



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report **King County**

For the period January 1, 2014 through December 31, 2014

Published June 25, 2015

Report No. 1014554





Washington State Auditor's Office

June 25, 2015

Council
King County
Seattle, Washington

Report on Financial Statements

Please find attached our report on King County's financial statements.

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

Sincerely,

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**King County
January 1, 2014 through December 31, 2014**

Council
King County
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, and have issued our report thereon dated June 22, 2015.

Our report includes a reference to other auditors who audited the financial statements of the Water Quality Enterprise and Public Transportation funds, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Water Quality Enterprise and Public Transportation funds were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Water Quality Enterprise and Public Transportation funds.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Jan M. Jutte". The signature is written in black ink and is positioned above the printed name.

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

June 22, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

King County **January 1, 2014 through December 31, 2014**

Council
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 on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water Quality Enterprise and the 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 report 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, 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 13 through 27, postemployment health care plan information on page 124 and condition assessments and preservation of infrastructure eligible for modified approach on pages 124 through 126 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A 133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued 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.

A handwritten signature in cursive script that reads "Jan M. Jutte". The signature is written in black ink and is positioned above the printed name.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

June 22, 2015

FINANCIAL SECTION

King County January 1, 2014 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2014

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2014

Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Mental Health Fund – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Public Health Fund – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Statement of Net Position – Component Units – 2014

Statement of Activities – Component Units – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Health care Plan – Schedule of Funding Progress for the Plan – 2014
Condition Assessments and Preservation of Infrastructure Eligible for Modified
Approach – 2014

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

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.

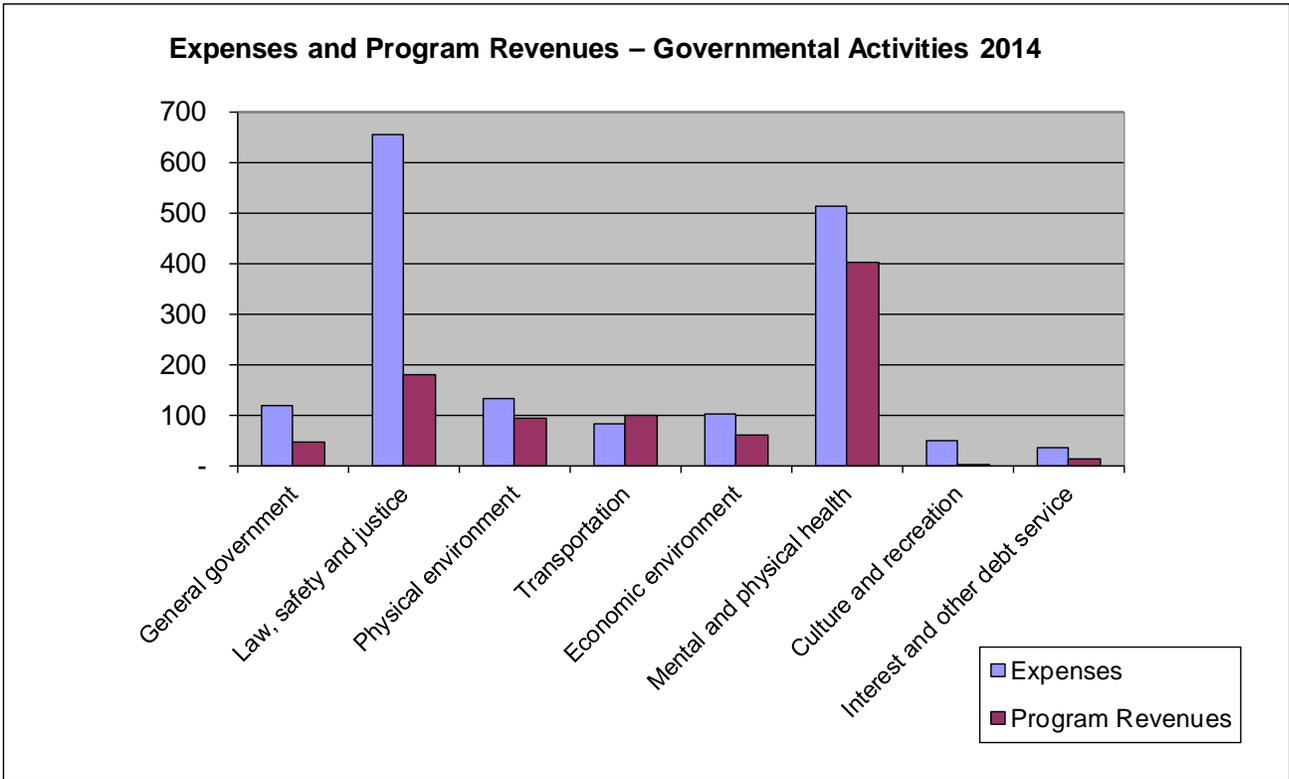
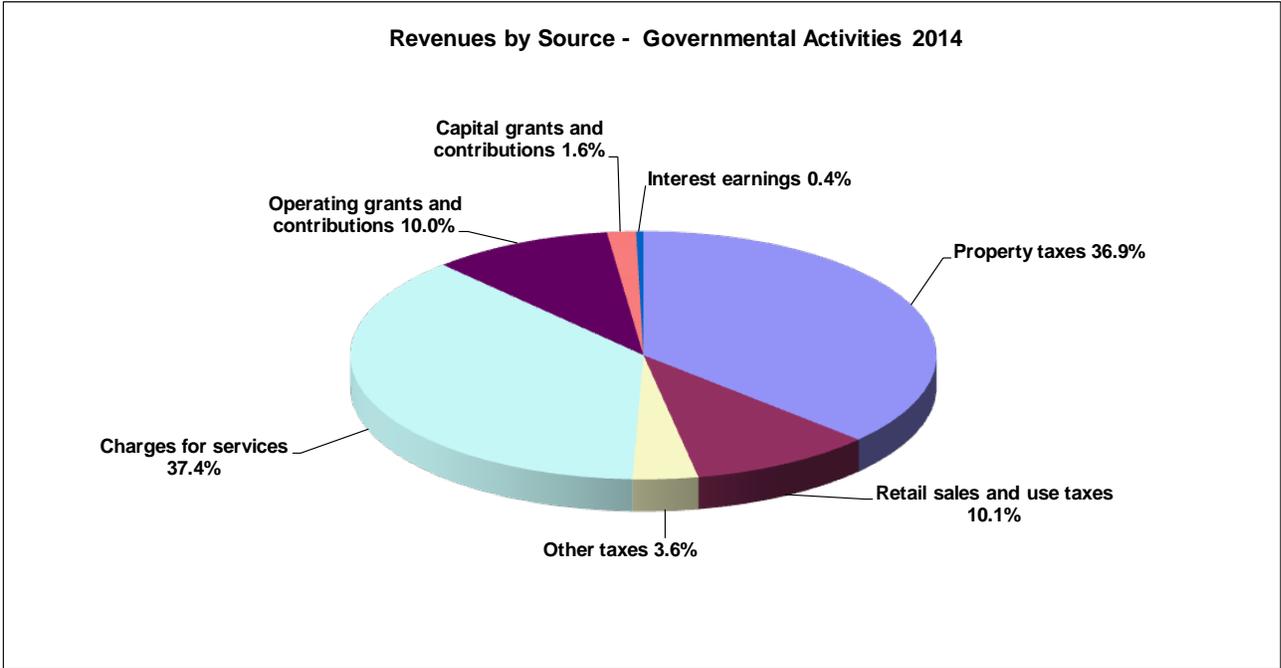
King County, Washington

