

Bridges

King County currently maintains 181 bridges including co-owned and pedestrian bridges. Physical inspections to determine the condition of bridges and the degree of wear and deterioration are carried out at least every two years. Inspections reveal deficiencies in bridges such as steel corrosion, damaged guardrails,

rotted timbers, deteriorated bridge decks, bank erosion, and cracked concrete. These are documented in an inspection report along with recommended repairs. Three pedestrian bridges are included in the list of bridges being maintained by the County. These are also subject to condition assessments, but are subject to different standards than the more heavily used vehicular bridges.

Each year the County undergoes a bridge prioritization process to determine potential candidates for replacement or rehabilitation. A weighted 10-point priority scale (sufficiency rating, seismic rating, geometrics, hydraulics, load limits, traffic safety, serviceability, importance, useful life, and structural concern) ranks the bridges in order; the results are considered in the planning and programming of major bridge studies and construction projects in the Roads Capital Improvement Program.

A key element in the priority score is the sufficiency rating, the measure considered by state and federal governments as the basis for establishing eligibility and priority for bridge replacement or rehabilitation funding.

The sufficiency rating is a numerical rating of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The formula used to calculate the sufficiency rating for a particular bridge is dictated by the Federal Highway Administration. The sufficiency rating may vary from 100 (a bridge in new condition) to 0 (a bridge incapable of carrying traffic). A sufficiency rating of 50 or over indicates a bridge with a good deal of service life remaining. A bridge that scores between 0 and 49 could be considered for replacement or rehabilitation funding, though typically only bridges that score less than 30 are selected for funding.

The three most recent bridge sufficiency ratings:

Bridge Sufficiency Rating	Number of Bridges		
	2014	2013	2012
0-20	5	5	8
21-30	2	1	1
31-49	17	17	17
50-100	150	150	146
Totals	174	173	172

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

It is the policy of the King County Road Services Division to maintain bridges in such a manner that no more than 12 will have a sufficiency rating of 20 or less. A rating of 20 or less is

usually indicative of a bridge with a structural deficiency. The most common remedy is full replacement, rehabilitation or closure of the bridge.

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

	2014	2013	2012	2011	2010
Budgeted	\$4,727	\$5,544	\$9,337	\$10,635	\$19,866
Expended	3,345	5,411	6,375	5,499	9,760

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level. Backlogs in maintenance work orders greatly affect the trend in maintenance costs.

Factors contributing to these backlogs include increased bridge traffic, higher weight loads, labor shortages, stringent environmental restrictions, and an aging infrastructure system.

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Governmental Funds

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS

The County's nonmajor governmental funds fall into three categories: Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt or capital projects. The County has 53 nonmajor Special Revenue funds that are combined into nine rollup funds for financial reporting purposes:

Justice and Safety Fund – Revenues are derived principally from levies and excise taxes dedicated to ensuring fair and accessible justice systems, and decreasing damage or harm in the event of a regional crisis.

Human Potential Fund – Revenues are derived principally from taxes dedicated to increasing the number of healthy years that residents live, protecting the health of communities, and supporting the optimal growth and development of children and youth.

Economic Growth Fund – Revenues are derived principally from Federal grants and local taxes dedicated to shaping a built environment that allows our communities to flourish.

Built Environment Fund – Revenues are derived principally from taxes dedicated to promote responsible and sustainable development that fosters environmental quality, economic vitality, and social benefit.

Environmental Sustainability Fund – Revenues are derived principally from Federal grants and local taxes dedicated to protecting and restoring water quality; biodiversity; preserving open space and ecosystems; and improving flood water conveyance, capacity, and public drainage systems.

Service Excellence Fund – Revenues are derived principally from customer fees dedicated to improving customer satisfaction with King County, and improving the effectiveness and accessibility of the County Records and Treasury services.

Financial Stewardship Fund – Revenues are derived principally from taxes apportioned for the long-term sustainability of County services.

Public Engagement Fund – Revenues are derived principally from donations dedicated to funding programs that provide the public with choices about which services King County delivers within existing resources and for which services they would like to provide additional funding.

Flood Control Zone District – Revenues are derived from taxes levied for a special taxing district to acquire at-risk floodplain properties and to support improved flood prediction capacity.

Debt Service Funds – Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on the County's general obligation bonds and special assessment debt for certain Districts. The County has four nonmajor Debt Service Funds:

Limited General Obligation Bond Redemption Fund – Accounts for the accumulation of resources for, and the payment of, those bonds which have been issued without a vote of the people.

Road Improvement Districts Special Assessment Debt Redemption Fund – Accounts for special assessment collections and debt service payments for Road Improvement District debt for which the government is liable in the event of default by the property owners subject to the assessment. This fund was closed in 2014.

Road Improvement Guaranty Fund – Accounts for County Road Improvement Districts' special assessment bonds. This fund was closed in 2014.

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

Capital Projects Funds – Capital Projects funds account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition, construction, maintenance, and improvement of

capital assets. The County has 14 nonmajor Capital Projects funds that are combined into four rollup funds for financial reporting purposes, as follows:

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

Environmental Sustainability Fund – Primarily accounts for the acquisition and construction of land and infrastructure designed to protect and restore water quality, biodiversity, open space, and ecosystems.

Service Excellence Fund – Accounts for the acquisition and construction of infrastructure designed to improve the effectiveness and

efficiency of County programs, services, and systems.

Financial Stewardship Fund – Accounts for the acquisition, construction, and remodeling of County facilities designed to provide for the long-term delivery of County services in a fiscally sustainable manner. In 2014, the Children and Family Justice Center (CFJC) fund's classification changed to a Capital Projects Fund from a Special Revenue Fund with the start of capital work on the voter-approved, \$210 million CFJC. The current Youth Services Center (YSC) will be replaced by the CFJC with the expected completion of the new facility in 2019.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
ASSETS				
Cash and cash equivalents	\$ 345,438	\$ 55,770	\$ 153,283	\$ 554,491
Taxes receivable – delinquent	6,653	653	593	7,899
Accounts receivable, net	32,106	-	2,543	34,649
Other receivables, net	314	-	-	314
Due from other funds	1,302	25	2,249	3,576
Due from other governments, net	35,919	3,311	2,998	42,228
Prepayments	5,955	-	-	5,955
Advances to other funds	5,475	-	-	5,475
Total assets	<u>\$ 433,162</u>	<u>\$ 59,759</u>	<u>\$ 161,666</u>	<u>\$ 654,587</u>
LIABILITIES				
Accounts payable	\$ 54,747	\$ -	\$ 11,150	\$ 65,897
Retainage payable	795	-	-	795
Due to other funds	7,574	-	2,998	10,572
Due to other governments	5,239	-	-	5,239
Interest payable	-	98	-	98
Wages payable	4,976	-	168	5,144
Taxes payable	20	-	19	39
Bonds payable	-	3,905	-	3,905
Unearned revenues	13,966	-	2,828	16,794
Custodial accounts	7,115	-	472	7,587
Advanced from other funds	4,300	-	1,475	5,775
Total liabilities	<u>98,732</u>	<u>4,003</u>	<u>19,110</u>	<u>121,845</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	5,609	512	452	6,573
Advanced mitigation fees	6,455	-	-	6,455
Total deferred inflows of resources	<u>12,064</u>	<u>512</u>	<u>452</u>	<u>13,028</u>
FUND BALANCES				
Nonspendable	11,430	-	-	11,430
Restricted	39,407	12,756	100,639	152,802
Committed	634	42,488	45,874	88,996
Assigned	270,895	-	-	270,895
Unassigned	-	-	(4,409)	(4,409)
Total fund balances	<u>322,366</u>	<u>55,244</u>	<u>142,104</u>	<u>519,714</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 433,162</u>	<u>\$ 59,759</u>	<u>\$ 161,666</u>	<u>\$ 654,587</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
REVENUES				
Taxes	\$ 357,439	\$ 54,257	\$ 65,506	\$ 477,202
Licenses and permits	2,998	-	-	2,998
Intergovernmental revenues	176,079	4,152	29,657	209,888
Charges for services	124,070	10,689	1,018	135,777
Fines and forfeits	362	-	-	362
Interest earnings	2,068	320	650	3,038
Miscellaneous revenues	50,940	181	7,495	58,616
TOTAL REVENUES	713,956	69,599	104,326	887,881
EXPENDITURES				
Current				
General government	60,579	-	16,421	77,000
Law, safety and justice	116,755	-	986	117,741
Physical environment	184,211	-	6,768	190,979
Transportation	80,573	-	19,418	99,991
Economic environment	101,457	-	343	101,800
Mental and physical health	102,544	-	-	102,544
Culture and recreation	42,774	-	3,891	46,665
Debt service				
Redemption of long-term debt	-	71,998	-	71,998
Interest and other debt service costs	205	31,114	75	31,394
Refunding bond issuance costs	-	260	-	260
Capital outlay	10,539	-	65,738	76,277
TOTAL EXPENDITURES	699,637	103,372	113,640	916,649
Excess (deficiency) of revenues over (under) expenditures	14,319	(33,773)	(9,314)	(28,768)
OTHER FINANCING SOURCES (USES)				
Transfers in	44,034	37,405	63,873	145,312
Transfers out	(66,031)	(4,169)	(24,925)	(95,125)
General government debt issued	12,160	-	3,235	15,395
Premium on bonds sold	1,568	4,403	399	6,370
Refunding bonds issued	-	34,815	-	34,815
Sale of capital assets	977	11	13	1,001
Payment to refunded bond escrow agent	-	(38,958)	-	(38,958)
TOTAL OTHER FINANCING SOURCES (USES)	(7,292)	33,507	42,595	68,810
Net change in fund balances	7,027	(266)	33,281	40,042
Fund balances - January 1, 2014 (Restated)	315,339	55,510	108,823	479,672
Fund balances - December 31, 2014	<u>\$ 322,366</u>	<u>\$ 55,244</u>	<u>\$ 142,104</u>	<u>\$ 519,714</u>

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014
(IN THOUSANDS)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH</u>
ASSETS				
Cash and cash equivalents	\$ 345,438	\$ 86,955	\$ 33,625	\$ 52,858
Taxes receivable - delinquent	6,653	1,779	462	1,155
Abatements receivable	314	-	-	-
Accounts receivable	32,106	3,744	6,069	8,984
Due from other funds	1,302	68	1,147	26
Due from other governments	35,919	47	15,991	2,782
Prepayments	5,955	-	-	-
Advances to other funds	5,475	-	-	1,475
Total assets	<u>\$ 433,162</u>	<u>\$ 92,593</u>	<u>\$ 57,294</u>	<u>\$ 67,280</u>
LIABILITIES				
Accounts payable	\$ 54,747	\$ 4,969	\$ 8,008	\$ 10,461
Retainage payable	795	7	-	53
Due to other funds	7,574	-	335	5,342
Due to other governments	5,239	-	5,239	-
Wages payable	4,976	996	839	681
Taxes payable	20	-	-	8
Unearned revenues	13,966	-	4,011	5,154
Custodial accounts	7,115	-	8	-
Advances from other funds	4,300	-	300	-
Total liabilities	<u>98,732</u>	<u>5,972</u>	<u>18,740</u>	<u>21,699</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	5,609	1,363	358	1,127
Advanced mitigation fee	6,455	-	-	-
Total deferred inflows of resources	<u>12,064</u>	<u>1,363</u>	<u>358</u>	<u>1,127</u>
FUND BALANCES				
Nonspendable	11,430	-	2,620	-
Restricted	39,407	-	-	-
Committed	634	-	-	634
Assigned	270,895	85,258	35,576	43,820
Total fund balances	<u>322,366</u>	<u>85,258</u>	<u>38,196</u>	<u>44,454</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 433,162</u>	<u>\$ 92,593</u>	<u>\$ 57,294</u>	<u>\$ 67,280</u>

King County, Washington

BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP	PUBLIC ENGAGEMENT	FLOOD CONTROL ZONE DISTRICT
\$ 25,902	\$ 34,775	\$ 2,244	\$ 48,616	\$ 1,345	\$ 59,118
2,266	1	-	-	-	990
293	-	-	-	-	21
3,306	9,494	-	59	450	-
12	14	1	22	-	12
165	16,889	-	-	45	-
2,931	-	-	3,024	-	-
-	-	-	-	-	4,000
<u>\$ 34,875</u>	<u>\$ 61,173</u>	<u>\$ 2,245</u>	<u>\$ 51,721</u>	<u>\$ 1,840</u>	<u>\$ 64,141</u>
\$ 870	\$ 10,289	\$ 36	\$ 253	\$ 117	\$ 19,744
16	524	-	195	-	-
1,875	22	-	-	-	-
-	-	-	-	-	-
1,306	1,086	13	21	34	-
11	1	-	-	-	-
1,659	2,783	-	-	359	-
4,484	-	-	2,370	253	-
-	4,000	-	-	-	-
<u>10,221</u>	<u>18,705</u>	<u>49</u>	<u>2,839</u>	<u>763</u>	<u>19,744</u>
1,771	1	-	-	-	990
-	6,455	-	-	-	-
<u>1,771</u>	<u>6,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>990</u>
2,931	-	-	1,879	-	4,000
-	-	-	-	-	39,407
-	-	-	-	-	-
<u>19,952</u>	<u>36,012</u>	<u>2,196</u>	<u>47,003</u>	<u>1,077</u>	<u>-</u>
<u>22,883</u>	<u>36,012</u>	<u>2,196</u>	<u>48,882</u>	<u>1,077</u>	<u>43,407</u>
<u>\$ 34,875</u>	<u>\$ 61,173</u>	<u>\$ 2,245</u>	<u>\$ 51,721</u>	<u>\$ 1,840</u>	<u>\$ 64,141</u>

NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014
(IN THOUSANDS)

	<u>TOTAL</u>	<u>LIMITED GO BOND REDEMPTION</u>	<u>UNLIMITED GO BOND REDEMPTION</u>
ASSETS			
Cash and cash equivalents	\$ 55,770	\$ 49,027	\$ 6,743
Taxes receivable - delinquent	653	247	406
Due from other funds	25	25	-
Due from other governments	3,311	3,311	-
Total assets	<u>\$ 59,759</u>	<u>\$ 52,610</u>	<u>\$ 7,149</u>
LIABILITIES			
Bonds payable - current	\$ 3,905	\$ 3,905	\$ -
Interest payable - current	98	98	-
Total liabilities	<u>4,003</u>	<u>4,003</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>512</u>	<u>199</u>	<u>313</u>
FUND BALANCES			
Restricted	12,756	12,756	-
Committed	42,488	35,652	6,836
Total fund balances	<u>55,244</u>	<u>48,408</u>	<u>6,836</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,759</u>	<u>\$ 52,610</u>	<u>\$ 7,149</u>

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014
(IN THOUSANDS)

	TOTAL	ECONOMIC GROWTH AND BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP
ASSETS					
Cash and cash equivalents	\$ 153,283	\$ 21,003	\$ 60,793	\$ 30,011	\$ 41,476
Taxes receivable – delinquent	593	-	195	-	398
Accounts receivable, net	2,543	1,231	1,298	-	14
Due from other funds	2,249	11	571	1,649	18
Due from other governments, net	2,998	2,818	180	-	-
Total assets	<u>\$ 161,666</u>	<u>\$ 25,063</u>	<u>\$ 63,037</u>	<u>\$ 31,660</u>	<u>\$ 41,906</u>
LIABILITIES					
Accounts payable	\$ 11,150	\$ 8,240	\$ 944	\$ 473	\$ 1,493
Due to other funds	2,998	1	-	2,997	-
Wages payable	168	44	16	78	30
Taxes payable	19	18	-	1	-
Unearned revenues	2,828	2,828	-	-	-
Custodial accounts	472	453	18	-	1
Advances from other funds	1,475	-	1,475	-	-
Total liabilities	<u>19,110</u>	<u>11,584</u>	<u>2,453</u>	<u>3,549</u>	<u>1,524</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>452</u>	<u>-</u>	<u>151</u>	<u>-</u>	<u>301</u>
FUND BALANCES					
Restricted	100,639	16,620	24,639	20,631	38,749
Committed	45,874	-	37,062	7,480	1,332
Unassigned	(4,409)	(3,141)	(1,268)	-	-
Total fund balances	<u>142,104</u>	<u>13,479</u>	<u>60,433</u>	<u>28,111</u>	<u>40,081</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 161,666</u>	<u>\$ 25,063</u>	<u>\$ 63,037</u>	<u>\$ 31,660</u>	<u>\$ 41,906</u>

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH</u>
REVENUES				
Taxes	\$ 357,439	\$ 113,589	\$ 79,511	\$ 40,428
Licenses and Permits	2,998	-	-	211
Intergovernmental revenues	176,079	141	29,212	46,736
Charges for services	124,070	2,249	31,451	14,419
Fines and forfeits	362	-	-	15
Interest earnings	2,068	524	170	307
Rent income and reimbursement	44,244	57	957	2,398
Miscellaneous revenues	6,696	12	894	2,114
TOTAL REVENUES	<u>713,956</u>	<u>116,572</u>	<u>142,195</u>	<u>106,628</u>
EXPENDITURES				
Current				
General government services	60,579	-	4,407	-
Law, safety and justice	116,755	104,591	12,164	-
Physical environment	184,211	-	21	-
Transportation	80,573	-	-	15,671
Economic environment	101,457	-	38,649	48,651
Mental and physical health	102,544	-	87,051	-
Culture and recreation	42,774	-	568	41,143
Debt service				
Interest and other debt service costs	205	-	-	-
Capital outlay	10,539	1,077	1,340	168
TOTAL EXPENDITURES	<u>699,637</u>	<u>105,668</u>	<u>144,200</u>	<u>105,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,319</u>	<u>10,904</u>	<u>(2,005)</u>	<u>995</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	44,034	3	8,440	3,335
Transfers out	(66,031)	(1,197)	(9,234)	(1,532)
General government debit issued	12,160	-	-	-
Premium on bonds sold	1,568	-	-	-
Sale of capital assets	977	64	9	122
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,292)</u>	<u>(1,130)</u>	<u>(785)</u>	<u>1,925</u>
Net change in fund balances	7,027	9,774	(2,790)	2,920
Fund balances - January 1, 2014 (Restated)	<u>315,339</u>	<u>75,484</u>	<u>40,986</u>	<u>41,534</u>
Fund balances - December 31, 2014	<u>\$ 322,366</u>	<u>\$ 85,258</u>	<u>\$ 38,196</u>	<u>\$ 44,454</u>

<u>BUILT ENVIRONMENT</u>	<u>ENVIRONMENTAL SUSTAINABILITY</u>	<u>SERVICE EXCELLENCE</u>	<u>FINANCIAL STEWARDSHIP</u>	<u>PUBLIC ENGAGEMENT</u>	<u>FLOOD CONTROL ZONE DISTRICT</u>
\$ 70,322	\$ 1,573	\$ -	\$ -	\$ -	\$ 52,016
13	-	-	-	2,774	-
25,603	73,172	567	-	648	-
12,977	61,339	1,417	8	210	-
116	3	-	-	228	-
173	159	15	374	2	344
79	140	-	40,613	-	-
177	165	1	3,277	5	50
<u>109,460</u>	<u>136,551</u>	<u>2,000</u>	<u>44,272</u>	<u>3,867</u>	<u>52,410</u>
-	38	1,997	53,286	851	-
-	-	-	-	-	-
15	115,731	-	-	5,258	63,186
64,902	-	-	-	-	-
14,157	-	-	-	-	-
-	15,493	-	-	-	-
1,063	-	-	-	-	-
-	183	-	1	-	21
4,802	3,083	-	58	11	-
<u>84,939</u>	<u>134,528</u>	<u>1,997</u>	<u>53,345</u>	<u>6,120</u>	<u>63,207</u>
<u>24,521</u>	<u>2,023</u>	<u>3</u>	<u>(9,073)</u>	<u>(2,253)</u>	<u>(10,797)</u>
4,072	16,365	-	9,188	2,631	-
(25,168)	(19,935)	-	(8,951)	(14)	-
-	12,160	-	-	-	-
-	1,568	-	-	-	-
558	217	-	-	7	-
<u>(20,538)</u>	<u>10,375</u>	<u>-</u>	<u>237</u>	<u>2,624</u>	<u>-</u>
3,983	12,398	3	(8,836)	371	(10,797)
<u>18,900</u>	<u>23,614</u>	<u>2,193</u>	<u>57,718</u>	<u>706</u>	<u>54,204</u>
<u>\$ 22,883</u>	<u>\$ 36,012</u>	<u>\$ 2,196</u>	<u>\$ 48,882</u>	<u>\$ 1,077</u>	<u>\$ 43,407</u>

NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

			ROAD IMPROVEMENT DISTRICTS SA DEBT	ROAD IMPROVEMENT GUARANTY	UNLIMITED GO BOND REDEMPTION
	TOTAL	LIMITED GO BOND REDEMPTION	REDEMPTION		
REVENUES					
Taxes	\$ 54,257	\$ 34,658	\$ -	\$ -	\$ 19,599
Intergovernmental revenues	4,152	4,150	-	-	2
Charges for services	10,689	10,689	-	-	-
Interest earnings	320	314	2	4	-
Miscellaneous revenues	181	180	-	-	1
TOTAL REVENUES	69,599	49,991	2	4	19,602
EXPENDITURES					
Debt service					
Redemption of long-term debt	71,998	58,448	-	-	13,550
Interest and other debt service costs	31,114	25,354	-	-	5,760
Refunding bond issuance costs	260	260	-	-	-
TOTAL EXPENDITURES	103,372	84,062	-	-	19,310
Excess (deficiency) of revenues over (under) expenditures	(33,773)	(34,071)	2	4	292
OTHER FINANCING SOURCES (USES)					
Transfers in	37,405	37,405	-	-	-
Transfers out	(4,169)	(4,120)	(18)	(31)	-
Premium on bonds sold	4,403	4,403	-	-	-
Refunding bonds issued	34,815	34,815	-	-	-
Sale of capital assets	11	3	-	-	8
Payment to refunded bond escrow agent	(38,958)	(38,958)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	33,507	33,548	(18)	(31)	8
Net change in fund balances	(266)	(523)	(16)	(27)	300
Fund balances - January 1, 2014 (Restated)	55,510	48,931	16	27	6,536
Fund balances - December 31, 2014	\$ 55,244	\$ 48,408	\$ -	\$ -	\$ 6,836

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	TOTAL	ECONOMIC GROWTH AND BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP
REVENUES					
Taxes	\$ 65,506	\$ 10,924	\$ 32,253	\$ -	\$ 22,329
Intergovernmental revenues	29,657	15,814	8,320	4,627	896
Charges for services	1,018	952	66	-	-
Interest earnings	650	115	334	92	109
Miscellaneous revenues					
Rent and maintenance reimbursement	613	1	611	-	1
Other miscellaneous revenues	6,882	6,800	32	4	46
TOTAL REVENUES	104,326	34,606	41,616	4,723	23,381
EXPENDITURES					
Current					
General government services	16,421	-	6,069	586	9,766
Law, safety and justice	986	-	-	916	70
Physical environment	6,768	-	6,768	-	-
Transportation	19,418	19,418	-	-	-
Economic environment	343	-	-	343	-
Culture and recreation	3,891	-	3,891	-	-
Debt service					
Interest and other debt service costs	75	35	38	-	2
Capital outlay	65,738	25,149	24,726	15,848	15
TOTAL EXPENDITURES	113,640	44,602	41,492	17,693	9,853
Excess (deficiency) of revenues over (under) expenditures	(9,314)	(9,996)	124	(12,970)	13,528
OTHER FINANCING SOURCES (USES)					
Transfers in	63,873	24,971	13,506	16,892	8,504
Transfers out	(24,925)	(19,857)	(467)	(1,533)	(3,068)
General government debt issued	3,235	-	3,235	-	-
Premium on bonds sold	399	-	399	-	-
Sale of capital assets	13	-	4	-	9
TOTAL OTHER FINANCING SOURCES	42,595	5,114	16,677	15,359	5,445
Net change in fund balances	33,281	(4,882)	16,801	2,389	18,973
Fund balances - January 1, 2014 (Restated)	108,823	18,361	43,632	25,722	21,108
Fund balances - December 31, 2014	<u>\$ 142,104</u>	<u>\$ 13,479</u>	<u>\$ 60,433</u>	<u>\$ 28,111</u>	<u>\$ 40,081</u>

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) & ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2014
 (IN THOUSANDS)
 (PAGE 1 OF 2 - CONTINUED)

APPROPRIATION UNIT	2014 BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
MAJOR FUNDS WITH ANNUAL BUDGETS			
GENERAL FUND			
County Council	\$ 1,704	\$ -	\$ 1,704
Council Administration	13,953	190	14,143
Hearing Examiner	578	-	578
County Auditor	1,889	-	1,889
Ombudsman/Tax Advisor	1,263	55	1,318
King County Civic Television	599	-	599
Board of Appeals	745	-	745
Office of Law Enforcement Oversight	788	12	800
Office of Economic and Financial Analysis	421	-	421
County Executive	264	-	264
Office of the Executive	4,699	-	4,699
Office of Performance, Strategy and Budget	9,064	328	9,392
Office of Labor Relations	2,695	-	2,695
Sheriff	146,178	1,590	147,767
Drug Enforcement Forfeits	1,012	-	1,012
Succession Planning	706	-	706
Office of Emergency Management	2,508	-	2,508
Executive Services Administration	2,893	2	2,896
Human Resources Management	6,211	-	6,211
Cable Communications	336	100	436
Real Estate Services	3,351	287	3,638
Records and Licensing Services	9,296	285	9,581
Elections	18,351	-	18,351
Prosecuting Attorney	65,214	202	65,416
Prosecuting Attorney - Antiprofitteering	120	-	120
Superior Court	47,541	784	48,325
District Courts	31,721	738	32,459
Judicial Administration	20,632	545	21,177
State Auditor	998	-	998
Boundary Review Board	351	-	351
Federal Lobbying	240	-	240
Special Programs			
Memberships and Dues	778	-	778
Internal Support	16,470	200	16,670
Assessments	24,662	197	24,859
Fund Transfers			
Human Services GF Transfers	2,740	1,082	3,823
General Government GF Transfers	25,827	100	25,927
Public Health GF Transfers	26,858	3,000	29,858
Physical Environment GF Transfers	2,661	(53)	2,607
CIP GF Transfers	8,302	6,069	14,371
Jail Health Services	25,871	999	26,870
Adult and Juvenile Detention	137,293	2,467	139,760
Public Defense	48,762	6,860	55,622
Inmate Welfare - Adult	1,941	-	1,941
Inmate Welfare - Juvenile	5	-	5
TOTAL OF GENERAL FUND	718,491	26,039	744,530

Note: The Schedule of Annual Budgets and Expenditures (Budgetary Basis) and Encumbrances by Appropriation Unit is presented in order to disclose budgeted and actual expenditure comparisons classified the same as, and at the same level of detail as, the legally adopted budget.

King County, Washington

<u>VARIANCE</u>	<u>2014 ACTUAL</u>		
	<u>TOTAL</u>	<u>ENCUMBRANCES</u>	<u>EXPENDITURES</u>
\$ 27	\$ 1,677	\$ -	\$ 1,677
797	13,346	43	13,303
164	414	-	414
163	1,726	-	1,726
21	1,297	-	1,297
47	552	-	552
(1)	746	-	746
342	458	-	458
23	398	-	398
7	256	-	256
315	4,384	26	4,358
700	8,692	202	8,490
218	2,476	-	2,476
3,793	143,975	510	143,465
318	693	-	693
142	563	-	563
93	2,415	-	2,415
20	2,876	-	2,876
82	6,129	-	6,129
139	297	-	297
344	3,295	-	3,295
708	8,873	-	8,873
316	18,035	184	17,851
856	64,561	-	64,561
120	-	-	-
1,326	46,999	-	46,999
752	31,708	-	31,708
444	20,734	-	20,734
140	858	-	858
(2)	353	-	353
-	240	-	240
48	731	-	731
(40)	16,710	-	16,710
354	24,505	93	24,412
-	3,824	-	3,824
957	24,970	-	24,970
-	29,858	-	29,858
155	2,452	-	2,452
2,549	11,822	-	11,822
478	26,392	-	26,392
4,488	135,273	49	135,223
(355)	55,977	-	55,977
482	1,459	-	1,459
2	3	-	3
21,530	723,000	1,107	721,894

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 2 OF 2 - CONCLUDED)

APPROPRIATION UNIT	2014 BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
PUBLIC HEALTH			
Public Health	247,488	(51,666)	195,822
Medical Examiner	6,662	(1,598)	5,064
TOTAL PUBLIC HEALTH	254,150	(53,264)	200,886
TOTAL FOR MAJOR FUNDS WITH ANNUAL BUDGETS	\$ 972,641	\$ (27,225)	\$ 945,416
NONMAJOR SPECIAL REVENUE FUNDS WITH ANNUAL BUDGETS			
JUSTICE AND SAFETY			
Emergency Medical Services	\$ 70,763	\$ -	\$ 70,763
HUMAN POTENTIAL			
Youth Sports Facilities Grant	699	351	1,050
Bryne Justice Assistance Grant	138	-	138
Miscellaneous Grant Fund	31,166	-	31,166
TOTAL HUMAN POTENTIAL	32,003	351	32,354
ECONOMIC GROWTH			
Parks and Recreation	36,049	-	36,049
Expansion Levy	904	-	904
Parks Open Space and Trail Levy	61,733	-	61,733
TOTAL ECONOMIC GROWTH	98,686	-	98,686
ENVIRONMENTAL SUSTAINABILITY			
Local Hazardous Waste	17,495	-	17,495
FINANCIAL STEWARDSHIP			
Major Maintenance Capital Improvement Program	16,009	-	16,009
TOTAL NONMAJOR SPECIAL REVENUE FUNDS WITH ANNUAL BUDGETS	\$ 234,956	\$ 351	\$ 235,307
TOTAL OF GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS	\$ 1,207,597	\$ (26,874)	\$ 1,180,723

<u>VARIANCE</u>	<u>2014 ACTUAL</u>		
	<u>TOTAL</u>	<u>ENCUMBRANCES</u>	<u>EXPENDITURES</u>
-	195,822	-	195,822
-	5,064	-	5,064
-	200,886	-	200,886
<u>\$ 21,530</u>	<u>\$ 923,886</u>	<u>\$ 1,107</u>	<u>\$ 922,780</u>
<u>\$ 3,965</u>	<u>\$ 66,798</u>	<u>\$ -</u>	<u>\$ 66,798</u>
482	568	-	568
79	59	-	59
18,244	12,922	469	12,453
18,805	13,549	469	13,080
3,715	32,334	40	32,294
-	904	-	904
279	61,454	-	61,454
3,994	94,692	40	94,652
<u>2,002</u>	<u>15,493</u>	<u>-</u>	<u>15,493</u>
<u>5,369</u>	<u>10,640</u>	<u>-</u>	<u>10,640</u>
<u>\$ 34,135</u>	<u>\$ 201,172</u>	<u>\$ 509</u>	<u>\$ 200,663</u>
<u>\$ 55,665</u>	<u>\$ 1,125,058</u>	<u>\$ 1,616</u>	<u>\$ 1,123,443</u>

GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2014
 (IN THOUSANDS)
 (PAGE 1 OF 2 - CONTINUED)

APPROPRIATION UNIT	BUDGET – 2013-2014 BIENNIUM		
	ORIGINAL	ADJUSTMENTS	FINAL
MAJOR FUND WITH BIENNIAL BUDGET			
MENTAL HEALTH	\$ 341,848	\$ 40,000	\$ 381,848
NONMAJOR SPECIAL REVENUE FUNDS WITH BIENNIAL BUDGETS			
JUSTICE AND SAFETY			
Automated Fingerprint Identification System	33,048	83	33,131
Enhanced 911 Emergency Telephone System	53,875	6,856	60,731
TOTAL JUSTICE AND SAFETY	86,923	6,939	93,862
HUMAN POTENTIAL			
Alcoholism and Substance Abuse	57,514	-	57,514
Children and Family Services - DCHS	3,836	4,325	8,161
Children and Family Services - Operating	9,549	1,688	11,237
Community and Human Services Administration	6,814	813	7,627
Developmental Disabilities Division	55,100	3,152	58,252
Judicial Administration MIDD	3,105	38	3,143
Prosecuting Attorney MIDD	2,520	-	2,520
Superior Court MIDD	3,312	-	3,312
Sheriff MIDD	285	-	285
Office of Public Defender MIDD	3,534	-	3,534
District Court MIDD	2,094	(183)	1,911
Adult and Juvenile Detention MIDD	659	-	659
Jail Health Services MIDD	7,720	(114)	7,606
Mental Health and Substance Abuse MIDD	9,899	-	9,899
Mental Illness and Drug Dependency	74,360	6,095	80,455
Human Services Levy	18,540	211	18,751
Veterans and Family Levy	19,361	416	19,777
Veterans' Relief	6,363	-	6,363
Youth Employment Programs	23,432	(827)	22,605
TOTAL HUMAN POTENTIAL	307,997	15,614	323,611
ECONOMIC GROWTH			
Marine Division	31,299	717	32,016

<u>ACTUAL – 2013-2014 BIENNIUM</u>			
<u>VARIANCE</u>	<u>TOTAL</u>	<u>ENCUMBRANCES</u>	<u>EXPENDITURES</u>
<u>\$ 32,524</u>	<u>\$ 349,324</u>	<u>\$ -</u>	<u>\$ 349,324</u>
2,184	30,947	-	30,947
<u>18,589</u>	<u>42,142</u>	<u>-</u>	<u>42,142</u>
20,773	73,089	-	73,089
27,246	30,268	-	30,268
(390)	8,551	-	8,551
1,233	10,004	-	10,004
236	7,391	-	7,391
2,671	55,581	-	55,581
30	3,113	-	3,113
36	2,484	-	2,484
123	3,189	-	3,189
1	284	-	284
358	3,176	-	3,176
146	1,765	-	1,765
20	639	-	639
655	6,951	-	6,951
632	9,267	-	9,267
3,784	76,671	-	76,671
1,127	17,624	-	17,624
1,518	18,259	-	18,259
425	5,938	-	5,938
<u>952</u>	<u>21,653</u>	<u>-</u>	<u>21,653</u>
40,803	282,808	-	282,808
<u>15,623</u>	<u>16,393</u>	<u>-</u>	<u>16,393</u>

GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2014
 (IN THOUSANDS)
 (PAGE 2 OF 2 - CONCLUDED)

APPROPRIATION UNIT	BUDGET – 2013-2014 BIENNIUM		
	ORIGINAL	ADJUSTMENTS	FINAL
BUILT ENVIRONMENT			
Arts and Cultural Development	\$ 4,640	\$ 4,017	\$ 8,657
Permitting and Environmental Review	23,832	1,319	25,151
DPER Abatement	976	92	1,068
DPER Permitting Integration	984	197	1,181
DPER General Public Services	4,614	(915)	3,699
Historical Preservation Programs	966	175	1,141
Roads	141,346	861	142,207
Roads Construction Transfer	48,000	800	48,800
TOTAL BUILT ENVIRONMENT	225,358	6,546	231,904
ENVIRONMENTAL SUSTAINABILITY			
Intercounty River Improvement	100	-	100
King County Flood Control Contract	124,021	31	124,052
Noxious Weed Control	4,119	-	4,119
Water and Land Resources Shared Services	56,603	3,262	59,865
Surface Water Management			
Local Drainage Services	47,862	1,208	49,070
TOTAL ENVIRONMENTAL SUSTAINABILITY	232,705	4,501	237,206
SERVICE EXCELLENCE			
Recorder's Operation and Maintenance	3,518	-	3,518
FINANCIAL STEWARDSHIP			
OMB/2006 Fund	-	31,000	31,000
PUBLIC ENGAGEMENT			
Animal Bequest	280	-	280
Regional Animal Services	13,085	57	13,142
TOTAL PUBLIC ENGAGEMENT	13,365	57	13,422
TOTAL NONMAJOR SPECIAL REVENUE FUNDS WITH BIENNIAL BUDGETS	\$ 901,165	\$ 65,374	\$ 966,539
DEBT SERVICE FUNDS			
Limited GO Bond Redemption	322,240	583	322,823
Road Improvement Guaranty	25	22	47
Unlimited GO Bond Redemption	40,264	-	40,264
TOTAL DEBT SERVICE FUNDS	\$ 362,529	\$ 605	\$ 363,134
TOTAL OF GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS	\$ 1,605,542	\$ 105,979	\$ 1,711,521

ACTUAL – 2013-2014 BIENNIUM			
<u>VARIANCE</u>	<u>TOTAL</u>	<u>ENCUMBRANCES</u>	<u>EXPENDITURES</u>
\$ 2,987	\$ 5,670	\$ -	\$ 5,670
866	24,285	-	24,285
350	718	-	718
129	1,052	-	1,052
218	3,481	-	3,481
64	1,077	-	1,077
12,517	129,690	-	129,690
720	48,080	-	48,080
<u>17,851</u>	<u>214,053</u>	<u>-</u>	<u>214,053</u>
-	100	-	100
62,941	61,111	25	61,086
495	3,624	30	3,594
3,920	55,945	-	55,945
<u>2,905</u>	<u>46,165</u>	<u>-</u>	<u>46,165</u>
70,261	166,945	55	166,890
<u>433</u>	<u>3,085</u>	<u>-</u>	<u>3,085</u>
<u>29,909</u>	<u>1,091</u>	<u>-</u>	<u>1,091</u>
173	107	-	107
770	12,372	105	12,267
943	12,479	105	12,374
<u>\$ 196,596</u>	<u>\$ 769,943</u>	<u>\$ 160</u>	<u>\$ 769,783</u>
89,281	233,542	-	233,542
47	-	-	-
204	40,060	-	40,060
<u>\$ 89,532</u>	<u>\$ 273,602</u>	<u>\$ -</u>	<u>\$ 273,602</u>
<u>\$ 318,652</u>	<u>\$ 1,392,869</u>	<u>\$ 160</u>	<u>\$ 1,392,709</u>

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Proprietary Funds

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



NONMAJOR ENTERPRISE FUNDS

King County has established Enterprise Funds to account for organizations intended to be self-supporting through fees charged for services provided to the public. The County has five nonmajor enterprises, four are divisions within the County and one is a blended component unit, that are reported using the accrual basis of accounting. A typical enterprise consists of an operating fund and construction subfund and may also include debt service or other reserve subfunds.

Institutional Network (I-Net) Enterprise Fund – Accounts for the development and operation of a fiber-optic network connecting approximately 300 public facilities across King County. I-Net provides broadband internet connectivity, including data, voice and video communications to schools in unincorporated King County, public safety agencies, courts, public health facilities, and other public service agencies.

King County Ferry District (Blended Component Unit) – Accounts for revenues derived from taxes levied for a special taxing district to expand transportation options for County residents through passenger-only ferry services.

King County International Airport (KCIA) Enterprise Fund – Accounts for the operations, maintenance, capital improvements, and expansion of the King County International Airport/Boeing Field. With its two runways

(3,710 feet and 10,000 feet in length) and three fixed-base operators, KCIA provides all the facilities and services necessary to support jet and propeller-driven aircraft and helicopters. KCIA is an FAA-designated General Aviation Reliever for Sea-Tac Airport and averages over 180,000 operations per year.

Radio Communications Services Enterprise Fund – Accounts for the operation, maintenance, capital improvements, and expansion of the 800 MHz trunked radio system that provides communications for the public safety agencies of the County, as well as many other local government agencies. Costs are recovered primarily through user fees, including charges for maintenance and future equipment replacement.

Solid Waste Enterprise Fund – Accounts for the operation, maintenance, capital improvements, and expansion of the County's solid waste disposal facilities under the Solid Waste Division of the Department of Natural Resources and Parks. The County operates eight solid waste transfer stations, two drop box stations, two household hazardous waste facilities, one regional landfill, and recycling services for residential customers. Operating revenues result primarily from tipping fees at the active solid waste disposal sites, while bond proceeds fund most new construction. Significant reserves are set aside to replace landfills, to provide for post-closure care and remediation costs, and to replace capital equipment.

King County, Washington

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)

	TOTAL	I-NET	KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
ASSETS						
Current assets						
Cash and cash equivalents	\$ 104,427	\$ 946	\$ 4,875	\$ 26,780	\$ 10,035	\$ 61,791
Restricted cash and cash equivalents	486	-	-	41	5	440
Accounts receivable, net	8,576	85	8	704	478	7,301
Due from other funds	5,845	1	4,800	26	4	1,014
Interfund short-term loans receivable	308	-	-	-	308	-
Property tax receivable-delinquent	29	-	29	-	-	-
Due from other governments, net	4,219	170	1,640	2,013	-	396
Inventory of supplies	1,622	-	-	424	131	1,067
Prepayments	124	-	124	-	-	-
Total current assets	125,636	1,202	11,476	29,988	10,961	72,009
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	56,448	-	-	550	-	55,898
Total restricted assets	56,448	-	-	550	-	55,898
Capital assets						
Capital assets not being depreciated	100,517	-	10,945	16,377	-	73,195
Capital assets, net of accumulated depreciation	224,013	2,204	8,101	76,439	5,410	131,859
Total capital assets	324,530	2,204	19,046	92,816	5,410	205,054
Other noncurrent assets						
Advances to other funds	607	-	-	-	607	-
Total noncurrent assets	381,585	2,204	19,046	93,366	6,017	260,952
TOTAL ASSETS	507,221	3,406	30,522	123,354	16,978	332,961
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refunding	1,153	-	-	146	-	1,007
LIABILITIES						
Current liabilities						
Accounts payable	6,492	4	46	1,688	177	4,577
Retainage payable	468	-	-	23	5	440
Due to other funds	2	-	-	-	-	2
Due to other governments	110	-	-	-	-	110
Notes and contracts payable	51	51	-	-	-	-
Interest payable	451	17	-	12	-	422
Interfund short-term loans payable	308	308	-	-	-	-
Wages payable	1,562	29	-	141	51	1,341
Compensated absences payable	348	12	-	32	18	286
Taxes payable	159	-	-	157	1	1
Unearned revenue	3,639	-	-	3,566	-	73
Customer deposits	392	-	-	18	374	-
General obligation bonds payable	5,235	675	-	475	-	4,085
Landfill closure and post-closure care	4,804	-	-	-	-	4,804
Total current liabilities	24,021	1,096	46	6,112	626	16,141
Noncurrent liabilities						
Customer deposits	550	-	-	550	-	-
Compensated absences payable	5,726	198	-	537	289	4,702
Other postemployment benefits	1,117	18	-	103	33	963
Advances from other funds	607	607	-	-	-	-
General obligation bonds payable	118,935	-	-	3,205	-	115,730
Unamortized bond premium and discount	11,239	-	-	228	-	11,011
Pollution remediation	670	-	-	670	-	-
Landfill closure and post-closure care	96,379	-	-	-	-	96,379
Total noncurrent liabilities	235,223	823	-	5,293	322	228,785
TOTAL LIABILITIES	259,244	1,919	46	11,405	948	244,926
NET POSITION						
Net investment in capital assets	204,475	1,529	19,046	89,054	5,410	89,436
Unrestricted	44,655	(42)	11,430	23,041	10,620	(394)
TOTAL NET POSITION	\$ 249,130	\$ 1,487	\$ 30,476	\$ 112,095	\$ 16,030	\$ 89,042

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)

	TOTAL	I-NET	KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
OPERATING REVENUES						
I-Net fees	\$ 2,560	\$ 2,560	\$ -	\$ -	\$ -	\$ -
Passenger fares	1,764	-	1,764	-	-	-
Radio services	4,118	-	-	-	4,118	-
Solid waste disposal charges	106,292	-	-	-	-	106,292
Airfield fees	3,394	-	-	3,394	-	-
Hangar, building, and site rentals and leases	13,937	-	-	13,937	-	-
Miscellaneous	3,069	-	299	26	223	2,521
Total operating revenues	135,134	2,560	2,063	17,357	4,341	108,813
OPERATING EXPENSES						
Personal services	53,611	1,144	365	5,127	2,253	44,722
Materials and supplies	10,367	98	550	362	971	8,386
Contract services and other charges	25,630	478	2,526	7,875	360	14,391
Utilities	3,087	-	-	1,767	264	1,056
Purchased transportation	2,838	-	2,838	-	-	-
Internal services	18,428	306	-	5,559	1,227	11,336
Depreciation and amortization	18,227	96	512	4,211	730	12,678
Total operating expenses	132,188	2,122	6,791	24,901	5,805	92,569
OPERATING INCOME (LOSS)	2,946	438	(4,728)	(7,544)	(1,464)	16,244
NONOPERATING REVENUES						
Property tax	1,185	-	1,185	-	-	-
Interest earnings	1,185	9	86	180	74	836
DNRP administration revenue	4,857	-	-	-	-	4,857
Other nonoperating revenues	700	-	-	100	-	600
Total nonoperating revenues	7,927	9	1,271	280	74	6,293
NONOPERATING EXPENSES						
Interest	2,871	39	-	140	-	2,692
DNRP administration expense	4,889	-	-	-	-	4,889
(Gain) loss on disposal of capital assets	2,247	-	-	547	11	1,689
Landfill closure and post-closure care	14,758	-	-	-	-	14,758
Other nonoperating expenses	908	29	-	-	-	879
Total nonoperating expenses	25,673	68	-	687	11	24,907
Income (loss) before contributions and transfers	(14,800)	379	(3,457)	(7,951)	(1,401)	(2,370)
Capital grants and contributions	17,890	2,165	8,420	7,305	-	-
Transfers in	1,093	-	-	-	-	1,093
Transfers out	(262)	(2)	-	(2)	(4)	(254)
CHANGE IN NET POSITION	3,921	2,542	4,963	(648)	(1,405)	(1,531)
NET POSITION - JANUARY 1, 2014	245,209	(1,055)	25,513	112,743	17,435	90,573
NET POSITION - DECEMBER 31, 2014	\$ 249,130	\$ 1,487	\$ 30,476	\$ 112,095	\$ 16,030	\$ 89,042