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:



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.

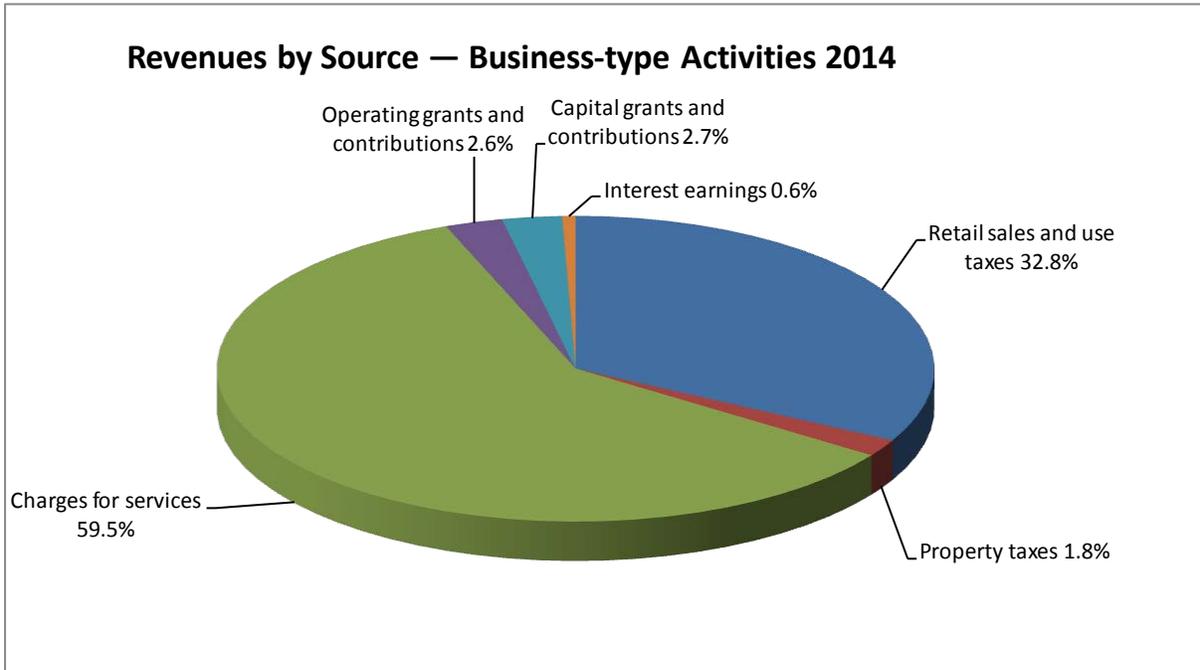
Below is a comparison of the cost of services by function for the County's governmental activities, along with the revenues used to cover the net expenses of the governmental activities (in thousands).