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 1 OF 2)

	TOTAL	I-NET	KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 135,125	\$ 2,546	\$ 1,804	\$ 17,645	\$ 4,575	\$ 108,555
Cash payments to suppliers for goods and services	(62,662)	(1,236)	(7,069)	(16,625)	(2,742)	(34,990)
Cash payments for employee services	(54,730)	(1,169)	(365)	(5,370)	(2,227)	(45,599)
Other receipts	4,957	-	-	100	-	4,857
Other payments	(5,768)	-	-	-	-	(5,768)
Net cash provided (used) by operating activities	<u>16,922</u>	<u>141</u>	<u>(5,630)</u>	<u>(4,250)</u>	<u>(394)</u>	<u>27,055</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating grants and other receipts	1,653	-	1,186	-	2	465
Interfund loan principal amounts loaned to other funds	(2,775)	-	(2,775)	-	-	-
Interfund loan principal repayments from other funds	303	-	-	-	303	-
Transfers in	1,093	-	-	-	-	1,093
Transfers out	(262)	(2)	-	(2)	(4)	(254)
Net cash provided (used) by noncapital financing activities	<u>12</u>	<u>(2)</u>	<u>(1,589)</u>	<u>(2)</u>	<u>301</u>	<u>1,304</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(28,924)	(26)	(9,737)	(2,710)	(6)	(16,445)
Proceeds from capital debt	17,000	-	-	-	-	17,000
Principal paid on capital debt	(4,835)	(645)	-	(460)	-	(3,730)
Interest paid on capital debt	(3,242)	(54)	-	(170)	-	(3,018)
Principal paid on advances from other funds	(303)	(303)	-	-	-	-
Capital grants	15,275	-	7,590	7,685	-	-
Proceeds from disposal of capital assets	382	-	-	9	-	373
Landfill closure and post-closure care	(3,540)	-	-	-	-	(3,540)
Net cash provided (used) by capital and related financing activities	<u>(8,187)</u>	<u>(1,028)</u>	<u>(2,147)</u>	<u>4,354</u>	<u>(6)</u>	<u>(9,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments (including unrealized gains and losses reported as cash and cash equivalents)	<u>1,185</u>	<u>9</u>	<u>86</u>	<u>180</u>	<u>74</u>	<u>836</u>
Net cash provided by investing activities	<u>1,185</u>	<u>9</u>	<u>86</u>	<u>180</u>	<u>74</u>	<u>836</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>9,932</u>	<u>(880)</u>	<u>(9,280)</u>	<u>282</u>	<u>(25)</u>	<u>19,835</u>
CASH AND CASH EQUIVALENTS - JANUARY 1, 2014	<u>151,429</u>	<u>1,826</u>	<u>14,155</u>	<u>27,089</u>	<u>10,065</u>	<u>98,294</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2014	<u>\$ 161,361</u>	<u>\$ 946</u>	<u>\$ 4,875</u>	<u>\$ 27,371</u>	<u>\$ 10,040</u>	<u>\$ 118,129</u>

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 2 OF 2)

	TOTAL	I-NET	KING COUNTY FERRY DISTRICT	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,946	\$ 438	\$ (4,728)	\$ (7,544)	\$ (1,464)	\$ 16,244
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Depreciation and amortization	18,227	96	512	4,211	730	12,678
Other nonoperating revenues/expenses	(811)	-	-	100	-	(911)
Changes in assets - (increase) decrease						
Accounts receivable, net	(209)	(19)	(2)	181	19	(388)
Due from other funds	149	2	5	3	-	139
Due from other governments, net	(271)	3	(262)	-	-	(12)
Inventory of supplies	53	-	-	(49)	5	97
Prepayments and other assets	10	-	10	-	-	-
Changes in liabilities - increase (decrease)						
Accounts payable	(1,395)	(25)	(1,165)	(250)	91	(46)
Retainage payable	143	-	-	(45)	(17)	205
Due to other funds	(72)	-	-	-	-	(72)
Wages payable	(1,488)	(34)	-	(140)	(64)	(1,250)
Taxes payable	(2)	-	-	2	1	(5)
Unearned revenues	127	-	-	124	-	3
Compensated absences	243	7	-	(115)	86	265
Other postemployment benefits	126	2	-	12	4	108
Customer deposits and other liabilities	(854)	(329)	-	(740)	215	-
Total Adjustments	13,976	(297)	(902)	3,294	1,070	10,811
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 16,922	\$ 141	\$ (5,630)	\$ (4,250)	\$ (394)	\$ 27,055
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Contributions of capital assets from other funds	\$ 2,165	\$ 2,165	\$ -	\$ -	\$ -	\$ -
Contributions of capital assets to other funds	\$ 29	\$ 29	\$ -	\$ -	\$ -	\$ -
Cash held at escrow for refunded bonds	\$ 11,325	\$ -	\$ -	\$ -	\$ -	\$ 11,325

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTERNAL SERVICE FUNDS

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

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

Business Resource Center Fund – Accounts for the support and maintenance of the County's financial, human resource, and budgetary business applications.

Construction and Facilities Management Fund – Accounts for custodial services, building maintenance, and Construction in Progress project management. The fund also provides printing, copying, and bindery services.

DES Equipment Replacement Fund – This Fund was closed in 2014.

Employee Benefits Program Fund – Accounts for the activities of employee medical, dental, vision, life, accidental death and dismemberment, and long-term disability benefit programs and will account for future modifications to existing benefits or additions of new employee benefits.

Financial Management Services Fund – Accounts for financial services, including accounting, payroll and benefits, treasury, contracts, and procurement services provided to King County and other contracting agencies.

Office of Information Resource Management Operating Fund – Accounts for countywide information technology, strategic planning and project management oversight.

Insurance Fund – Accounts for the activities of the Office of Risk Management, which include

performing risk analysis, evaluating alternatives and purchasing insurance, adjusting claims, and recommending policies and practices to reduce potential liabilities and ensure the adequacy of insurance coverage for King County departments.

King County Geographic Information Systems Fund – Accounts for the activities required to operate, maintain, and enhance the automated geographic information systems that serve both King County agencies and external customers.

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

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

Public Works Equipment Rental Fund – Accounts for the purchase and maintenance of equipment and materials primarily used by the Road Services Division for maintenance and repair.

Safety and Workers' Compensation Fund – Accounts for the administration of an employee safety and training program designed to provide a safe and healthy workplace, as required by the Washington Industrial Safety and Health Act of 1973, and accounts for King County's self-insured worker's compensation system as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act.

Wastewater Equipment Rental Fund – Accounts for the purchase and maintenance of equipment and vehicles used by the Wastewater Treatment Division and Water and Land Resources.

King County, Washington

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 1 OF 3 - CONTINUED)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
ASSETS				
Current assets				
Cash and cash equivalents	\$ 357,876	\$ 4,323	\$ 5,539	\$ 2,558
Restricted cash and cash equivalents	81	70	-	11
Accounts receivable, net	665	247	-	1
Due from other funds	1,572	-	1,362	2
Due from other governments, net	56	-	-	4
Inventory of supplies	1,486	-	-	354
Prepayments	3,852	46	-	-
Total current assets	365,588	4,686	6,901	2,930
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	3,518	3,518	-	-
Total restricted assets	3,518	3,518	-	-
Capital assets				
Capital assets not being depreciated	23,996	8,048	-	-
Capital assets, net of depreciation	243,575	202,143	41	229
Total capital assets	267,571	210,191	41	229
Total noncurrent assets	271,089	213,709	41	229
TOTAL ASSETS	636,677	218,395	6,942	3,159
LIABILITIES				
Current liabilities				
Accounts payable	11,763	1,447	303	649
Retainage payable	11	-	-	11
Estimated claim settlements	52,695	-	-	-
Due to other funds	13	-	-	-
Interest payable	1,028	933	-	-
Wages payable	3,620	-	98	786
Compensated absences payable	888	-	40	146
Taxes payable	12	-	-	-
Unearned revenues	413	-	-	-
Unearned rent	2,131	2,131	-	-
General obligation bonds payable	4,340	-	-	-
Revenue bonds payable	7,820	7,820	-	-
Custodial accounts	2,233	-	-	-
Total current liabilities	86,967	12,331	441	1,592
Noncurrent liabilities				
Compensated absences payable	15,267	-	749	2,954
Other postemployment benefits	2,160	-	43	757
General obligation bonds payable	23,465	-	-	-
Revenue bonds payable	210,080	210,080	-	-
Unamortized bond premium and discount	6,476	6,476	-	-
Estimated claim settlements	114,318	-	-	-
Total noncurrent liabilities	371,766	216,556	792	3,711
TOTAL LIABILITIES	458,733	228,887	1,233	5,303
NET POSITION				
Net investment in capital assets	229,376	195,895	41	229
Restricted for:				
Capital projects	70	70	-	-
Unrestricted	(51,502)	(206,457)	5,668	(2,373)
TOTAL NET POSITION	\$ 177,944	\$ (10,492)	\$ 5,709	\$ (2,144)

King County, Washington

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 2 OF 3 - CONTINUED)

EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	KING COUNTY INFORMATION TECHNOLOGY SERVICES
\$ 73,434	\$ 5,420	\$ 695	\$ 103,696	\$ 1,623	\$ 15,061
-	-	-	-	-	-
341	-	-	-	20	54
43	11	6	61	2	5
-	-	-	-	-	52
-	-	-	-	-	-
-	-	-	3,027	-	776
73,818	5,431	701	106,784	1,645	15,948
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	15,948
-	275	-	-	20	9,004
-	275	-	-	20	24,952
-	275	-	-	20	24,952
73,818	5,706	701	106,784	1,665	40,900
4,357	659	82	577	-	1,867
-	-	-	-	-	-
18,541	-	-	19,875	-	-
-	-	5	-	-	5
-	-	-	-	-	95
279	686	147	63	103	1,186
13	231	52	16	24	296
-	1	-	-	-	7
413	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,340
-	-	-	-	-	-
364	-	-	1,026	-	837
23,967	1,577	286	21,557	127	8,633
261	2,031	1,051	315	493	5,999
28	449	63	47	65	466
-	-	-	-	-	23,465
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	52,898	-	-
289	2,480	1,114	53,260	558	29,930
24,256	4,057	1,400	74,817	685	38,563
-	275	-	-	20	1,053
-	-	-	-	-	-
49,562	1,374	(699)	31,967	960	1,284
\$ 49,562	\$ 1,649	\$ (699)	\$ 31,967	\$ 980	\$ 2,337

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 3 OF 3 - CONCLUDED)

	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,863	\$ 10,384	\$ 116,440	\$ 7,840
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable, net	-	2	-	-
Due from other funds	4	4	69	3
Due from other governments, net	-	-	-	-
Inventory of supplies	122	1,006	-	4
Prepayments	3	-	-	-
Total current assets	<u>10,992</u>	<u>11,396</u>	<u>116,509</u>	<u>7,847</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	-	-	-	-
Total restricted assets	-	-	-	-
Capital assets				
Capital assets not being depreciated	-	-	-	-
Capital assets, net of depreciation	13,270	9,912	-	8,681
Total capital assets	<u>13,270</u>	<u>9,912</u>	<u>-</u>	<u>8,681</u>
Total noncurrent assets	<u>13,270</u>	<u>9,912</u>	<u>-</u>	<u>8,681</u>
TOTAL ASSETS	<u>24,262</u>	<u>21,308</u>	<u>116,509</u>	<u>16,528</u>
LIABILITIES				
Current liabilities				
Accounts payable	242	192	1,374	14
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	14,279	-
Due to other funds	3	-	-	-
Interest payable	-	-	-	-
Wages payable	62	127	77	6
Compensated absences payable	10	39	21	-
Taxes payable	3	1	-	-
Unearned revenues	-	-	-	-
Unearned rent	-	-	-	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Custodial accounts	-	6	-	-
Total current liabilities	<u>320</u>	<u>365</u>	<u>15,751</u>	<u>20</u>
Noncurrent liabilities				
Compensated absences payable	201	789	424	-
Other postemployment benefits	48	129	65	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Unamortized bond premium and discount	-	-	-	-
Estimated claim settlements	-	-	61,420	-
Total noncurrent liabilities	<u>249</u>	<u>918</u>	<u>61,909</u>	<u>-</u>
TOTAL LIABILITIES	<u>569</u>	<u>1,283</u>	<u>77,660</u>	<u>20</u>
NET POSITION				
Net investment in capital assets	13,270	9,912	-	8,681
Restricted for:				
Capital projects	-	-	-	-
Unrestricted	<u>10,423</u>	<u>10,113</u>	<u>38,849</u>	<u>7,827</u>
TOTAL NET POSITION	<u>\$ 23,693</u>	<u>\$ 20,025</u>	<u>\$ 38,849</u>	<u>\$ 16,508</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 1 OF 3 - CONTINUED)

	<u>TOTAL</u>	<u>BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS</u>	<u>BUSINESS RESOURCE CENTER</u>	<u>CONSTRUCTION & FACILITIES MANAGEMENT</u>	<u>DES EQUIPMENT REPLACEMENT</u>
OPERATING REVENUES					
Profit (loss) on inventory sales					
Sales of inventory	\$ 8,213	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	(8,159)	-	-	-	-
Gross profit (loss) on inventory	54	-	-	-	-
Information resources management fees	74,107	-	-	-	-
Geographic information systems fees	5,190	-	-	-	-
Building management fees	28,399	28,399	-	-	-
Building operation and maintenance service fee	38,187	-	-	38,187	-
Architect/engineering/renovation service fees	10,227	-	-	10,227	-
Benefit program contributions & fees	227,116	-	-	-	-
Business resources management fees	15,045	-	15,045	-	-
Financial services	27,869	-	-	-	-
Insurance services	33,621	-	-	-	-
Equipment rental fees	24,118	-	-	-	-
Garage shop services	766	-	-	-	-
Printing and duplication	733	-	-	733	-
Workers' compensation employer contributions	34,862	-	-	-	-
Miscellaneous operating revenue	4,250	1,023	21	111	-
Total operating revenues	524,544	29,422	15,066	49,258	-
OPERATING EXPENSES					
Personal services	127,845	-	6,655	31,026	-
Materials and supplies	14,046	16	84	1,588	-
Contract services and other charges	290,623	8,180	3,110	8,287	-
Lease and maintenance of equipment	8,219	-	8	1,496	-
Internal services	26,249	-	1,947	6,320	-
Depreciation and amortization	17,847	8,898	-	153	-
Total operating expenses	484,829	17,094	11,804	48,870	-
OPERATING INCOME (LOSS)	39,715	12,328	3,262	388	-
NONOPERATING REVENUES					
Intergovernmental	3	-	-	-	-
Interest	2,689	2	58	38	-
Total nonoperating revenues	2,692	2	58	38	-
NONOPERATING EXPENSES					
Interest	11,777	10,788	-	-	-
(Gain) loss on disposal of capital assets	139	-	-	70	-
Miscellaneous	434	269	-	33	24
Total nonoperating expenses	12,350	11,057	-	103	24
Income (loss) before contributions and transfers	30,057	1,273	3,320	323	(24)
Capital grants and contributions	3,504	-	-	-	-
Transfers in	2,009	-	-	452	-
Transfers out	(9,411)	-	(3,852)	(94)	(351)
Special Items	3,256	3,256	-	-	-
CHANGE IN NET POSITION	29,415	4,529	(532)	681	(375)
NET POSITION - JANUARY 1, 2014 (RESTATED)	148,529	(15,021)	6,241	(2,825)	375
NET POSITION - DECEMBER 31, 2014	\$ 177,944	\$ (10,492)	\$ 5,709	\$ (2,144)	\$ -

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 2 OF 3 - CONTINUED)

	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS
OPERATING REVENUES					
Profit (loss) on inventory sales					
Sales of inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-	-
Gross profit (loss) on inventory	-	-	-	-	-
Information resources management fees	-	-	5,691	-	-
Geographic information systems fees	-	-	-	-	5,190
Building management fees	-	-	-	-	-
Building operation and maintenance service fees	-	-	-	-	-
Architect/engineering/renovation service fees	-	-	-	-	-
Benefit program contributions & fees	227,116	-	-	-	-
Business resources management fees	-	-	-	-	-
Financial services	-	27,869	-	-	-
Insurance services	-	-	-	33,621	-
Equipment rental fees	-	-	-	-	-
Garage shop services	-	-	-	-	-
Printing and duplication	-	-	-	-	-
Workers' compensation employer contributions	-	-	-	-	-
Miscellaneous operating revenue	93	401	-	-	-
Total operating revenues	227,209	28,270	5,691	33,621	5,190
OPERATING EXPENSES					
Personal services	1,871	19,875	5,850	2,525	3,867
Materials and supplies	24	427	52	65	57
Contract services and other charges	223,475	2,174	320	22,510	1,048
Lease and maintenance of equipment	28	130	30	6	-
Internal services	485	4,927	74	2,655	687
Depreciation and amortization	259	62	1	1	20
Total operating expenses	226,142	27,595	6,327	27,762	5,679
OPERATING INCOME (LOSS)	1,067	675	(636)	5,859	(489)
NONOPERATING REVENUES					
Intergovernmental	-	3	-	-	-
Interest	984	37	10	661	-
Total nonoperating revenues	984	40	10	661	-
NONOPERATING EXPENSES					
Interest	-	-	-	-	-
(Gain) loss on disposal of capital assets	1,124	-	-	-	-
Miscellaneous	-	-	5	6	-
Total nonoperating expenses	1,124	-	5	6	-
Income (loss) before contributions and transfers	927	715	(631)	6,514	(489)
Capital grants and contributions	-	-	-	-	60
Transfers in	12	61	-	22	-
Transfers out	(4)	(22)	(16)	(46)	(8)
Special Items	-	-	-	-	-
CHANGE IN NET POSITION	935	754	(647)	6,490	(437)
NET POSITION - JANUARY 1, 2014 (RESTATED)	48,627	895	(52)	25,477	1,417
NET POSITION - DECEMBER 31, 2014	\$ 49,562	\$ 1,649	\$ (699)	\$ 31,967	\$ 980

King County, Washington

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 3 OF 3 - CONCLUDED)

KING COUNTY INFORMATION TECHNOLOGY SERVICES	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
\$ -	\$ 2,839	\$ 5,127	\$ -	\$ 247
-	(3,041)	(4,874)	-	(244)
-	(202)	253	-	3
68,416	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	11,563	9,414	-	3,141
-	293	473	-	-
-	-	-	-	-
-	-	-	34,862	-
1,852	102	469	177	1
70,268	11,756	10,609	35,039	3,145
45,590	2,431	4,259	3,482	414
5,294	4,571	1,413	90	365
4,153	44	250	17,071	1
5,522	710	238	29	22
4,897	1,074	919	2,119	145
500	4,222	2,108	-	1,623
65,956	13,052	9,187	22,791	2,570
4,312	(1,296)	1,422	12,248	575
-	-	-	-	-
-	65	65	725	44
-	65	65	725	44
989	-	-	-	-
-	(394)	(496)	(1)	(164)
5	-	92	-	-
994	(394)	(404)	(1)	(164)
3,318	(837)	1,891	12,974	783
32	939	11	-	2,462
1,274	52	129	4	3
(4,954)	(1)	(2)	(9)	(52)
-	-	-	-	-
(330)	153	2,029	12,969	3,196
2,667	23,540	17,996	25,880	13,312
\$ 2,337	\$ 23,693	\$ 20,025	\$ 38,849	\$ 16,508

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 1 OF 3 - CONTINUED)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from users	\$ 528,886	\$ 29,168	\$ 13,686	\$ 49,166
Cash payments to suppliers for goods and services	(351,077)	(7,994)	(5,192)	(17,723)
Cash payments for employee services	(132,290)	-	(6,775)	(31,814)
Other receipts	4,250	1,023	21	111
Net cash provided (used) by operating activities	49,769	22,197	1,740	(260)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies received	63	-	-	-
Transfers in	2,009	-	-	452
Transfers out	(9,411)	-	(3,852)	(94)
Net cash provided (used) by noncapital financing activities	(7,339)	-	(3,852)	358
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(12,176)	(6)	(41)	(24)
Principal paid on general obligation bonds	(2,135)	-	-	-
Interest paid on general obligation bonds	(977)	-	-	-
Principal paid on revenue bonds	(10,280)	(10,280)	-	-
Interest paid on revenue bonds	(11,664)	(11,664)	-	-
Proceeds from disposal of capital assets	1,225	-	-	-
Net cash used by capital and related financing activities	(36,007)	(21,950)	(41)	(24)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments (Including unrealized gains/losses reported as cash and cash equivalents)	2,690	2	58	38
Net cash provided by investing activities	2,690	2	58	38
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,113	249	(2,095)	112
CASH AND CASH EQUIVALENTS - JANUARY 1, 2014	352,362	7,662	7,634	2,457
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2014	\$ 361,475	\$ 7,911	\$ 5,539	\$ 2,569
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 39,715	\$ 12,328	\$ 3,262	\$ 388
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation and amortization	17,847	8,898	-	153
Change in assets - (increase) decrease				
Accounts receivable, net	404	749	-	3
Due from other funds	601	-	(1,359)	16
Due from other governments, net	18	-	-	-
Inventory of supplies	161	-	-	(46)
Prepayments	288	18	-	-
Change in liabilities - increase (decrease)				
Accounts payable	(4,903)	184	3	113
Retainage payable	(96)	-	-	(96)
Estimated claim settlements	2,737	-	-	-
Due to other funds	(1,971)	-	(46)	-
Wages payable	(5,213)	-	(247)	(759)
Taxes payable	3	-	-	(3)
Custodial accounts and other liabilities	(611)	-	-	-
Unearned revenues	20	20	-	-
Compensated absences payable	487	-	115	(112)
Other postemployment benefits	282	-	12	83
Total adjustments	10,054	9,869	(1,522)	(648)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 49,769	\$ 22,197	\$ 1,740	\$ (260)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ 3,444	\$ -	\$ -	\$ -
Contributions of capital assets to government	(165)	-	-	(33)

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 2 OF 3 - CONTINUED)

DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	KING COUNTY INFORMATION TECHNOLOGY SERVICES
\$ -	\$ 226,064	\$ 27,871	\$ 5,686	\$ 33,621	\$ 5,168	\$ 68,560
-	(228,225)	(7,362)	(474)	(22,753)	(1,844)	(18,659)
-	(3,682)	(20,273)	(5,833)	(2,570)	(3,938)	(46,604)
-	93	401	-	-	-	1,852
-	(5,750)	637	(621)	8,298	(614)	5,149
-	-	3	-	-	60	-
-	12	61	-	22	-	1,274
(351)	(4)	(22)	(16)	(46)	(8)	(4,954)
(351)	8	42	(16)	(24)	52	(3,680)
-	-	(40)	-	-	-	(4,725)
-	-	-	-	-	-	(2,135)
-	-	-	-	-	-	(977)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(40)	-	-	-	(7,837)
-	984	37	10	661	-	-
-	984	37	10	661	-	-
(351)	(4,758)	676	(627)	8,935	(562)	(6,368)
351	78,192	4,744	1,322	94,761	2,185	21,429
\$ -	\$ 73,434	\$ 5,420	\$ 695	\$ 103,696	\$ 1,623	\$ 15,061
\$ -	\$ 1,067	\$ 675	\$ (636)	\$ 5,859	\$ (489)	\$ 4,312
-	259	62	1	1	20	500
-	(341)	-	-	-	(20)	13
-	24	2	(5)	(7)	(2)	(5)
-	-	-	-	-	-	18
-	-	-	-	-	-	-
-	-	-	-	(333)	-	603
-	(4,290)	295	(3)	(1,527)	(52)	592
-	-	-	-	-	-	-
-	77	-	-	4,343	-	-
-	-	-	5	-	-	5
-	(1,834)	(403)	(163)	(66)	(105)	(1,340)
-	-	1	-	-	-	7
-	(735)	-	-	7	-	117
-	-	-	-	-	-	-
-	20	(44)	170	17	27	241
-	3	49	10	4	7	86
-	(6,817)	(38)	15	2,439	(125)	837
\$ -	\$ (5,750)	\$ 637	\$ (621)	\$ 8,298	\$ (614)	\$ 5,149
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32
(23)	-	-	(5)	(7)	-	(5)

King County, Washington

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 3 OF 3 - CONCLUDED)

	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from users	\$ 15,795	\$ 15,480	\$ 34,853	\$ 3,768
Cash payments to suppliers for goods and services	(9,803)	(9,221)	(21,023)	(804)
Cash payments for employee services	(2,480)	(4,328)	(3,572)	(421)
Other receipts	102	469	177	1
Net cash provided (used) by operating activities	3,614	2,400	10,435	2,544
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies received	-	-	-	-
Transfers in	52	129	4	3
Transfers out	(1)	(2)	(9)	(52)
Net cash provided (used) by noncapital financing activities	51	127	(5)	(49)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(3,444)	(2,579)	-	(1,317)
Principal paid on general obligation bonds	-	-	-	-
Interest paid on general obligation bonds	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Interest paid on revenue bonds	-	-	-	-
Proceeds from disposal of capital assets	487	553	-	185
Net cash used by capital and related financing activities	(2,957)	(2,026)	-	(1,132)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments (Including unrealized gains/losses reported as cash and cash equivalents)	65	65	726	44
Net cash provided by investing activities	65	65	726	44
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	773	566	11,156	1,407
CASH AND CASH EQUIVALENTS - JANUARY 1, 2014	10,090	9,818	105,284	6,433
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2014	\$ 10,863	\$ 10,384	\$ 116,440	\$ 7,840
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,296)	\$ 1,422	\$ 12,248	\$ 575
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation and amortization	4,222	2,108	-	1,623
Change in assets - (increase) decrease				
Accounts receivable, net	-	-	-	-
Due from other funds	1,100	466	(9)	380
Due from other governments, net	-	-	-	-
Inventory of supplies	-	204	-	3
Prepayments	-	-	-	-
Change in liabilities - increase (decrease)				
Accounts payable	(20)	(143)	(31)	(24)
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	(1,683)	-
Due to other funds	(341)	(1,588)	-	(6)
Wages payable	(62)	(118)	(109)	(7)
Taxes payable	(2)	-	-	-
Custodial accounts and other liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Compensated absences payable	8	34	11	-
Other postemployment benefits	5	15	8	-
Total adjustments	4,910	978	(1,813)	1,969
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,614	\$ 2,400	\$ 10,435	\$ 2,544
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ 939	\$ 11	\$ -	\$ 2,462
Contributions of capital assets to government	-	(92)	-	-

Fiduciary Funds

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

INVESTMENT TRUST FUNDS

Investment Trust Funds are used by King County to report investment activity engaged in on behalf of legally separate entities. Accounting for the three Investment Trust Funds is on the accrual basis and the measurement focus is economic resources.

External Investment Pool Trust Fund – Accounts for the investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities other than component units that participate in the County's investment pool.

External Impaired Investment Pool Trust Fund – Accounts for the investment activity conducted by King County on behalf of legally separate

entities such as special districts and public authorities other than component units that participate in the County's investment pool. Effective September 1, 2008, certain impaired investments were separated from the main pool. The County completed the restructuring of all the impaired assets in the Impaired Investment Pool Fund.

Individual Investment Accounts Trust Fund – Accounts for investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities other than component units having investments with the County that are not in the County's investment pool. As of December 31, 2014, there was no longer any net position for held in trust for individual investment account participants due to all special districts have joined the Pool.

INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014
 (IN THOUSANDS)

	TOTAL	EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
ASSETS				
Investments at fair value				
Commercial paper	\$ 87,879	\$ 82,137	\$ 5,742	\$ -
Repurchase agreements	71,688	71,688	-	-
U.S. Treasury notes	915,992	915,992	-	-
Bank Notes	84,736	84,736	-	-
U.S. Agency notes	895,265	895,265	-	-
U.S. Agency discount notes	278,403	278,403	-	-
U.S. Agency collateralized mortgage obligations	4,296	4,296	-	-
State Treasurer's investment pool	276,990	276,990	-	-
Total investments	2,615,249	2,609,507	5,742	-
Interest receivable	1,082	1,082	-	-
TOTAL ASSETS	2,616,331	2,610,589	5,742	-
NET POSITION				
Held in trust for pool participants	2,610,589	2,610,589	-	-
Held in trust for pool participants - impaired	5,742	-	5,742	-
TOTAL NET POSITION	\$ 2,616,331	\$ 2,610,589	\$ 5,742	\$ -

INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014
 (IN THOUSANDS)

	TOTAL	EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
ADDITIONS				
Contributions	\$ 5,945,131	\$ 5,945,131	\$ -	\$ -
Net investment earnings				
Interest	12,900	12,900	-	-
Increase in the fair value of investments	5,011	4,023	988	-
TOTAL ADDITIONS	5,963,042	5,962,054	988	-
DEDUCTIONS				
Distributions	5,874,783	5,872,545	2,118	120
Change in net position	88,259	89,509	(1,130)	(120)
Net position - January 1, 2014	2,528,072	2,521,080	6,872	120
Net position - December 31, 2014	\$ 2,616,331	\$ 2,610,589	\$ 5,742	\$ -

AGENCY FUNDS

Agency Funds are clearing accounts employed to account for assets held by King County in its capacity as custodian or agent and are offset by equal and related liabilities. Accounting for Agency Funds is on the accrual basis. There is no measurement of operational results.

There are two major classifications of Agency Funds: (1) those that are used with the operations of King County government; and (2) those that are used to account for cash received and disbursed in King County's capacity as *ex officio* treasurer or collection agent for special districts and other governments.

The Law Library, which in previous years had been reported among the Miscellaneous Special Districts, will be reported with King County Special Revenue Law & Justice funds for 2014 and going forward.

AGENCY FUNDS – COUNTY GOVERNMENT

Enhanced-911 PSAP Escrow Fund – Utilized to account for receipt of Enhanced-911 excise tax revenue and subsequent distribution to the Public Safety Answering Points (PSAP) in King County.

Judicial Administration Agency Fund – Utilized to account for money deposited with King County Superior Court pending outcome of litigation.

Debt Service Clearing Fund – Established to account for money held by King County as fiscal agent for the payment of debt service on bonds.

Miscellaneous Agency Funds – Funds established to account for amounts associated with short-term or relatively minor custodial activities. Activities in these funds account for the receipts and disbursements associated with the Plan to Achieve Self-Sufficiency (PASS) program, unclaimed effects and assets of deceased individuals, employee charitable payroll deductions, and Community Development Block Grants held on the behalf of homeowners who qualify for one of several programs of housing and improvements for health, safety, and blight elimination.

Miscellaneous Property Tax Funds – Various property tax funds used to process and distribute real and personal property tax refunds authorized

by the County Treasurer; to account for proceeds of foreclosure sales in excess of delinquent taxes, interest, penalties, and costs; and to account for required prepayment of real property taxes when a property owner plats a parcel of property. These funds are also used to record property tax payments in excess of liability and to process related refunds to taxpayers; to suspend tax receipts requiring further identification or additional payment before they can be distributed; and to distribute assessment and interest payments of local improvement districts and to process assessment refunds.

Miscellaneous Tax Distribution Fund – Established for distribution of certain revenues other than property taxes, such as state private harvest timber tax, leasehold excise tax, real estate excise tax, state forest board earnings, and proceeds from sales of tax title property.

Payroll and Accounts Payable Clearing Funds – Established to centralize issuance of payroll and accounts payable warrants that are reimbursed by each benefiting fund.

School District Impact Fee Fund – Utilized to account for receipt and disbursement of fees authorized by the State of Washington Growth Management Act of 1990. In 1992, King County adopted Ordinance 10122 for the purpose of implementing the school impact fee program, allowing the County to enter into interlocal agreements with school districts. Twelve school districts qualify to receive Impact Fees in 2014.

AGENCY FUNDS – SPECIAL DISTRICTS/OTHER GOVERNMENTS

King County utilized approximately 720 active funds in 2014 to account for the resources of 158 special districts/other governments and related liabilities of King County.

The King County Executive, in compliance with the laws of the State of Washington or by contract, is the *ex officio* treasurer of King County and special districts, but not for the cities, towns, or the State of Washington. Money received from or for the special districts or other governments is deposited in King County's central bank account; disbursements for both operations and investments are made upon receipt of instructions from governing bodies or administrators of the special districts/other governments. Revenues

received for the accounts of the cities, towns, and State of Washington are remitted to their respective treasurers.

Central Puget Sound Regional Transit Authority – Sound Transit provides the region with alternatives to meet its transportation needs. Sound Transit is governed by an eighteen-member board comprised of seventeen local elected officials and the State Transportation Department Secretary.

Cities and Towns – The King County Finance and Business Operations Division utilizes a group of funds for each of the 39 municipalities to account for the collection and remittance of regular, special, and bond property tax levies to their respective treasurers.

Fire Districts – In King County, there are 30 fire protection districts. The primary purpose of these districts is to provide fire prevention and suppression services and to offer emergency medical services to protect life and property in areas outside cities and towns, except where the cities and towns have been annexed into a fire protection district. These districts are governed by elected Boards of Fire Commissioners.

Hospital Districts – King County has three public hospital districts. These municipal corporations are authorized to own and operate public hospitals and related facilities. Each district is governed by an elected five-member Hospital Commission.

King County Directors' Association (KCDA) – The KCDA is a nonprofit cooperative purchasing organization made up of 295 public school districts statewide and governed by a five-member Board of Directors elected from and by school boards throughout King County. The objectives of this association are to eliminate duplicate purchasing activities, establish product standards, and obtain the lowest possible costs through volume purchasing, centralized warehousing, and consolidated distribution.

King County Library System – This district serves the public through 47 community libraries, the Traveling Library Center, a mobile tech lab, two children's bookmobiles, and one institutional library in the King County Juvenile Detention Center. All unincorporated areas of the County are a part of the library district as are all cities in

the County except for Seattle, Renton, Enumclaw, Hunt's Point, and Yarrow Point.

Library Capital Facility Districts – This district was established for the purpose of financing the acquisition, construction, and improvement of the Issaquah and Redmond libraries.

Miscellaneous Special Districts – The following is a brief summary of the main entities:

- Puget Sound Regional Council – The regional planning and decision-making body for growth and transportation issues in the counties of King, Kitsap, Pierce, and Snohomish. Its primary goal is to plan for the growth and development of the region, including transportation planning, and to seek solutions to problems crossing political boundaries. It is governed by a general assembly and its executive board. Each member of the board is a voting member.
- Puget Sound Clean Air Agency – An air pollution control authority under the Washington Clean Air Act for the counties of King, Kitsap, Pierce, and Snohomish. The agency is governed by a nine-member board composed mainly of elected officials from the four county jurisdictions. Its major responsibility is the implementation of the Washington Clean Air Act. This responsibility has been delegated to the agency by both the State of Washington and the Federal Environmental Protection Agency.
- Drainage Districts – There are six districts in this category. They were established to ditch, dike, and provide pumping facilities for flood-prone or low-lying lands.
- Cemetery District No. 1 – Formed in 1978 to improve and maintain a public cemetery on Vashon Island that was originally established in 1888 by a private association.
- Vashon-Maury Island Park and Recreation District – Established to develop and operate park and recreational facilities on Vashon-Maury Island.

Northshore Park and Recreation Service Area –

This district was established to finance the acquisition and construction of a senior center in an area overlapping portions of both King County and Snohomish County corresponding to the boundaries of the Northshore School District. The district is governed by a five-member board.

Port of Seattle – The Port of Seattle is a public enterprise governed by five commissioners elected by the citizens of King County. Its mission is to provide services and facilities to accommodate the transportation of cargo and passengers by air, water, and land. Its marine facilities include one of the largest container ports in the United States. The Port also includes Seattle-Tacoma International Airport and marinas for a commercial fishing fleet and pleasure craft. While King County is no longer the Port's treasurer, it continues to use a special district fund to account for the collection and remittance of the Port's special tax levies.

School Districts – Public education in King County from pre-kindergarten through grade 12 is provided by 21 school districts, each governed by an elected Board of Directors and administered by a superintendent. In 2014, enrollments showed approximately 282,000 students attending 842 elementary, middle, junior high, senior high, special, and alternative schools. Puget Sound Educational Service District (PSESD), whose financial reporting is included in the School District Combining Statement of Fiduciary Assets and Liabilities, serves 35 school districts and more than 200 private schools in King and Pierce Counties plus Bainbridge Island in Kitsap County. The PSESD is governed by a nine-member Board of Directors and administered by a superintendent. The PSESD assists public and private schools in its region through program and staff development, early childhood programs, administrative and instructional support, technical assistance, business, financial and state reporting services, and direct service to children and families. A complete list of services and programs can be found online at www.psesd.org.

Sewer and Water Districts – There are 13 sewer and water districts in King County. The principal purpose of these districts is to protect public health and to improve water quality by constructing, maintaining, and operating sewer systems. The districts may also provide water, storm drainage, street lighting, lake rehabilitation,

and onsite systems management. Each district is governed by an elected three-member Board of Commissioners.

State of Washington – King County utilizes a group of funds to account for state-levied property tax collections, court filing fees, fines, and forfeiture payments due to violations of laws of the State of Washington and their subsequent remittance to the State Treasurer.

Washington State Public Stadium Authority – This agency was established in 1997 to oversee the construction of a new football stadium and an exhibition center. They are currently working on a vision to create a unique and lively destination stadium district for all with retail, residential, entertainment, and other complementary uses. It is governed by a seven-member board appointed by the Governor.

Water Districts – There are 21 water districts in King County. The primary purpose of the districts is to provide consumers with the highest quality drinking water at the lowest possible cost. Each district is governed by a board with power to acquire, construct, maintain, and operate water supply systems. Reporting for the Cascade Water Alliance (CWA) is also included with the Water Districts. CWA is a municipal corporation comprised of seven municipalities (five cities and two water and sewer districts) in the Puget Sound Region that joined together to provide safe, clean, reliable water supply to its 350,000 residences and more than 20,000 businesses.

Washington State Major League Baseball Stadium - Public Facilities District (PFD) – was created by the Metropolitan King County Council (Ordinance 12000) on October 24, 1995. The PFD operates as a municipal corporation of the State of Washington and was formed to site, design, build, and operate a major league baseball park. The PFD had been reported as a component unit of the County prior to 2013. The bonds outstanding, for which the County had an indirect financial burden, have been paid and the PFD no longer qualifies as a component unit. Since the County is the *ex officio* treasurer for the PFD it will be reported as a Special District.

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 1 OF 9 - CONTINUED)

	TOTAL AGENCY FUNDS			
	BALANCE* 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
ASSETS				
Cash and cash equivalents	\$ 135,404	\$ 22,605,984	\$ 22,613,063	\$ 128,325
Assets held in trust:				
External investment pool participants	2,520,694	2,620,952	2,531,057	2,610,589
External impaired investment pool participants	6,870	4,742	5,870	5,742
Individual investment accounts	120	244,024	244,144	-
Investments	1,540	52,082	50,314	3,308
Taxes receivable - delinquent	70,650	3,343,180	3,347,010	66,820
Accounts receivable	4,453	1,602,137	1,602,345	4,245
Assessments receivable	6,956	66	984	6,038
Notes and contracts receivable	51	-	-	51
TOTAL ASSETS	\$ 2,746,738	\$ 30,473,167	\$ 30,394,787	\$ 2,825,118
LIABILITIES				
Warrants payable	\$ 86,882	\$ 4,098,920	\$ 4,104,543	\$ 81,259
Accounts payable	3,472	811,031	813,250	1,253
Wages payable	195	1,796,634	1,774,875	21,954
Custodial accounts - County agencies	70,758	5,737,564	5,744,124	64,198
Due to special districts/other governments	2,585,431	29,764,933	29,693,910	2,656,454
TOTAL LIABILITIES	\$ 2,746,738	\$ 42,209,082	\$ 42,130,702	\$ 2,825,118

ASSETS

Cash and cash equivalents
Assets held in trust:
 External investment pool participants
 External impaired investment pool participants
 Individual investment accounts
Investments
Taxes receivable - delinquent
Accounts receivable
Assessments receivable
Notes and contracts receivable

TOTAL ASSETS**LIABILITIES**

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

TOTAL LIABILITIES

*Beginning Balances as restated – See Note 18

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 2 OF 9 - CONTINUED)

ENHANCED 911 PSAP ESCROW			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ 17,111	\$ 12,658	\$ 14,691	\$ 15,078
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	7	7	-
-	-	-	-
-	-	-	-
<u>\$ 17,111</u>	<u>\$ 12,665</u>	<u>\$ 14,698</u>	<u>\$ 15,078</u>
\$ -	\$ -	\$ -	\$ -
1,071	11,800	12,871	-
16,040	12,860	13,822	15,078
-	-	-	-
<u>\$ 17,111</u>	<u>\$ 24,660</u>	<u>\$ 26,693</u>	<u>\$ 15,078</u>

KING COUNTY FISCAL AGENT / DEBT SERVICE			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ -	\$ 813,252	\$ 813,252	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 813,252</u>	<u>\$ 813,252</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	813,252	813,252	-
-	-	-	-
<u>\$ -</u>	<u>\$ 813,252</u>	<u>\$ 813,252</u>	<u>\$ -</u>

JUDICIAL ADMINISTRATION AGENCY			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ 27,660	\$ 79,043	\$ 82,592	\$ 24,111
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 27,660</u>	<u>\$ 79,043</u>	<u>\$ 82,592</u>	<u>\$ 24,111</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
27,660	93,654	97,203	24,111
-	-	-	-
<u>\$ 27,660</u>	<u>\$ 93,654</u>	<u>\$ 97,203</u>	<u>\$ 24,111</u>

MISCELLANEOUS AGENCY FUNDS			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ 10,404	\$ 38,560	\$ 46,586	\$ 2,378
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	1	1	-
-	-	-	-
51	-	-	51
<u>\$ 10,455</u>	<u>\$ 38,561</u>	<u>\$ 46,587</u>	<u>\$ 2,429</u>
\$ -	\$ -	\$ -	\$ -
14	2,002	2,010	6
10,441	38,871	46,889	2,423
-	-	-	-
<u>\$ 10,455</u>	<u>\$ 40,873</u>	<u>\$ 48,899</u>	<u>\$ 2,429</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 3 OF 9 - CONTINUED)

MISCELLANEOUS PROPERTY TAX FUNDS				
	BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
ASSETS				
Cash and cash equivalents	\$ 10,276	\$ 4,182,725	\$ 4,181,447	\$ 11,554
Assets held in trust:				
External investment pool participants	-	-	-	-
External impaired investment pool participants	-	-	-	-
Individual investment accounts	-	-	-	-
Investments	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 10,276</u>	<u>\$ 4,182,725</u>	<u>\$ 4,181,447</u>	<u>\$ 11,554</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	179	18,431	18,602	8
Wages payable	-	-	-	-
Custodial accounts - County agencies	10,097	4,182,976	4,181,527	11,546
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 10,276</u>	<u>\$ 4,201,407</u>	<u>\$ 4,200,129</u>	<u>\$ 11,554</u>

MISCELLANEOUS TAX DISTRIBUTION				
	BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
ASSETS				
Cash and cash equivalents	\$ 4,396	\$ 514,467	\$ 510,336	\$ 8,527
Assets held in trust:				
External investment pool participants	-	-	-	-
External impaired investment pool participants	-	-	-	-
Individual investment accounts	-	-	-	-
Investments	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 4,396</u>	<u>\$ 514,467</u>	<u>\$ 510,336</u>	<u>\$ 8,527</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	3	3	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	4,396	514,467	510,336	8,527
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 4,396</u>	<u>\$ 514,470</u>	<u>\$ 510,339</u>	<u>\$ 8,527</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 4 OF 9 - CONTINUED)

PAYROLL AND ACCOUNTS PAYABLE CLEARING			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ 46,885	\$ 4,150,228	\$ 4,145,731	\$ 51,382
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
401	1,467,254	1,467,262	393
-	-	-	-
-	-	-	-
<u>\$ 47,286</u>	<u>\$ 5,617,482</u>	<u>\$ 5,612,993</u>	<u>\$ 51,775</u>

\$ 45,594	\$ 2,554,901	\$ 2,571,111	\$ 29,384
2,665	342,574	344,550	689
(876)	1,784,834	1,762,004	21,954
(97)	79,718	79,873	(252)
-	-	-	-
<u>\$ 47,286</u>	<u>\$ 4,762,027</u>	<u>\$ 4,757,538</u>	<u>\$ 51,775</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ -	\$ 101,721	\$ 101,721	\$ -
257,910	160,465	258,892	159,483
20	13	16	17
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 257,930</u>	<u>\$ 262,199</u>	<u>\$ 360,629</u>	<u>\$ 159,500</u>

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
257,930	1,802	100,232	159,500
<u>\$ 257,930</u>	<u>\$ 1,802</u>	<u>\$ 100,232</u>	<u>\$ 159,500</u>

SCHOOL DISTRICT IMPACT FEE			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ 2,221	\$ 1,779	\$ 1,235	\$ 2,765
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	1	1	-
-	-	-	-
-	-	-	-
<u>\$ 2,221</u>	<u>\$ 1,780</u>	<u>\$ 1,236</u>	<u>\$ 2,765</u>

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
2,221	1,766	1,222	2,765
-	-	-	-
<u>\$ 2,221</u>	<u>\$ 1,766</u>	<u>\$ 1,222</u>	<u>\$ 2,765</u>

CITIES AND TOWNS			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ 10,736	\$ 1,082,674	\$ 1,084,254	\$ 9,156
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
15,456	759,346	760,277	14,525
4,052	134,874	135,074	3,852
13	66	70	9
-	-	-	-
<u>\$ 30,257</u>	<u>\$ 1,976,960</u>	<u>\$ 1,979,675</u>	<u>\$ 27,542</u>

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
30,257	1,969,796	1,972,511	27,542
<u>\$ 30,257</u>	<u>\$ 1,969,796</u>	<u>\$ 1,972,511</u>	<u>\$ 27,542</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 5 OF 9 - CONTINUED)

	FIRE DISTRICTS		
	<u>BALANCE</u> <u>01/01/14</u>	<u>INCREASES</u>	<u>DECREASES</u> <u>BALANCE</u> <u>12/31/14</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 413,375	\$ 413,375
Assets held in trust:			
External investment pool participants	120,294	116,214	120,767
External impaired investment pool participants	258	177	220
Individual investment accounts	-	-	-
Investments	-	-	-
Taxes receivable - delinquent	4,319	166,577	166,585
Accounts receivable	-	-	-
Assessments receivable	-	-	-
Notes and contracts receivable	-	-	-
TOTAL ASSETS	<u>\$ 124,871</u>	<u>\$ 696,343</u>	<u>\$ 700,947</u> <u>\$ 120,267</u>
LIABILITIES			
Warrants payable	\$ 777	\$ 8,272	\$ 8,342
Accounts payable	12	75,653	75,660
Wages payable	-	-	-
Custodial accounts - County agencies	-	-	-
Due to special districts/other governments	124,082	630,599	635,126
TOTAL LIABILITIES	<u>\$ 124,871</u>	<u>\$ 714,524</u>	<u>\$ 719,128</u> <u>\$ 120,267</u>

	HOSPITAL DISTRICTS		
	<u>BALANCE</u> <u>01/01/14</u>	<u>INCREASES</u>	<u>DECREASES</u> <u>BALANCE</u> <u>12/31/14</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 77,860	\$ 77,860
Assets held in trust:			
External investment pool participants	21,652	10,118	21,733
External impaired investment pool participants	145	100	124
Individual investment accounts	-	-	-
Investments	-	-	-
Taxes receivable - delinquent	937	45,827	45,888
Accounts receivable	-	-	-
Assessments receivable	-	-	-
Notes and contracts receivable	-	-	-
TOTAL ASSETS	<u>\$ 22,734</u>	<u>\$ 133,905</u>	<u>\$ 145,605</u> <u>\$ 11,034</u>
LIABILITIES			
Warrants payable	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Wages payable	-	-	-
Custodial accounts - County agencies	-	-	-
Due to special districts/other governments	22,734	563,631	575,331
TOTAL LIABILITIES	<u>\$ 22,734</u>	<u>\$ 563,631</u>	<u>\$ 575,331</u> <u>\$ 11,034</u>

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 6 OF 9 - CONTINUED)

KING COUNTY DIRECTORS' ASSOCIATION				LIBRARY CAPITAL FACILITY DISTRICTS			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14	BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ -	\$ 161,510	\$ 161,510	\$ -	\$ -	\$ 1,412	\$ 1,412	\$ -
3,078	4,168	3,091	4,155	75	97	75	97
11	6	9	8	2	1	2	1
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	25	1,358	1,360	23
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,089</u>	<u>\$ 165,684</u>	<u>\$ 164,610</u>	<u>\$ 4,163</u>	<u>\$ 102</u>	<u>\$ 2,868</u>	<u>\$ 2,849</u>	<u>\$ 121</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	127,155	127,155	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,089	158,438	157,364	4,163	102	13,503	13,484	121
<u>\$ 3,089</u>	<u>\$ 285,593</u>	<u>\$ 284,519</u>	<u>\$ 4,163</u>	<u>\$ 102</u>	<u>\$ 13,503</u>	<u>\$ 13,484</u>	<u>\$ 121</u>

KING COUNTY LIBRARY SYSTEM				MISCELLANEOUS SPECIAL DISTRICTS			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14	BALANCE* 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ -	\$ 219,774	\$ 219,774	\$ -	\$ 19	\$ 57,548	\$ 57,548	\$ 19
86,863	83,205	87,205	82,863	18,966	16,954	19,424	16,496
244	168	208	204	30	22	27	25
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,513	119,322	119,445	2,390	371	8,724	8,753	342
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 89,620</u>	<u>\$ 422,469</u>	<u>\$ 426,632</u>	<u>\$ 85,457</u>	<u>\$ 19,386</u>	<u>\$ 83,248</u>	<u>\$ 85,752</u>	<u>\$ 16,882</u>
\$ -	\$ -	\$ -	\$ -	\$ 8	\$ 9,719	\$ 9,493	\$ 234
-	-	-	-	6	9,599	9,605	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
89,620	516,843	521,006	85,457	19,372	59,643	62,367	16,648
<u>\$ 89,620</u>	<u>\$ 516,843</u>	<u>\$ 521,006</u>	<u>\$ 85,457</u>	<u>\$ 19,386</u>	<u>\$ 78,961</u>	<u>\$ 81,465</u>	<u>\$ 16,882</u>

*Beginning Balances as restated – See Note 18

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 7 OF 9 - CONTINUED)

NORTHSHORE PARK AND RECREATION SERVICE AREA				
	BALANCE			BALANCE
	01/01/14	INCREASES	DECREASES	12/31/14
ASSETS				
Cash and cash equivalents	\$ -	\$ 486	\$ 486	\$ -
Assets held in trust:				
External investment pool participants	177	176	178	175
External impaired investment pool participants	1	1	1	1
Individual investment accounts	-	-	-	-
Investments	-	-	-	-
Taxes receivable - delinquent	4	196	197	3
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 182	\$ 859	\$ 862	\$ 179
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	11	11	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	182	4,524	4,527	179
TOTAL LIABILITIES	\$ 182	\$ 4,535	\$ 4,538	\$ 179

PORT OF SEATTLE				
	BALANCE			BALANCE
	01/01/14	INCREASES	DECREASES	12/31/14
ASSETS				
Cash and cash equivalents	\$ 117	\$ 80,374	\$ 80,158	\$ 333
Assets held in trust:				
External investment pool participants	-	-	-	-
External impaired investment pool participants	-	-	-	-
Individual investment accounts	-	-	-	-
Investments	-	-	-	-
Taxes receivable - delinquent	1,641	74,867	74,991	1,517
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 1,758	\$ 155,241	\$ 155,149	\$ 1,850
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	1,758	154,232	154,140	1,850
TOTAL LIABILITIES	\$ 1,758	\$ 154,232	\$ 154,140	\$ 1,850

King County, Washington

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 8 OF 9 - CONTINUED)

SCHOOL DISTRICTS				STATE OF WASHINGTON			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14	BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ 1,226	\$ 8,466,654	\$ 8,467,880	\$ -	\$ 4,353	\$ 1,223,127	\$ 1,224,458	\$ 3,022
1,623,490	1,817,561	1,629,969	1,811,082	-	-	-	-
5,109	3,521	4,360	4,270	-	-	-	-
120	244,024	244,144	-	-	-	-	-
1,540	52,082	50,314	3,308	-	-	-	-
27,639	1,307,999	1,309,865	25,773	17,745	858,964	859,649	17,060
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,659,124</u>	<u>\$ 11,891,841</u>	<u>\$ 11,706,532</u>	<u>\$ 1,844,433</u>	<u>\$ 22,098</u>	<u>\$ 2,082,091</u>	<u>\$ 2,084,107</u>	<u>\$ 20,082</u>
\$ 40,449	\$ 1,506,391	\$ 1,495,909	\$ 50,931	\$ -	\$ -	\$ -	\$ -
-	-	-	-	8	157	165	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,618,675	22,479,464	22,304,637	1,793,502	22,090	2,071,509	2,073,517	20,082
<u>\$ 1,659,124</u>	<u>\$ 23,985,855</u>	<u>\$ 23,800,546</u>	<u>\$ 1,844,433</u>	<u>\$ 22,098</u>	<u>\$ 2,071,666</u>	<u>\$ 2,073,682</u>	<u>\$ 20,082</u>

SEWER AND WATER DISTRICTS				WA STATE PUBLIC STADIUM AUTHORITY			
BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14	BALANCE 01/01/14	INCREASES	DECREASES	BALANCE 12/31/14
\$ -	\$ 389,858	\$ 389,858	\$ -	\$ -	\$ 13,169	\$ 13,169	\$ -
161,050	186,014	161,695	185,369	8,629	9,031	8,664	8,996
479	339	416	402	24	17	21	20
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,231	-	403	2,828	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 164,760</u>	<u>\$ 576,211</u>	<u>\$ 552,372</u>	<u>\$ 188,599</u>	<u>\$ 8,653</u>	<u>\$ 22,217</u>	<u>\$ 21,854</u>	<u>\$ 9,016</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	137,592	137,072	520	-	849	849	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
164,760	330,880	307,561	188,079	8,653	6,289	5,926	9,016
<u>\$ 164,760</u>	<u>\$ 468,472</u>	<u>\$ 444,633</u>	<u>\$ 188,599</u>	<u>\$ 8,653</u>	<u>\$ 7,138</u>	<u>\$ 6,775</u>	<u>\$ 9,016</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN THOUSANDS)
(PAGE 9 OF 9 - CONCLUDED)

	WATER DISTRICTS			
	<u>BALANCE</u> <u>01/01/14</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>12/31/14</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 510,792	\$ 510,792	\$ -
Assets held in trust:				
External investment pool participants	213,873	211,757	214,717	210,913
External impaired investment pool participants	487	336	415	408
Individual investment accounts	-	-	-	-
Investments	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	3,712	-	511	3,201
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 218,072</u>	<u>\$ 722,885</u>	<u>\$ 726,435</u>	<u>\$ 214,522</u>
LIABILITIES				
Warrants payable	\$ 54	\$ 11,913	\$ 11,964	\$ 3
Accounts payable	588	97,005	97,568	25
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	217,430	795,428	798,364	214,494
TOTAL LIABILITIES	<u>\$ 218,072</u>	<u>\$ 904,346</u>	<u>\$ 907,896</u>	<u>\$ 214,522</u>

	WA STATE MLB STADIUM - PUBLIC FACILITIES DISTRICT			
	<u>BALANCE</u> <u>01/01/14</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>12/31/14</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 12,938	\$ 12,938	\$ -
Assets held in trust:				
External investment pool participants	4,637	5,192	4,647	5,182
External impaired investment pool participants	60	41	51	50
Individual investment accounts	-	-	-	-
Investments	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 4,697</u>	<u>\$ 18,171</u>	<u>\$ 17,636</u>	<u>\$ 5,232</u>
LIABILITIES				
Warrants payable	\$ -	\$ 7,724	\$ 7,724	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	4,697	8,352	7,817	5,232
TOTAL LIABILITIES	<u>\$ 4,697</u>	<u>\$ 16,076</u>	<u>\$ 15,541</u>	<u>\$ 5,232</u>

Statistical Section

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SECTION

CONTENTS

This part of King County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Financial Trends	176 - 185
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Information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity	186 - 192
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Information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity	193 - 199
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Information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Operating Information	200 - 202
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Service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Demographic and Economic Information	203 - 212
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Demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place. Includes data on Equity and Social Justice in King County.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 85,516	\$ 88,278	\$ 95,864	\$ 168,271
Law, safety and justice	476,101	509,234	544,838	580,105
Physical environment	51,897	56,322	63,326	67,498
Transportation	90,803	96,401	107,471	112,666
Economic environment	87,420	92,460	94,555	99,839
Mental and physical health	346,672	361,817	381,286	421,355
Culture and recreation	36,902	40,974	50,100	56,285
Interest and other debt service costs	54,538	52,361	53,299	51,455
Total governmental activities expenses	<u>1,229,849</u>	<u>1,297,847</u>	<u>1,390,739</u>	<u>1,557,474</u>
Business-type activities:				
Airport	15,537	15,392	14,620	15,842
Public Transportation	529,679	535,471	588,234	667,651
Solid Waste	95,457	102,127	116,252	110,348
Water Quality	228,438	243,496	242,808	257,249
Other	5,788	6,687	8,025	10,660
Total business-type activities expenses	<u>874,899</u>	<u>903,173</u>	<u>969,939</u>	<u>1,061,750</u>
Total primary government expenses	<u>\$ 2,104,748</u>	<u>\$ 2,201,020</u>	<u>\$ 2,360,678</u>	<u>\$ 2,619,224</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 58,896	\$ 48,625	\$ 65,440	\$ 57,139
Law, safety and justice	106,315	118,722	125,103	128,424
Physical environment	43,231	42,517	44,564	48,286
Transportation	19,157	16,725	17,003	18,716
Economic environment	34,830	39,424	48,586	29,148
Mental and physical health	183,590	206,589	226,341	248,617
Culture and recreation	5,700	6,538	7,264	7,710
Interest and other debt service costs	4,049	8,339	4,864	911
Operating grants and contributions:				
General government	3,166	3,020	4,010	5,457
Law, safety and justice	34,230	27,595	33,675	32,147
Physical environment	3,016	2,075	2,033	4,290
Transportation	15,540	16,351	18,100	17,593
Economic environment	29,123	23,353	21,635	22,347
Mental and physical health	102,909	106,272	95,420	101,541
Culture and recreation	908	343	608	133
Interest and other debt service costs	4,407	4,554	4,734	4,961
Capital grants and contributions:				
General government	1,558	5,868	1,010	284
Physical environment	5,386	8,014	5,406	4,125
Transportation	147,870	87,979	76,403	73,749
Economic environment	-	-	-	-
Culture and recreation	1,799	-	89	101
Total governmental activities program revenues	<u>805,680</u>	<u>772,903</u>	<u>802,288</u>	<u>805,679</u>

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

King County, Washington

2009	2010	2011	2012	2013	2014
\$ 106,076	\$ 193,521	\$ 153,910	\$ 147,395	\$ 189,712	\$ 120,781
607,191	605,396	594,366	629,924	587,478	654,941
76,404	79,897	78,823	77,111	88,381	134,133
111,562	101,338	100,724	78,937	68,363	84,816
105,515	103,153	112,081	104,707	98,219	104,087
458,184	456,678	457,507	469,234	480,482	513,407
53,313	54,071	56,917	60,273	48,748	50,020
54,010	49,979	51,670	38,509	41,728	36,098
<u>1,572,255</u>	<u>1,644,033</u>	<u>1,605,998</u>	<u>1,606,090</u>	<u>1,603,111</u>	<u>1,698,283</u>
24,725	22,296	28,101	29,909	28,339	25,477
673,436	697,611	716,949	740,384	764,580	793,066
91,347	101,210	96,871	108,837	102,030	116,488
287,792	290,873	321,057	396,260	433,210	444,461
12,649	13,262	13,183	13,912	15,432	14,743
<u>1,089,949</u>	<u>1,125,252</u>	<u>1,176,161</u>	<u>1,289,302</u>	<u>1,343,591</u>	<u>1,394,235</u>
<u>\$ 2,662,204</u>	<u>\$ 2,769,285</u>	<u>\$ 2,782,159</u>	<u>\$ 2,895,392</u>	<u>\$ 2,946,702</u>	<u>\$ 3,092,518</u>
\$ 66,962	\$ 54,187	\$ 65,478	\$ 72,711	\$ 74,483	\$ 26,764
148,236	155,182	155,857	143,737	150,358	160,874
42,878	47,598	43,607	55,526	53,825	75,191
15,976	13,814	16,571	13,656	28,093	49,311
26,955	27,836	35,276	29,958	20,854	28,440
262,928	266,270	266,583	300,604	294,291	335,188
6,688	6,799	6,487	8,163	8,908	457
881	706	1,695	1,783	8,924	14,995
6,863	4,863	3,446	4,459	9,598	21,234
32,327	30,128	24,815	30,981	23,853	19,502
4,629	3,826	8,595	9,389	11,015	16,668
23,472	17,091	18,406	17,305	14,122	23,550
29,218	29,459	39,314	35,842	31,016	32,748
104,254	106,618	105,483	107,108	84,859	68,796
430	195	230	143	1,395	
5,238	5,406	5,524	8	4	2
162	112	1,464	-	3,496	879
6,091	22,006	1,210	1,358	3,507	2,564
68,870	88,710	70,392	63,814	92,079	26,831
461	1,626	-	-	-	-
8	76	116	1,941	730	-
<u>853,527</u>	<u>882,508</u>	<u>870,549</u>	<u>898,486</u>	<u>915,410</u>	<u>903,994</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Business-type activities:				
Charges for services:				
Airport	\$ 11,308	\$ 12,481	\$ 13,921	\$ 18,075
Public Transportation	131,321	143,831	160,231	173,011
Solid Waste	91,207	94,316	93,376	98,821
Water Quality	224,595	242,852	264,440	284,995
Other	5,913	6,685	6,823	7,535
Operating grants and contributions:				
Public Transportation	14,141	56,400	55,771	72,458
Water Quality	-	-	-	-
Capital grants and contributions:				
Airport	6,352	21,248	2,533	11,513
Public Transportation	73,230	12,780	11,431	28,474
Solid Waste	529	988	690	857
Water Quality	3,264	2,242	1,164	2,311
Other	612	108	28	-
Total business-type activities program revenues	<u>562,472</u>	<u>593,931</u>	<u>610,408</u>	<u>698,050</u>
Total primary government program revenues	<u>\$ 1,368,152</u>	<u>\$ 1,366,834</u>	<u>\$ 1,412,696</u>	<u>\$ 1,503,729</u>
Net (Expenses)/Revenue				
Governmental activities	\$ (424,169)	\$ (524,944)	\$ (588,451)	\$ (751,795)
Business-type activities	<u>(312,427)</u>	<u>(309,242)</u>	<u>(359,531)</u>	<u>(363,700)</u>
Total primary government net expenses	<u>\$ (736,596)</u>	<u>\$ (834,186)</u>	<u>\$ (947,982)</u>	<u>\$ (1,115,495)</u>
General revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 447,041	\$ 468,740	\$ 499,339	\$ 580,958
Retail sales and use taxes	138,572	150,111	164,804	193,827
Business and other taxes	52,716	56,801	53,745	41,557
Penalties and interest - delinquent taxes	14,901	15,322	15,611	15,740
Interest earnings	28,352	46,009	36,348	34,714
Payment to escrow				
Transfers	992	(2,531)	1,200	2,858
Special item				
Total governmental activities	<u>682,574</u>	<u>734,452</u>	<u>771,047</u>	<u>869,654</u>
Business-type activities:				
Property taxes	-	-	-	18,626
Retail sales and use taxes	341,149	367,264	442,042	432,934
Interest earnings	16,397	28,833	22,718	23,071
Transfers	(992)	2,531	(1,200)	(2,858)
Total business-type activities	<u>356,554</u>	<u>398,628</u>	<u>463,560</u>	<u>471,773</u>
Total primary government	<u>\$ 1,039,128</u>	<u>\$ 1,133,080</u>	<u>\$ 1,234,607</u>	<u>\$ 1,341,427</u>
Change in Net Position				
Governmental activities	\$ 258,405	\$ 209,508	\$ 182,596	\$ 117,859
Business-type activities	<u>44,127</u>	<u>89,386</u>	<u>104,029</u>	<u>108,073</u>
Total Primary government	<u>\$ 302,532</u>	<u>\$ 298,894</u>	<u>\$ 286,625</u>	<u>\$ 225,932</u>

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

King County, Washington

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 20,774	\$ 20,766	\$ 19,204	\$ 17,812	\$ 20,440	\$ 17,457
205,170	223,278	244,511	278,143	299,382	289,943
92,343	109,949	88,961	98,827	109,131	114,270
307,556	305,738	338,226	390,705	431,743	440,720
7,418	7,639	7,664	8,746	9,222	8,964
90,570	57,514	61,374	58,347	35,752	37,751
-	-	-	190	72	65
6,490	5,300	15,558	17,628	7,680	7,305
27,035	17,635	127,892	59,846	47,149	24,470
603	650	533	630	-	-
1,843	2,431	7,325	-	271	9
2,320	1,175	1,691	3,608	2,819	8,420
<u>762,122</u>	<u>752,075</u>	<u>912,939</u>	<u>934,482</u>	<u>963,661</u>	<u>949,374</u>
<u>\$ 1,615,649</u>	<u>\$ 1,634,583</u>	<u>\$ 1,783,488</u>	<u>\$ 1,832,968</u>	<u>\$ 1,879,071</u>	<u>\$ 1,853,368</u>
\$ (718,728)	\$ (761,525)	\$ (735,449)	\$ (707,604)	\$ (687,701)	\$ (794,289)
<u>(327,827)</u>	<u>(373,177)</u>	<u>(263,222)</u>	<u>(354,820)</u>	<u>(379,930)</u>	<u>(444,861)</u>
<u>\$ (1,046,555)</u>	<u>\$ (1,134,702)</u>	<u>\$ (998,671)</u>	<u>\$ (1,062,424)</u>	<u>\$ (1,067,631)</u>	<u>\$ (1,239,150)</u>
\$ 605,207	\$ 592,081	\$ 594,130	\$ 593,654	\$ 624,036	\$ 682,616
179,077	180,914	180,948	161,467	170,581	187,500
36,555	32,432	40,498	42,332	45,880	46,280
17,679	21,328	21,889	21,476	20,869	20,993
19,524	10,063	8,050	8,356	3,948	7,994
896	2,423	505	2,856	767	(1,439)
			3,809	(733)	60
<u>858,938</u>	<u>839,241</u>	<u>846,020</u>	<u>833,950</u>	<u>865,348</u>	<u>944,004</u>
19,255	23,301	23,792	25,217	24,645	26,621
376,968	375,943	399,812	413,047	442,975	479,579
14,056	9,024	7,033	5,700	712	8,654
(896)	(2,423)	(505)	(2,857)	733	1,439
<u>409,383</u>	<u>405,845</u>	<u>430,132</u>	<u>441,107</u>	<u>469,065</u>	<u>516,293</u>
<u>\$ 1,268,321</u>	<u>\$ 1,245,086</u>	<u>\$ 1,276,152</u>	<u>\$ 1,275,057</u>	<u>\$ 1,334,413</u>	<u>\$ 1,460,297</u>
\$ 140,210	\$ 77,716	\$ 110,571	\$ 126,346	\$ 177,647	\$ 149,715
81,556	32,668	166,910	86,287	89,135	71,432
<u>\$ 221,766</u>	<u>\$ 110,384</u>	<u>\$ 277,481</u>	<u>\$ 212,633</u>	<u>\$ 266,782</u>	<u>\$ 221,147</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net investment in capital assets	\$ 1,525,984	\$ 1,642,456	\$ 1,762,158	\$ 1,814,117
Restricted	289,894	338,188	394,932	437,707
Unrestricted	<u>(408,832)</u>	<u>(364,090)</u>	<u>(357,940)</u>	<u>(334,815)</u>
Total governmental activities net position	<u>\$ 1,407,046</u>	<u>\$ 1,616,554</u>	<u>\$ 1,799,150</u>	<u>\$ 1,917,009</u>
Business-type activities				
Net investment in capital assets	\$ 1,524,744	\$ 1,566,302	\$ 1,551,017	\$ 1,698,018
Restricted	311,665	329,262	419,118	564,854
Unrestricted	<u>94,259</u>	<u>124,490</u>	<u>153,948</u>	<u>(94,361)</u>
Total business-type activities net position	<u>\$ 1,930,668</u>	<u>\$ 2,020,054</u>	<u>\$ 2,124,083</u>	<u>\$ 2,168,511</u>
Primary government				
Net investment in capital assets	\$ 3,050,728	\$ 3,208,758	\$ 3,313,175	\$ 3,512,135
Restricted	601,559	667,450	814,050	1,002,561
Unrestricted	<u>(314,573)</u>	<u>(239,600)</u>	<u>(203,992)</u>	<u>(429,176)</u>
Total primary government net position	<u>\$ 3,337,714</u>	<u>\$ 3,636,608</u>	<u>\$ 3,923,233</u>	<u>\$ 4,085,520</u>

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 1,889,721	\$ 1,922,455	\$ 1,920,793	\$ 1,905,722	2,109,711	2,204,046
443,686	441,052	440,959	452,529	499,601	576,224
(276,188)	(228,572)	(116,673)	13,174	(65,063)	(95,610)
<u>\$ 2,057,219</u>	<u>\$ 2,134,935</u>	<u>\$ 2,245,079</u>	<u>\$ 2,371,425</u>	<u>\$ 2,544,249</u>	<u>\$ 2,684,660</u>
\$ 1,604,179	\$ 1,580,093	\$ 1,622,274	\$ 1,627,435	\$ 1,612,685	\$ 1,616,435
649,948	259,357	311,596	267,262	214,515	216,803
(4,060)	443,285	515,775	641,235	777,194	842,588
<u>\$ 2,250,067</u>	<u>\$ 2,282,735</u>	<u>\$ 2,449,645</u>	<u>\$ 2,535,932</u>	<u>\$ 2,604,394</u>	<u>\$ 2,675,826</u>
\$ 3,493,900	\$ 3,502,548	\$ 3,543,067	\$ 3,533,157	\$ 3,722,396	\$ 3,820,481
1,093,634	700,409	752,555	719,791	714,116	793,027
(280,248)	214,713	399,102	654,409	712,131	746,978
<u>\$ 4,307,286</u>	<u>\$ 4,417,670</u>	<u>\$ 4,694,724</u>	<u>\$ 4,907,357</u>	<u>\$ 5,148,643</u>	<u>\$ 5,360,486</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Nonspendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Reserved	\$ 18,693	\$ 24,219	\$ 27,346	\$ 16,064
Unreserved				
Designated	28,681	23,230	23,319	7,396
Undesignated	<u>96,617</u>	<u>96,315</u>	<u>89,983</u>	<u>73,765</u>
Total General Fund	<u>\$ 143,991</u>	<u>\$ 143,764</u>	<u>\$ 140,648</u>	<u>\$ 97,225</u>
All Other Governmental Funds				
Nonspendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Reserved	\$ 103,513	\$ 108,317	\$ 101,045	\$ 93,564
Unreserved				
Designated				
Special revenue funds	25,141	26,951	37,129	43,682
Debt service funds	-	-	-	-
Capital project funds	-	-	-	-
Undesignated				
Special revenue funds	58,618	67,268	84,541	138,512
Debt service funds	28,635	30,413	27,666	32,762
Capital project funds	<u>57,069</u>	<u>43,678</u>	<u>80,946</u>	<u>94,692</u>
Total all other governmental funds	<u>\$ 272,976</u>	<u>\$ 276,627</u>	<u>\$ 331,327</u>	<u>\$ 403,212</u>

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

In 2008, the County Council moved the Rainy Day reserve from the general fund to a special revenue fund reducing general fund balance by approximately \$15 million. From 2011 forward, it is being reported as part of the general fund in accordance with GASB Statement No. 54.

Beginning in 2011, fund balance categories were reclassified as a result of implementing GASB 54. Fund balance was not restated to the new categories for prior years. N/A indicates data not available.

Beginning in 2014, Law Library which was formerly reported as an agency fund under miscellaneous special districts is now reported as part of the primary government as a special revenue fund under Justice and Safety.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
N/A	N/A	\$ 3,800	\$ 3,800	\$ 300	\$ 300
N/A	N/A	3,309	2,702	2,506	2,803
N/A	N/A	23,694	21,761	24,982	20,212
N/A	N/A	7,420	8,827	8,264	8,151
N/A	N/A	96,545	102,554	78,318	71,742
\$ 14,915	\$ 16,632	N/A	N/A	N/A	N/A
3,207	4,001	N/A	N/A	N/A	N/A
64,304	67,610	N/A	N/A	N/A	N/A
<u>\$ 82,426</u>	<u>\$ 88,243</u>	<u>\$ 134,768</u>	<u>\$ 139,644</u>	<u>\$ 114,370</u>	<u>\$ 103,208</u>
N/A	N/A	\$ 12,333	\$ 14,648	\$ 14,241	\$ 12,678
N/A	N/A	392,138	406,890	392,824	191,893
N/A	N/A	77,227	86,439	80,368	88,996
N/A	N/A	16,105	33,157	45,224	286,300
N/A	N/A	(10,460)	(8,917)	(6,571)	(7,462)
\$ 120,349	\$ 94,384	N/A	N/A	N/A	N/A
42,170	71,036	N/A	N/A	N/A	N/A
-	-	N/A	N/A	N/A	N/A
-	-	N/A	N/A	N/A	N/A
183,034	165,317	N/A	N/A	N/A	N/A
36,704	42,694	N/A	N/A	N/A	N/A
26,694	77,148	N/A	N/A	N/A	N/A
<u>\$ 408,951</u>	<u>\$ 450,579</u>	<u>\$ 487,343</u>	<u>\$ 532,217</u>	<u>\$ 526,086</u>	<u>\$ 572,405</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**LAST TEN FISCAL YEARS**

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(IN THOUSANDS)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues					
Taxes	\$ 653,194	\$ 690,873	\$ 733,432	\$ 831,135	\$ 836,073
Licenses and permits	17,059	18,226	19,576	19,601	19,628
Intergovernmental revenues	417,407	442,094	453,577	493,554	543,951
Charges for services	228,126	229,734	255,194	234,883	247,083
Fines and forfeits	6,362	8,084	9,616	9,536	10,142
Interest earnings	24,274	38,072	29,065	27,794	15,219
Miscellaneous revenues	46,189	51,081	57,504	56,071	55,496
Total revenues	<u>1,392,611</u>	<u>1,478,164</u>	<u>1,557,964</u>	<u>1,672,574</u>	<u>1,727,592</u>
Expenditures					
General government services	137,416	141,318	157,751	147,633	163,615
Law, safety and justice	429,541	467,053	496,376	534,238	560,059
Physical environment	51,408	56,601	63,924	91,301	107,804
Transportation	88,473	95,758	106,396	113,898	118,817
Economic environment	87,080	91,955	94,187	99,465	105,145
Mental and physical health	344,036	361,334	381,817	420,053	460,206
Culture and recreation	34,744	38,981	47,512	53,194	49,168
Debt service					
Redemption of long-term debt	78,160	80,192	87,195	79,071	117,736
Interest	55,248	53,427	41,638	40,614	36,227
Other debt service costs	557	11,623	12,837	15,096	22,261
Capital outlay	83,936	86,746	74,135	105,673	85,161
Total expenditures	<u>1,390,599</u>	<u>1,484,988</u>	<u>1,563,768</u>	<u>1,700,236</u>	<u>1,826,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,012</u>	<u>(6,824)</u>	<u>(5,804)</u>	<u>(27,662)</u>	<u>(98,607)</u>
Other Financing Sources (Uses)					
Transfers in	146,014	169,156	178,186	218,146	171,100
Transfers out	(144,458)	(166,282)	(175,063)	(213,003)	(171,715)
General government debt issued	2,134	4,716	48,395	48,755	84,810
Premium on bonds sold	2,112	1,633	3,890	170	5,831
Refunding bonds issued	22,510	38,330	54,565	-	42,869
General long-term debt - capital leases	184	-	-	-	-
Sale of capital assets	4,307	2,274	4,548	2,080	2,719
Payment to refunded bonds escrow agent	(24,360)	(39,579)	(57,133)	-	(46,067)
Total other financing sources (uses)	<u>8,443</u>	<u>10,248</u>	<u>57,388</u>	<u>56,148</u>	<u>89,547</u>
Net change in fund balances	<u>\$ 10,455</u>	<u>\$ 3,424</u>	<u>\$ 51,584</u>	<u>\$ 28,486</u>	<u>\$ (9,060)</u>
Debt service as a percentage of noncapital expenditures	10.21%	9.56%	8.65%	7.51%	8.84%

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

Beginning in 2014, Law Library which was formerly reported as an agency fund under miscellaneous special districts is now reported as part of the primary government as a special revenue fund under Justice and Safety.

2010	2011	2012	2013	2014
\$ 826,408	\$ 837,350	\$ 818,822	\$ 861,622	\$ 932,756
20,936	20,576	21,652	22,155	23,633
560,068	570,794	597,549	572,424	656,830
232,227	249,612	249,755	269,853	270,977
9,001	8,635	8,499	7,376	6,357
7,340	6,005	6,550	3,456	5,008
60,202	58,373	88,590	79,705	75,419
<u>1,716,182</u>	<u>1,751,345</u>	<u>1,791,417</u>	<u>1,816,591</u>	<u>1,970,980</u>
145,108	157,215	191,558	203,740	196,721
556,471	553,127	570,926	590,701	619,161
107,297	101,516	98,962	123,241	190,979
107,388	106,888	90,737	77,468	99,991
102,804	111,682	104,787	98,656	102,208
460,584	467,409	481,747	490,932	521,960
51,069	53,260	57,067	44,188	46,665
62,901	50,772	56,913	70,686	71,998
30,805	29,835	25,186	33,000	31,504
15,990	42,791	2,720	608	260
115,399	122,310	138,279	119,746	78,595
<u>1,755,816</u>	<u>1,796,805</u>	<u>1,818,882</u>	<u>1,852,966</u>	<u>1,960,042</u>
<u>(39,634)</u>	<u>(45,460)</u>	<u>(27,465)</u>	<u>(36,375)</u>	<u>10,938</u>
142,569	157,027	142,955	187,571	175,619
(139,773)	(155,565)	(137,706)	(188,847)	(167,519)
82,465	109,085	51,980	-	15,395
6,521	5,793	59,146	7,261	6,370
41,250	25,700	256,615	92,940	34,815
-	-	-	-	-
(392)	17,141	547	5,638	1,157
<u>(45,561)</u>	<u>(28,242)</u>	<u>(296,322)</u>	<u>(99,593)</u>	<u>(38,958)</u>
<u>87,079</u>	<u>130,939</u>	<u>77,215</u>	<u>4,970</u>	<u>26,879</u>
<u>\$ 47,445</u>	<u>\$ 85,479</u>	<u>\$ 49,750</u>	<u>\$ (31,405)</u>	<u>\$ 37,817</u>
5.71%	4.81%	4.89%	5.98%	5.50%

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)**

YEAR	TAXABLE REAL PROPERTY				TAXABLE PERSONAL PROPERTY	
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	MANUFACTURING PROPERTY	OTHER	MACHINERY & EQUIPMENT	OTHER
2005	\$ 183,256,711	\$ 36,199,927	\$ 6,760,083	\$ 8,443,463	\$ 6,395,974	\$ 7,855,625
2006	198,127,989	38,824,503	7,131,275	11,681,018	6,960,327	7,845,999
2007	220,370,481	44,100,498	7,817,974	10,748,360	7,390,343	8,327,543
2008	249,962,370	50,972,853	8,673,833	14,267,768	7,808,288	9,310,328
2009	286,099,396	60,331,491	9,792,547	13,072,328	8,205,353	9,388,613
2010	243,764,953	58,386,704	10,417,510	11,506,856	8,704,135	9,191,359
2011	238,365,326	54,362,043	9,249,529	10,797,671	8,950,510	8,689,920
2012	227,449,614	54,172,019	8,712,532	11,044,708	8,601,970	9,480,094
2013	222,163,087	56,215,135	8,654,663	10,009,341	8,600,412	9,103,568
2014	243,285,020	59,878,692	8,817,579	10,443,602	9,768,484	8,450,240

Source: King County Department of Assessments.

Ratios for real property and personal property were provided by State of Washington Department of Revenue.

Total Direct Tax Rate is per \$1,000 of assessed value.

TOTAL TAXABLE PROPERTY		PERCENTAGE OF ASSESSED VALUE TO ESTIMATED ACTUAL VALUE	TOTAL DIRECT TAX RATE
ASSESSED VALUE	ESTIMATED ACTUAL VALUE		
\$ 248,911,783	\$ 260,484,740	95.6%	\$ 1.81
270,571,111	294,821,227	91.8%	1.75
298,755,199	342,607,599	87.2%	1.69
340,995,440	405,511,641	84.1%	1.64
386,889,728	431,461,548	89.7%	1.49
341,971,517	403,965,414	84.7%	1.72
330,414,999	365,786,645	90.3%	1.67
319,460,937	346,131,439	92.3%	1.32
314,746,206	341,029,914	92.3%	1.87
340,643,617	369,147,710	92.3%	1.94

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
County Direct Rates						
General	\$ 1.38	\$ 1.33	\$ 1.29	\$ 1.21	\$ 1.10	\$ 1.28
Emergency Medical Services	.15	.14	.13	.19	.18	0.19
Road District	.28	.28	.27	.24	.22	0.25
Total County Direct Rates	1.81	1.75	1.69	1.64	1.50	1.72
State School Fund Rates	2.69	2.50	2.33	2.13	1.96	2.22
Port of Seattle Rates	.25	.23	.23	.22	.20	.22
Ferry District Rates	-	-	-	.06	.05	-
King County Library System Rates	.53	.53	.50	.45	.42	.49
Cities and Towns Rates	.37-3.35	.36-3.16	.35-3.22	.33-2.77	.30-2.58	.33-2.92
School Districts Rates	1.89-5.81	2.02-5.37	1.73-4.95	1.39-4.73	1.18-4.54	1.74-5.28
Water Districts Rates	.18	.18	-	-	-	-
Fire Districts Rates	.76-1.66	.72-1.68	.69-1.67	.77-1.68	.74-1.65	.83-1.90
Hospital Districts Rates	.09-.70	.47-.59	.46-.56	.43-.59	.40-.53	.46-.63
Flood Zone Districts Rates	.05	.05	.04	.10	.09	0.10
Park & Recreation Districts Rates	.04-.42	.04-.47	.04-.45	.03-.49	.01-.44	.01-.52
Miscellaneous Districts Rates	.05-.11	.05-.40	.04-.48	.04-.44	.04-.44	.04-.47

Source: King County Department of Assessments

Notes: (1) Limitations on levies: Article 7, § 2 (as amended) of the Washington State Constitution and the Revised Code of Washington (RCW) 84.52.050 limit the total "regular" property tax levy to a maximum of \$10 per \$1,000 of true and fair value of real and personal property valuation. This "1 percent of value" limitation does not include tax levies for port and public utility districts. This limit is subject to further reduction since RCW 84.52.043(2) limits the overlapping levy rate excluding the State (school), port districts, and public utility districts to \$5.90 per \$1,000 of assessed value. RCW 84.55.010, as amended by Ch. 1, Laws of 2002 (approved as Initiative 747 by State voters in November 2001) also limits the total dollar amount of regular property taxes levied by individual taxing districts to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an amount applicable to new construction. The limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than one percent, the limit factor can be increased to 101 percent, if approved by a majority plus one vote of the governing body of the municipality upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the municipality upon a finding of substantial need and is also approved by the voters at a general or special election within the municipality. These limitations are not applicable to "excess" or special levies approved by the electorate of districts.

(2) Real and personal property taxes are payable on or after February 15. Unpaid taxes become delinquent after April 30, unless tax is \$50 or more and one-half is paid before April 30. In this case, the second half is not delinquent until after October 31.

(3) Tax rates are in per \$1,000 of assessed value. Rates include excess and special levies not subject to the limitations discussed in footnote (1) above.

	2011	2012	2013	2014
\$	1.34	\$ 1.42	\$ 1.54	\$ 1.52
	0.19	0.19	0.19	0.21
	0.15	0.23	0.22	0.21
	1.68	1.84	1.95	1.94
	2.28	2.42	2.57	2.47
	0.22	0.23	0.23	0.22
	0.004	0.004	0.004	0.003
	0.57	0.57	0.57	0.56
	.39-3.06	.39-3.28	.40-3.29	.36-3.12
	1.80-6.00	1.81-6.14	1.83-7.55	1.94-7.28
	-	-	-	-
	.88-1.90	.14-1.94	.15-2.41	.14-2.42
	.48-.56	.31-.50	.50-.52	.47-.50
	0.11	0.12	0.13	0.15
	.02-.80	.02-.74	.02-.50	.02-.53
	.04-.50	.05-.50	.10-.50	.04-.50

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

YEAR	TAXES LEVIED FOR THE YEAR		TOTAL ADJUSTED TAX LEVY	COLLECTED WITHIN THE YEAR OF THE LEVY		COLLECTIONS SUBSEQUENT YEARS
	(ORIGINAL LEVY)	ADJUSTMENTS		AMOUNT	PERCENTAGE OF ORIGINAL LEVY	
2005	\$ 448,420	\$ (621)	\$ 447,799	\$ 440,109	98.15%	\$ 7,657
2006	471,429	(1,274)	470,155	462,851	98.18%	7,267
2007	500,896	(751)	500,145	492,120	98.25%	7,977
2008	586,746	(172)	586,574	575,431	98.07%	11,092
2009	607,030	(824)	606,206	594,263	97.90%	11,878
2010	616,316	(190)	616,126	604,359	98.06%	11,642
2011	617,426	(273)	617,153	606,573	98.24%	10,410
2012	618,371	(174)	618,197	607,960	98.32%	8,460
2013	648,586	(52)	648,534	638,073	98.38%	7,049
2014	706,912	-	706,912	696,423	98.52%	-

Source: Treasury Property Tax Year End Reports for 2005-2014

Note: The levy of any given fiscal year is based on the assessed values from the tax roll of the preceding calendar year. The amounts in the total uncollected taxes column are cumulative totals of all taxes levied at the end of the year.

<u>TOTAL COLLECTIONS TO DATE</u>		<u>TOTAL UNCOLLECTED TAXES</u>	
<u>AMOUNT</u>	<u>PERCENTAGE OF ADJUSTED LEVY</u>	<u>AMOUNT</u>	<u>PERCENTAGE OF ADJUSTED LEVY</u>
\$ 447,766	99.99%	33	0.01%
470,118	99.99%	37	0.01%
500,097	99.99%	48	0.01%
586,523	99.99%	51	0.01%
606,141	99.99%	65	0.01%
616,001	99.98%	125	0.02%
616,983	99.97%	170	0.03%
616,420	99.71%	1,777	0.29%
645,122	99.47%	3,412	0.53%
696,423	98.52%	10,489	1.48%

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

TAXPAYER	2014			2005		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Microsoft	3,463,942	1	1.02 %	\$ 1,429,606	2	0.61 %
Boeing	3,043,914	2	0.89	2,629,884	1	1.12
Puget Sound Energy	2,003,150	3	0.59	1,347,182	3	0.57
Alaska Airlines	864,581	4	0.25	441,939	7	0.19
AT&T Mobility LLC	677,495	5	0.20	780,962	5	0.33
CenturyLink (a)	590,648	6	0.17	1,092,777	4	0.46
Kemper Development (b)	578,914	7	0.17	-		0.00
Union Square LLC	570,514	8	0.17	373,591	9	0.16
W2007 Seattle (c)	506,623	9	0.15	-		0.00
Kilroy Realty (Three Bellevue Center LLC)	440,554	10	0.13	-		0.00
EOP Northwest Properties	-		-	499,896	6	0.21
Bank of America	-		-	416,715	8	0.18
Martin Selig	-		-	325,269	10	0.14
Total	12,740,335		3.74 %	9,337,821		3.97 %
Total Assessed Valuation of other taxpayers	327,903,281		96.26 %	226,496,433		96.03 %
Total 2013 Assessed Valuation for taxes due in 2014	<u>\$ 340,643,616</u>		<u>100.00 %</u>			
Total 2004 Assessed Valuation for taxes due in 2005				<u>\$ 235,834,254</u>		<u>100.00 %</u>

Source: King County Department of Assessments.

(a) Formerly known as Qwest Corporation

(b) Formerly known as Bellevue Square Managers Inc.

(c) Formerly known as Archon Group LP

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**
(DOLLARS IN THOUSANDS, EXCEPT PER CAPITA AMOUNT)

GENERAL BONDED DEBT OUTSTANDING						
FISCAL YEAR	GENERAL OBLIGATION BONDS ^(a)	GENERAL OBLIGATION BOND ANTICIPATION NOTES	GENERAL OBLIGATION LEASE REVENUE BONDS	GENERAL BONDED DEBT OUTSTANDING	GENERAL OBLIGATION CAPITAL LEASES	SPECIAL ASSESSMENT BONDS
2005	\$ 1,747,786	\$ 60,000	\$ 236,025	\$ 2,043,811	\$ 7,256	\$ 15
2006	1,549,363	83,990	422,505	2,055,858	4,695	15
2007	1,517,791	43,975	414,535	1,976,301	4,324	15
2008	1,407,997	48,755	408,640	1,865,392	4,000	-
2009	1,696,815	27,095	402,455	2,126,365	-	-
2010	1,812,306	84,290	395,990	2,292,586	-	-
2011	1,748,360	82,295	385,525	2,216,180	-	-
2012	1,885,236	73,395	321,780	2,280,411	-	-
2013	1,881,480	-	265,325	2,146,805	-	-
2014	1,847,680	-	217,900	2,065,580	-	-

FISCAL YEAR	TOTAL	PERCENTAGE OF ESTIMATED ACTUAL TAX- ABLE VALUE ^(b) OF PROPERTY	PER CAPITA ^(c)
2005	\$ 2,051,082	0.79%	1,142
2006	2,060,568	0.70%	1,130
2007	1,980,640	0.58%	1,072
2008	1,869,392	0.46%	997
2009	2,126,365	0.49%	1,112
2010	2,292,586	0.57%	1,183
2011	2,216,180	0.61%	1,124
2012	2,280,411	0.66%	1,136
2013	2,146,805	0.63%	1,050
2014	2,065,580	0.56%	1,024

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

(a) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

(b) Property value data can be found in the table "Assessed and Estimated Actual Value of Taxable Property."

(c) Population data can be found in the table "Demographic and Economic Statistics."

King County, Washington

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF DECEMBER 31, 2014 (IN THOUSANDS)

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED^(a) PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
DEBT REPAYED WITH PROPERTY TAXES			
King County – net overlapping debt:			
Port of Seattle	\$ 225,420	100.00%	\$ 225,420
School Districts:			
Bellevue SD	657,046	100.00%	657,046
Lake Washington SD	437,754	100.00%	437,754
Issaquah SD	358,804	100.00%	358,804
Renton SD	286,353	100.00%	286,353
Northshore SD	348,387	65.30%	227,509
Highline SD	253,586	100.00%	253,586
Shoreline SD	196,091	100.00%	196,091
Federal Way SD	168,901	100.00%	168,901
Kent SD	156,461	100.00%	156,461
Auburn SD	159,950	92.53%	147,997
Other school districts	418,085	100.00%	418,084
Total school districts	3,441,418		3,308,586
Cities and towns: ^(b)			
City of Seattle	857,819	100.00%	857,819
City of Bellevue	213,257	100.00%	213,257
City of Renton	69,292	100.00%	69,292
City of Kent	64,504	100.00%	64,504
City of Redmond	61,780	100.00%	61,780
City of Auburn	57,608	100.00%	57,608
City of Kirkland	41,416	100.00%	41,416
City of Bothell	39,375	51.26%	20,184
City of Shoreline	33,520	100.00%	33,520
Other cities and towns	185,335	99.98%	185,296
Total cities and towns	1,623,906		1,604,676
Hospital districts	219,138	100.00%	219,138
King County Library System	118,264	98.17%	116,098
Fire districts	72,284	100.00%	72,284
Library capital facility districts	4,263	100.00%	4,263
Parks and recreation service area district	1,641	65.33%	1,072
Park Districts	5,184	100.00%	5,184
TOTAL KING COUNTY – NET OVERLAPPING DEBT	5,711,518		5,556,721
KING COUNTY – NET DIRECT DEBT	833,244 ^(c)	100.00%	833,244
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 6,544,762		\$ 6,389,965

Source: Assessed value data used to estimate percentages applicable to this governmental unit are provided by the King County Department of Assessments.

Note: Within King County, other municipal governments incur general obligation debt. Debts incurred by other governmental units, although overlapping, have no claim on any County revenues.

(a) Determined by ratio of assessed valuation of property in overlapping unit subject to taxation in reporting unit to total valuation of property subject to taxation in overlapping unit.

(b) Outstanding debts are provided by the cities and towns.

(c) \$ 1,207,980 General long-term debt – net general obligation bonds, lease revenue bonds, unamortized premium/discounts, installment purchase capital, and leases compensated absences.

(110,694) County Credit enhancement Program - nonexchange financial guarantees

(27,640) Hotel/motel tax financed – kingdome Limited Tax GO bonds

(216,680) General obligation debt financed by Component Unit

(19,722) Funds available in GO Debt Service Funds excluding \$36.647 million of hotel/motel and special taxes

\$ 833,244 NET DIRECT DEBT

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES					
	GENERAL OBLIGATION BONDS	GENERAL OBLIGATION LEASE REVENUE BONDS	PREMIUMS, DISCOUNTS, AND OTHER ADJUSTMENTS	NET GENERAL OBLIGATION AND LEASE REVENUE BONDS	CAPITAL LEASES	SPECIAL ASSESSMENT BONDS
2005	\$ 966,298	\$ 236,025	\$ 30,025	\$ 1,232,348	\$ 7,256	\$ 15
2006	870,445	422,505	26,882	1,319,832	4,695	15
2007	819,221	414,535	26,172	1,259,928	4,324	15
2008	725,698	408,640	21,548	1,155,886	4,000	-
2009	724,295	402,455	22,557	1,149,307	-	-
2010	728,409	395,990	24,233	1,148,632	-	-
2011	748,482	385,525	23,947	1,157,954	-	-
2012	772,439	321,780	66,786	1,161,005	-	-
2013	741,373	265,325	61,793	1,068,491	-	-
2014	717,640	217,900	63,326	998,866	-	-

FISCAL YEAR	BUSINESS-TYPE ACTIVITIES					
	GENERAL OBLIGATION BONDS	SEWER REVENUE BONDS	PREMIUMS, DISCOUNTS, AND OTHER ADJUSTMENTS	NET GENERAL OBLIGATION BONDS AND REVENUE BONDS	CAPITAL LEASES	STATE OF WASHINGTON REVOLVING LOANS
2005	\$ 741,117	\$ 1,189,756	\$ 24,316	\$ 1,955,189	\$ 3,685	\$ 111,483
2006	642,383	1,499,105	34,475	2,175,963	3,611	118,622
2007	663,421	1,724,220	39,810	2,427,451	3,534	118,524
2008	638,066	1,947,905	51,412	2,637,383	3,453	129,186
2009	919,681	2,167,365	52,927	3,139,973	3,368	141,165
2010	1,031,211	2,433,350	71,075	3,535,636	3,279	135,995
2011	1,015,642	2,709,715	128,024	3,853,381	3,186	129,276
2012	1,064,570	2,841,755	176,348	4,082,673	3,087	136,002
2013	1,022,010	2,866,085	194,273	4,082,368	2,983	146,672
2014	1,013,615	2,813,805	207,705	4,035,125	2,874	159,053

FISCAL YEAR	PRIMARY GOVERNMENT		
	TOTAL	PERCENTAGE OF PERSONAL INCOME	DEBT PER CAPITA
2005	\$ 3,309,976	3.67%	1,844
2006	3,622,738	3.65%	1,987
2007	3,813,776	3.58%	2,064
2008	3,929,908	3.63%	2,096
2009	4,433,813	4.32%	2,319
2010	4,823,542	4.58%	2,490
2011	5,143,797	4.55%	2,609
2012	5,382,767	4.33%	2,681
2013	5,300,514	4.13%	2,593
2014	5,195,918	4.05%	2,498

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

Because personal income data is not available for 2014, the percentages use the personal income amount for 2013.

King County, Washington

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

	2005	2006	2007	2008	2009
Assessed Valuation ^(a)	\$ 270,571,111	\$ 298,755,199	\$ 340,995,440	\$ 386,889,728	\$ 341,971,517
Limited Tax General					
for Metropolitan Functions					
Debt Limit - 0.75% of Assessed Value	\$ 2,029,283	\$ 2,240,664	\$ 2,557,466	\$ 2,901,673	\$ 2,564,786
Debt applicable to limit	790,025	696,657	718,376	699,144	985,702
Less: Amounts set aside to repay LTGO debts	(18,173)	(20,126)	(20,482)	(16,541)	(21,904)
Total net debt applicable to the limit	<u>771,852</u>	<u>676,531</u>	<u>697,894</u>	<u>682,603</u>	<u>963,798</u>
Legal Debt Margin ^(b) of LTGO	<u>\$ 1,257,431</u>	<u>\$ 1,564,133</u>	<u>\$ 1,859,572</u>	<u>\$ 2,219,070</u>	<u>\$ 1,600,988</u>
Total net debt applicable to the limit as a percentage of the debt	38.04%	30.19%	27.29%	23.52%	37.58%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit - 1.5% of Assessed Value	\$ 4,058,567	\$ 4,481,328	\$ 5,114,932	\$ 5,803,346	\$ 5,129,573
Debt applicable to limit ^(c)	1,801,177	1,858,302	1,817,183	1,734,629	1,998,947
Less: Amounts set aside to repay LTGO debts	(50,758)	(47,664)	(51,449)	(46,110)	(53,730)
Total net debt applicable to the limit	<u>1,750,419</u>	<u>1,810,638</u>	<u>1,765,734</u>	<u>1,688,519</u>	<u>1,945,217</u>
Legal Debt Margin ^(b) of LTGO	<u>\$ 2,308,148</u>	<u>\$ 2,670,690</u>	<u>\$ 3,349,198</u>	<u>\$ 4,114,827</u>	<u>\$ 3,184,356</u>
Total net debt applicable to the limit as a percentage of the debt limit	43.13%	40.40%	34.52%	29.10%	37.92%
Total General Obligations (GO) for Metropolitan Functions					
Debt Limit - 2.5% of Assessed Value	\$ 6,764,278	\$ 7,468,880	\$ 8,524,886	\$ 9,672,243	\$ 8,549,288
Debt applicable to limit	790,025	696,657	718,376	699,144	985,702
Less: Amounts set aside to repay GO debts	(18,173)	(20,126)	(20,482)	(16,541)	(21,904)
Total net debt applicable to the limit	<u>771,852</u>	<u>676,531</u>	<u>697,894</u>	<u>682,603</u>	<u>963,798</u>
Legal Debt Margin ^(b) of total GO	<u>\$ 5,992,426</u>	<u>\$ 6,792,349</u>	<u>\$ 7,826,992</u>	<u>\$ 8,989,640</u>	<u>\$ 7,585,490</u>
Total net debt applicable to the limit as a percentage of the debt	11.41%	9.06%	8.19%	7.06%	11.27%
Total General Obligations (GO) for County Purposes					
Debt Limit - 2.5% of Assessed Value	\$ 6,764,278	\$ 7,468,880	\$ 8,524,886	\$ 9,672,243	\$ 8,549,288
Debt applicable to limit ^(c)	1,345,162	1,461,755	1,363,072	1,270,260	1,217,955
Less: Amounts set aside to repay GO debts	(47,303)	(41,515)	(41,597)	(39,206)	(41,554)
Total net debt applicable to the limit	<u>1,297,859</u>	<u>1,420,240</u>	<u>1,321,475</u>	<u>1,231,054</u>	<u>1,176,401</u>
Legal Debt Margin ^(b) of total GO	<u>\$ 5,466,419</u>	<u>\$ 6,048,640</u>	<u>\$ 7,203,411</u>	<u>\$ 8,441,189</u>	<u>\$ 7,372,887</u>
Total net debt applicable to the limit as a percentage of the debt limit	19.19%	19.02%	15.50%	12.73%	13.76%

Source: Assessed Valuation data are from King County's Department of Assessments.

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

(a) In compliance with Washington State Budgeting, Accounting and Reporting System (BARS), the most current assessed value is used for a given fiscal year and is for the following calendar year's tax roll.

(b) Legal debt margin is the County's available borrowing authority under state statutes.

(c) Lease revenue bonds reported as capital leases in prior years were reclassified as lease revenue bonds in 2007. The bonds were issued in accordance with the provisions of Revenue Ruling 63-20. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County. The amount of debt applicable to debt limit for County purposes prior to 2007 has been restated to reflect this reclassification.

King County, Washington

	2010	2011	2012	2013	2014
Assessed Valuation ^(a)	\$ 330,414,999	\$ 319,460,937	\$ 314,746,207	\$ 340,643,616	\$ 388,118,856
Limited Tax General Obligations for Metropolitan Functions					
Debt Limit – 3/4% of Assessed Value	\$ 2,478,112	\$ 2,395,957	\$ 2,360,597	\$ 2,554,827	\$ 2,910,891
Debt applicable to limit	1,099,943	1,059,464	1,132,185	1,092,797	1,126,570
Less: Amounts set aside to repay LTGO debts	(20,829)	(19,310)	(20,128)	(25,148)	(42,336)
Total net debt applicable to the limit	1,079,114	1,040,154	1,112,057	1,067,649	1,084,234
Legal Debt Margin ^(b) of LTGO	\$ 1,398,998	\$ 1,355,803	\$ 1,248,540	\$ 1,487,178	\$ 1,826,657
Total net debt applicable to the limit					
limit	43.55%	43.41%	47.11%	41.79%	37.25%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit – 1½% of Assessed Value	\$ 4,956,225	\$ 4,791,914	\$ 4,721,193	\$ 5,109,654	\$ 5,821,783
Debt applicable to limit ^(c)	2,106,580	2,211,173	2,181,468	2,070,328	2,110,601
Less: Amounts set aside to repay LTGO debts	(64,177)	(64,943)	(62,179)	(57,509)	(54,910)
Total net debt applicable to the limit	2,042,403	2,146,230	2,119,289	2,012,819	2,055,691
Legal Debt Margin ^(b) of LTGO	\$ 2,913,822	\$ 2,645,684	\$ 2,601,904	\$ 3,096,835	\$ 3,766,092
Total net debt applicable to the limit					
as a percentage of the debt limit	41.21%	44.79%	44.89%	39.39%	35.31%
Total General Obligations (GO) for Metropolitan Functions					
Debt Limit – 2½% of Assessed Value	\$ 8,260,375	\$ 7,986,523	\$ 7,868,655	\$ 8,516,090	\$ 9,702,971
Debt applicable to limit	1,099,943	1,059,464	1,132,185	1,092,797	1,126,570
Less: Amounts set aside to repay GO debts	(20,829)	(19,310)	(20,128)	(25,148)	(42,336)
Total net debt applicable to the limit	1,079,114	1,040,154	1,112,057	1,067,649	1,084,234
Legal Debt Margin ^(b) of total GO	\$ 7,181,261	\$ 6,946,369	\$ 6,756,598	\$ 7,448,441	\$ 8,618,737
Total net debt applicable to the limit					
limit	13.06%	13.02%	14.13%	12.54%	11.17%
Total General Obligations (GO) for County Purposes					
Debt Limit – 2½% of Assessed Value	\$ 8,260,375	\$ 7,986,523	\$ 7,868,655	\$ 8,516,090	\$ 9,702,971
Debt applicable to limit ^(c)	1,193,132	1,303,129	1,190,973	1,104,336	1,097,286
Less: Amounts set aside to repay GO debts	(53,891)	(52,267)	(48,774)	(39,292)	(19,723)
Total net debt applicable to the limit	1,139,241	1,250,862	1,142,199	1,065,044	1,077,563
Legal Debt Margin ^(b) of total GO	\$ 7,121,134	\$ 6,735,661	\$ 6,726,456	\$ 7,451,046	\$ 8,625,408
Total net debt applicable to the limit					
as a percentage of the debt limit	13.79%	15.66%	14.52%	12.51%	11.11%

**REVENUE BOND COVERAGE FOR THE WATER QUALITY ENTERPRISE
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)**

<u>YEAR</u>	<u>OPERATING REVENUES</u>	<u>INTEREST EARNED ON INVESTMENTS</u>	<u>OPERATING AND MAINTENANCE EXPENSE</u>	<u>NET AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE</u>		<u>COVERAGE</u>
					<u>PRINCIPAL</u>	<u>INTEREST</u>	
2005	221,043	6,617	83,651	144,009	29,330	79,190	133%
2006	241,317	9,131	91,120	159,328	30,890	80,723	143%
2007	262,930	5,559	95,574	172,915	32,585	92,120	139%
2008	284,173	4,087	98,370	189,890	34,445	102,276	139%
2009	306,856	5,613	103,118	209,351	34,620	110,558	144%
2010	304,825	3,426	103,682	204,569	36,490	109,975	140%
2011	337,430	2,725	103,995	236,160	41,735	124,429	142%
2012	381,875	1,697	114,939	268,633	42,725	154,079	137%
2013	421,986	2,682	117,183	307,485	57,630	158,393	142%
2014	435,788	2,822	124,201	314,409	60,615	157,724	144%

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

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

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

**WATER QUALITY ENTERPRISE
ADDITIONAL COVERAGE RATIOS
DECEMBER 31, 2014**

The Water Quality Enterprise is obligated by applicable bond ordinances to set sewage disposal rates at a level adequate to provide net revenue equal to at least 1.15 times the annual debt service requirements for sewer revenue and general obligation bonds payable from revenues of Water Quality. It is an adopted policy of Water Quality to achieve a debt service coverage ratio of 1.25.

Coverage (1.15 required by covenant, adopted policy 1.25)	1.44
---	------

In 2001, the County adopted a new debt service coverage target of 1.15 times the annual debt service for bonds, obligations, notes, and loans of the Enterprise.

Coverage (1.15 adopted target)	1.33
--------------------------------	------

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

Coverage (1.00 required by covenant)	1.26
--------------------------------------	------

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

Coverage (1.10 required by covenant)	31.95
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**OPERATING AND CAPITAL INDICATORS BY FUNCTION
LAST TEN YEARS**

	2005	2006	2007	2008	2009
Public Works					
Miles of Paved Roads	1,801	1,795	1,803	1,710	1,694
Miles of Unpaved Roads	55	54	51	51	51
Bridges	187	187	184	183	182
Building Permits					
Permits	3,359	2,982	2,900	1,867	1,324
Value of Buildings (in thousands)	\$ 716,076	\$ 575,524	\$ 562,836	\$ 327,942	\$ 233,635
Justice and Law Enforcement					
Sheriff's Office					
Number of Employees - Commission	704	734	714	743	729
Number of Employees - Civilian	355	305	312	313	290
Motor Pool Fleet - Vehicles	651	703	670	662	638
Motor Pool Fleet - Boats	5	8	8	8	8
Motor Pool Fleet - Helicopters	5	5	6	7	7
Adult Detention					
Average Daily Adult Custodial Population	2,603	2,667	2,727	2,575	2,402
Average Length of Stay (in days)	19	19	19	20	21
Bookings	50,628	53,433	53,697	48,234	44,797
Parks and Land Use					
Number of Parks	222	225	220	228	223
Acres of Parks	121,597	120,788	120,745	164,676	168,842
Public Transportation					
Size of Fleet - Buses	1,536	1,545	1,519	1,508	1,560
Size of Fleet - Active Commuter Vans	732	934	1,024	1,207	1,088
Annual Bus Trips	104,087,362	109,388,007	117,492,162	126,516,426	119,485,069
Annual Commuter Van Trips	1,795,611	2,173,189	2,605,018	3,148,550	3,187,454
Wastewater Treatment					
Total Sewer Customers (Residences & Residential Customer Equivalents)	689,817	690,934	702,946	706,800	703,800
New Sewer Connections Equivalents	9,600	10,900	12,200	11,331	8,949
Monthly Sewer Rate	\$25.60	\$25.60	\$27.95	\$27.95	\$31.90
Residential Connection Charge (Monthly for 15 years)	\$34.05	\$34.05	\$42.00	\$46.25	\$47.64
Total Sewer Revenues (in thousands)	\$212,069	\$212,117	\$227,665	\$240,001	\$256,160
Number of Treatment Plants	3	3	3	4	4
Total Treatment Capacity					
Million of Gallons per Day (MGD)	766	766	767	767	767
Average Daily Flow (MGD)	170	198	178	162	169
Peak Daily Flow (MGD)	483	542	636	444	525

Source: Various King County Agencies.

2010	2011	2012	2013	2014
1,581	1,479	1,451	1,441	1,442
51	51	53	51	51
180	181	182	181	181
1,341	1,123	2,021	1,303	1,309
\$ 245,912	\$ 235,562	\$ 366,207	\$ 257,261	\$ 292,863
683	645	637	650	671
346	376	287	385	378
642	632	632	629	602
8	8	8	8	8
7	5	4	4	4
2,352	2,201	1,946	1,960	2,076
20	21	22	21	22
43,018	38,089	33,506	34,282	34,724
218	215	219	220	221
169,719	170,273	170,574	171,196	171,659
1,465	1,505	1,503	1,462	1,423
1,075	1,228	1,283	1,365	1,421
117,001,651	119,839,513	123,127,290	126,682,034	129,000,000
2,851,000	3,118,006	3,450,656	3,523,813	3,416,140
704,400	707,300	708,900	718,160	725,844
6,974	5,855	7,915	8,467	10,767
\$31.90	\$36.10	\$36.10	\$39.79	\$39.79
\$49.07	\$50.45	\$53.50	\$53.50	\$55.35
\$253,684	\$285,607	\$321,066	\$353,200	\$364,591
4	5	5	5	5
767	767	895	895	895
178	173	188	167	186
639	472	523	500	541

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
FUNCTION/PROGRAM										
General government	1,560	1,506	1,568	1,585	1,657	1,597	1,558	1,497	1,559	1,856
Law, safety & justice	3,556	3,683	3,730	3,857	3,905	3,801	3,619	3,871	3,647	3,929
Physical environment	1,488	1,652	1,670	1,692	1,394	1,363	1,345	1,275	1,283	1,293
Transportation	4,373	4,509	4,589	4,931	4,918	4,851	4,850	4,554	4,525	4,581
Economic environment	409	316	311	303	376	294	288	186	187	175
Mental and physical health	1,512	1,397	1,336	1,455	1,461	1,474	1,416	1,406	1,284	1,288
Culture and recreation	156	151	157	176	210	207	209	204	211	221
Total	<u>13,054</u>	<u>13,214</u>	<u>13,361</u>	<u>13,999</u>	<u>13,921</u>	<u>13,587</u>	<u>13,285</u>	<u>12,993</u>	<u>12,696</u>	<u>13,343</u>

Source: King County Budget Office Essbase Budget Development System.

Note: A full-time employee is scheduled to work 261 days per year (365 minus two days off per week). At eight hours per day, 2,088 hours are scheduled per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,088.

The year-end number represents what was adopted for that year by the King County Council.

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

CALENDAR YEAR	POPULATION	PERSONAL INCOME (1,000s)	PER CAPITA PERSONAL INCOME	AVERAGE EARNINGS PER JOB	UNEMPLOYMENT RATE	
					COUNTY	STATE
2005	1,795,268	\$ 89,432,163	\$ 49,815	\$ 59,391	4.7%	5.5%
2006	1,822,987	99,609,451	54,641	62,550	4.2%	5.0%
2007	1,847,986	106,693,888	57,735	64,480	3.6%	4.7%
2008	1,875,020	109,927,858	58,628	65,742	4.4%	5.4%
2009	1,912,012	103,120,593	53,933	66,204	8.6%	9.2%
2010	1,931,249	106,401,739	54,395	68,569	9.0%	9.9%
2011	1,942,600	113,922,436	57,400	63,806	9.0%	9.2%
2012	2,007,455	124,291,775	61,911	66,773	6.4%	8.1%
2013	2,046,956 *	128,330,859	62,770	67,276	4.9%	7.0%
2014	2,079,967 *	N/A	N/A	N/A	4.6%	6.2%

CALENDAR YEAR	POPULATION 65 YEARS OLD AND OVER	MEDIAN HOUSEHOLD INCOME ESTIMATES	BIRTHS	DEATHS	STUDENTS ENROLLED IN PUBLIC SCHOOLS	STUDENTS ENROLLED IN PRIVATE SCHOOLS
2005	188,330	\$ 61,225	22,877	11,373	257,928	38,835
2006	190,337	63,745	22,890	11,346	261,101	39,797
2007	192,673	65,489	24,491	11,506	257,078	39,781
2008	195,715	67,027	25,051	11,960	259,269	40,957
2009	198,679	65,877	25,108	11,647	259,298	40,136
2010	210,679	65,383	25,002	11,421	259,827	39,429
2011	216,344	66,294	24,400	11,924	262,963	40,276
2012	227,291	69,047	24,702	12,045	267,655	40,428
2013	243,588	69,900 *	25,098	12,131	271,130	40,464
2014	247,516	71,500 *	24,988	14,076	278,409	41,047

N/A = Not yet available

Population*, personal income, per capita personal income and average earnings per job are from Washington Regional Economic Analysis Project - King County, Washington and United States Department of Commerce, Bureau of Economic Analysis, Regional Income Division

* Estimate for 2013 & 2014 Population from the United States Census Bureau, State & County QuickFacts.

Unemployment rates are from State of Washington Employment Security Department, Labor Market and Economic Analysis Branch. Median household income estimates, population 65 old and older, births and deaths are from the Washington State Office of Financial Management, Forecasting Division.

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

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

TYPE OF INDUSTRY	2014			2005		
	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Trade, transportation and utilities	235,758	1	18.45%	221,642	1	19.19%
Professional and business services	207,933	2	16.27%	172,475	2	14.93%
Government	169,608	3	13.27%	161,325	3	13.97%
Educational and health services	167,983	4	13.14%	132,933	4	11.51%
Leisure and hospitality	124,883	5	9.77%	105,992	6	9.18%
Manufacturing	107,025	6	8.37%	107,067	5	9.27%
Information	85,583	7	6.70%	70,067	8	6.07%
Financial activities	72,000	8	5.63%	79,367	7	6.87%
Construction	60,792	9	4.76%	63,158	9	5.47%
Total	<u>1,231,565</u>		<u>96.36%</u>	<u>1,114,026</u>		<u>96.46%</u>
Total Employment	<u>1,278,033</u>			<u>1,154,925</u>		

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

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

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

**TEN LARGEST CUSTOMERS OF THE WATER QUALITY ENTERPRISE
DECEMBER 31, 2014**

	<u>PERCENT OF REVENUE</u>
City of Seattle	39.8%
City of Bellevue	8.8%
Alderwood Water & Wastewater District	5.4%
City of Kent	5.0%
Soos Creek Water & Sewer District	4.9%
City of Auburn	4.3%
City of Redmond	4.2%
City of Renton	4.1%
Northshore Utility District	4.0%
Ronald Wastewater District	<u>2.7%</u>
Total	<u><u>83.2%</u></u>



KING COUNTY IS WORKING WITH MANY PARTNERS – LOCALLY, REGIONALLY AND NATIONALLY – TO ADVANCE EQUITY.

One government alone can't eliminate inequities – the solution lies in community organizations, governments, business, philanthropy, academia and other sectors working together to advance a shared equity agenda.

KING COUNTY PARTICIPATED IN THESE MAJOR PARTNERSHIPS AND NETWORKS DURING THE LAST YEAR:

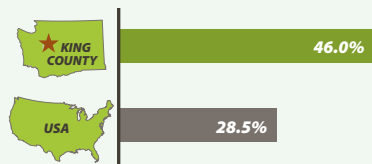
- **Puget Sound Regional Equity Network and summit** - pugetsoundequity.org
- **Governing for Racial Equity Network and conference** - grenetwork.org
- **Place Matters** - jointcenter.org/content/place-matters
- **Race and Social Justice Community Roundtable** - www.seattle.gov/rsji/rsjroundtable
- **Working Democracy: Labor and Politics in an Era of Inequality with the UW Bridges Center** - depts.washington.edu/working

AT A GLANCE, KING COUNTY IS A GREAT PLACE TO LIVE, LEARN, WORK AND PLAY



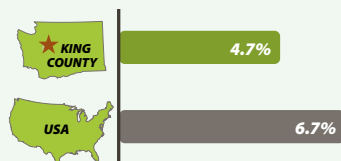
HIGHLY EDUCATED

People 25+ years old with Bachelor's Degree or higher education



LOWER UNEMPLOYMENT

Unemployment rate (Dec. 2013)



STRONG HOUSEHOLD INCOME

Median household income



GOOD HEALTH

Obese adults

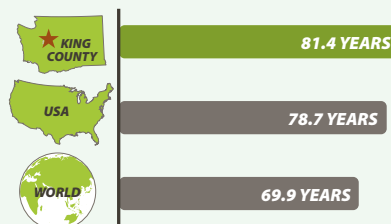


Adults currently smoking



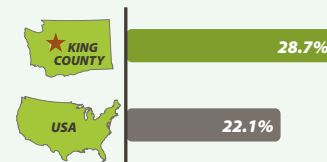
HIGH LIFE EXPECTANCY

Life expectancy at birth

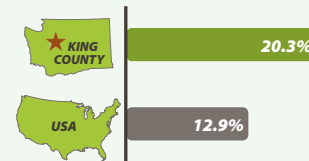


DIVERSE AND GLOBAL COMMUNITY

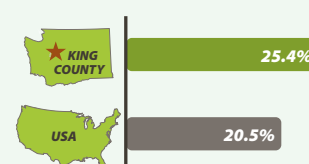
People of color



Foreign born



People (5+ years old) who speak a language other than English at home



A robust and innovative economy, stunning natural beauty, a thriving cultural and arts scene, and openness to diversity make King County a unique home to more than 2 million residents.



BUT WHEN YOU LOOK CLOSER, SIGNIFICANT PORTIONS OF OUR COMMUNITY ARE BEING LEFT BEHIND

There are places such as south King County and racial/ethnic groups such as African Americans, Latinos, Native Americans and Pacific Islanders that do not enjoy the same level of access to our region's benefits and opportunities.

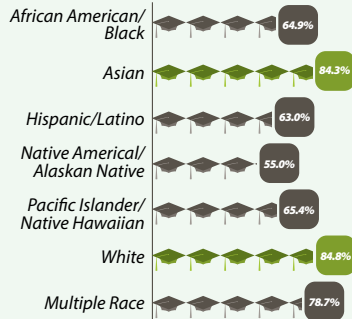


EDUCATION

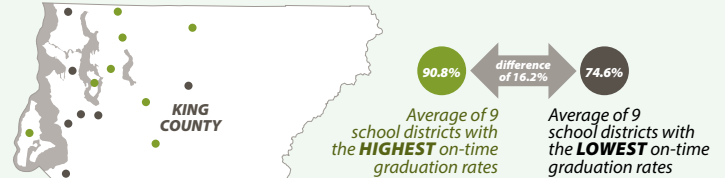
On-time high school graduation rates

■ Above King County (KC) average
-- KC average: 79.4%
■ Below KC average

BY RACE



BY PLACE

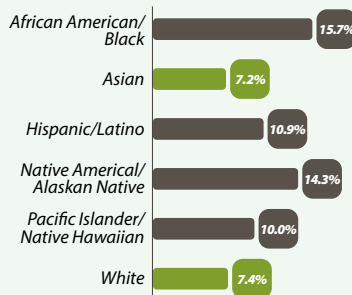


UNEMPLOYMENT

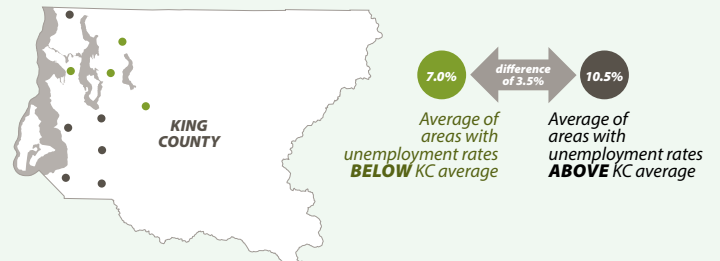
2010-2012

■ Lower unemployment rates
-- KC average: 8.2%
■ Higher unemployment rates

BY RACE



BY PLACE

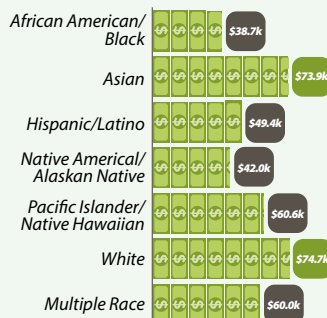


INCOME

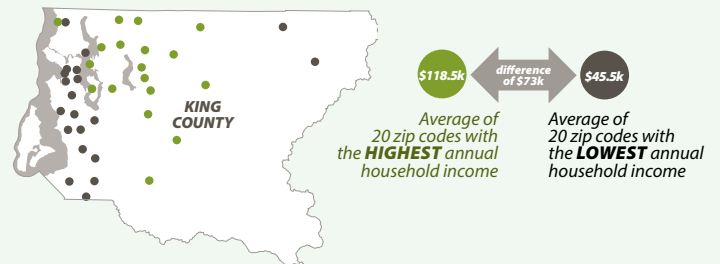
Annual household income

■ Above KC average
-- KC average: \$71,175
■ Below KC average

BY RACE



BY PLACE



THESE DIFFERENCES ARE PREVENTING MANY OF OUR RESIDENTS FROM REACHING THEIR FULL POTENTIAL

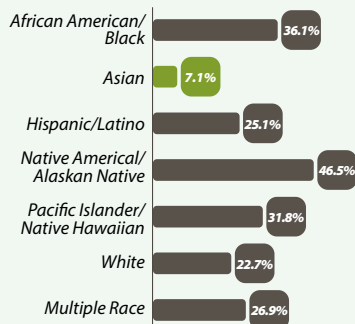


HEALTH

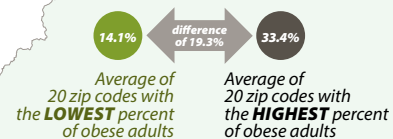
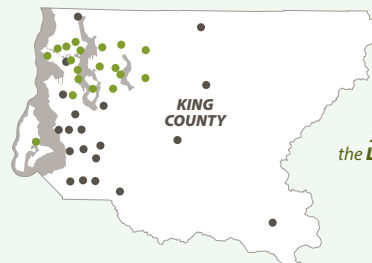
Adults obesity (2008-2012)

- Lower obesity rates
- KC average: 22.2%
- Higher obesity rates

BY RACE



BY PLACE

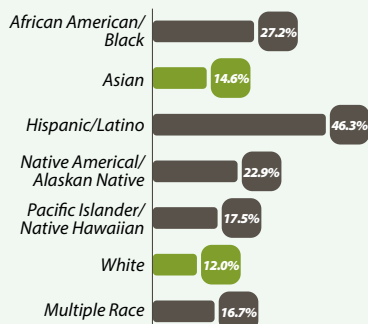


HEALTH

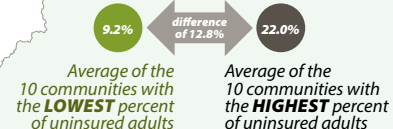
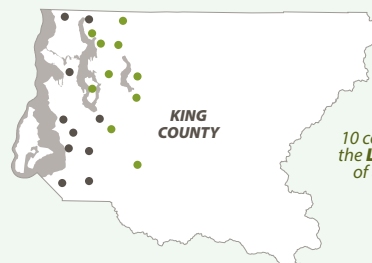
Adults without health insurance before Affordable Care Act enrollment (2011)

- Lower rates of uninsured adults
- KC average: 16.4%
- Higher rates of uninsured adults

BY RACE

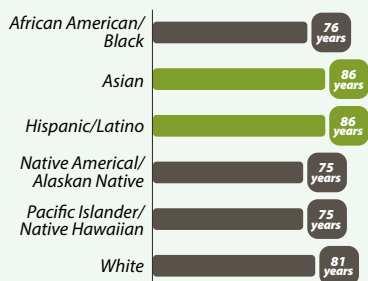


BY PLACE

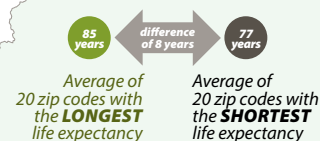
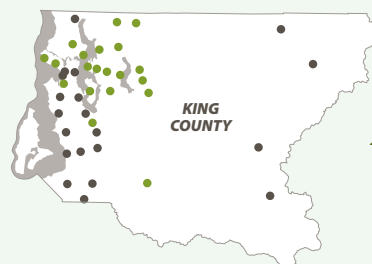


LIFE EXPECTANCY BY RACE

- Above KC average
- KC average: 81.4 years
- Below KC average



BY PLACE

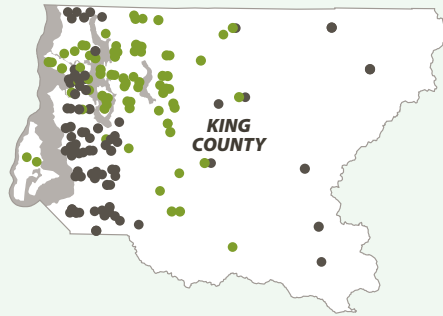


RACE AND PLACE MATTER IN KING COUNTY

QUALITY OF LIFE INDICATORS

Together, race and place predict whether people have the opportunity to thrive.

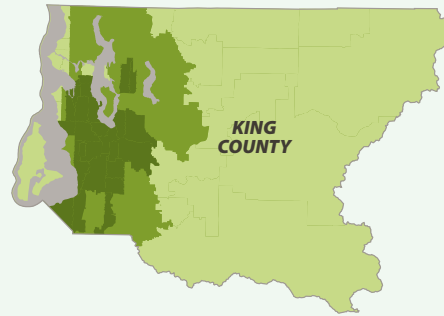
People of color generally do not experience the same quality of life as white residents.



QUALITY OF LIFE INDICATORS

● ABOVE AVERAGE
● BELOW AVERAGE

COMMUNITIES OF COLOR



PERCENT OF POPULATION WHO ARE PEOPLE OF COLOR

less than 20%
20-40%
greater than 40%

14 DETERMINANTS OF EQUITY

These are the conditions that King County has identified that each person needs to flourish.



THE ACCESS TO AFFORDABLE, HEALTHY, LOCAL FOOD



ACCESS TO HEALTH AND HUMAN SERVICES



ACCESS TO PARKS AND NATURAL RESOURCES



ACCESS TO SAFE AND EFFICIENT TRANSPORTATION



AFFORDABLE, SAFE, QUALITY HOUSING



COMMUNITY AND PUBLIC SAFETY



EARLY CHILDHOOD DEVELOPMENT



ECONOMIC DEVELOPMENT



EQUITABLE LAW AND JUSTICE SYSTEM



EQUITY IN COUNTY PRACTICES



FAMILY WAGE JOBS AND JOB TRAINING



HEALTHY BUILT AND NATURAL ENVIRONMENTS



QUALITY EDUCATION

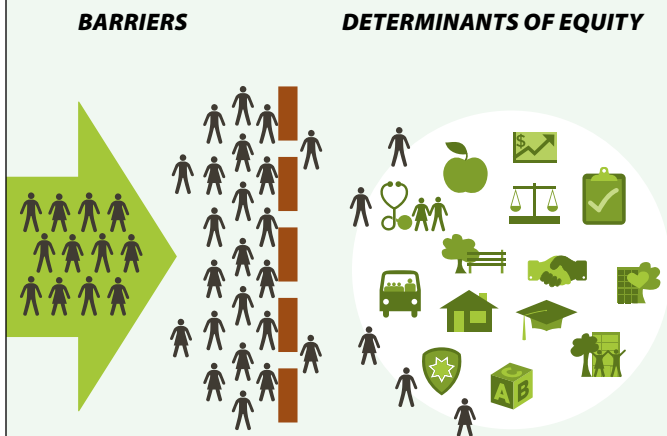


STRONG, VIBRANT NEIGHBORHOODS



INEQUITIES HURT EVERYONE

WHEN PEOPLE LACK ACCESS TO THESE DETERMINANTS OF EQUITY, THEY LACK OPPORTUNITY. THE RESULTING INEQUITIES IMPACT THE WHOLE COMMUNITY.



COMMUNITY IMPACTS

HIGHER:

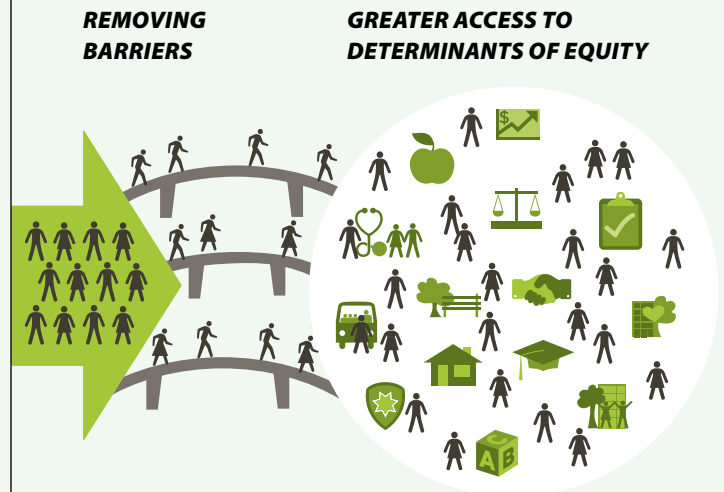
- Health care costs
- Health problems
- Crime
- Unfilled high-skilled jobs
- Incarceration

LOWER:

- On-time graduation
- Wages
- Educated and skilled workforce
- Quality affordable housing

WE ARE ALL BETTER OFF WHEN ALL OF US ARE BETTER OFF

KING COUNTY IS FOCUSING ON INCREASING ACCESS TO THE DETERMINANTS OF EQUITY SO THAT ALL PEOPLE HAVE THE OPPORTUNITY TO FLOURISH.



THRIVING PEOPLE AND COMMUNITY

HIGHER:

- On-time graduation
- Wages
- Educated and skilled workforce
- Quality affordable housing

LOWER:

- Health care costs
- Health problems
- Crime
- Unfilled high-skilled jobs
- Incarceration

BUILDING EQUITY

STRUCTURES, POLICIES
AND INSTITUTIONAL
PRACTICES IN **SOCIETY**

CONDITIONS IMPACTING THE HEALTH AND
WELL-BEING OF **COMMUNITIES**

OUTCOMES FOR
**INDIVIDUALS
AND FAMILIES**

THE “UNHEALTHY STREAM” INCREASES INEQUITIES

THE “HEALTHY STREAM” CREATES EQUITY

class and gender bias
intergenerational
poverty
structural racism &
discrimination

dilapidated housing
unemployment & low wage work
food insecurity
limited & unsafe parks
pollution & toxic exposures
absence of community economic development
unsafe neighborhoods
disproportionality in justice system
no insurance or quality healthcare

poor health status
incarceration
obesity
homelessness
health problems
untreated mental illness
low birth weight

pro-equity policies
combating structural
racism
diversity and inclusion

affordable housing
living wage jobs & job training
quality education & early learning
equitable justice system
healthy food & food systems
healthy built & natural environments
community economic development
transportation
safe & supportive neighborhoods
parks & natural resources
health care & human services

good health
high quality of life
healthy years lived
happiness & satisfaction
on time graduation
civic engagement
physical & emotional well-being

EQUITY IN ORGANIZATIONAL PRACTICES

Equity in organizational practices is one of our key determinants of equity. One area of increasing attention for King County has been diversifying our workforce to keep pace with our changing local demographics.

A diverse workforce at all levels of county government allows us to offer more creative, effective ideas and strategies within our programs and agencies and to work more effectively with communities. King County aims to promote diversity in hiring, retaining and promoting at all levels—including managers, supervisors, leads, program

and front line staff. Diversity in this case is broadly defined and includes race and ethnicity, gender, age, disability and education (formal as well as experience).

ENGAGING COMMUNITIES

Effective community engagement means removing barriers for communities that may have previously prevented residents from successfully working with county government. It involves engaging all communities in a way that fosters trust, creates more effective services, programs and policies, and supports community-led solutions.