(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	<u>(794,289)</u>
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	<u>\$ 149,715</u>

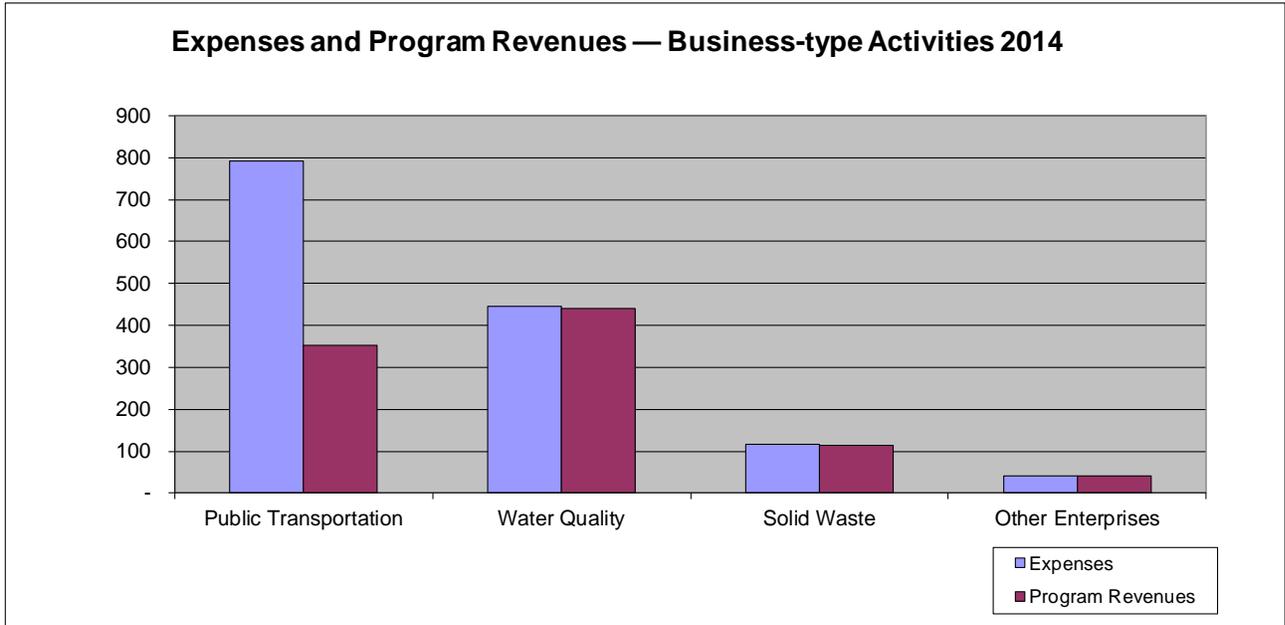
Business-type activities. Business-type activities increased the County's net position by \$71.4 million in 2014, accounting for 32.3 percent of the total growth in net position of the County. Total revenues for business-type activities were \$1,464.2 million. The cost of all business-type activities 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:



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



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.

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
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	-
	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	-
	-	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.

King County, Washington

**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.

King County, Washington

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)	
<u>(21,101)</u>		<u>(21,101)</u>	
<u>(794,289)</u>		<u>(794,289)</u>	
	(715)	(715)	
	(440,902)	(440,902)	
	(2,218)	(2,218)	
	(3,667)	(3,667)	
	406	406	
	3,692	3,692	
	<u>(1,457)</u>	<u>(1,457)</u>	
-	<u>(444,861)</u>	<u>(444,861)</u>	
<u>(794,289)</u>	<u>(444,861)</u>	<u>(1,239,150)</u>	
			<u>(12,818)</u>
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	-
<u>944,004</u>	<u>516,293</u>	<u>1,460,297</u>	<u>256</u>
149,715	71,432	221,147	(12,562)
<u>2,534,945</u>	<u>2,604,394</u>	<u>5,139,339</u>	<u>671,443</u>
<u>\$ 2,684,660</u>	<u>\$ 2,675,826</u>	<u>\$ 5,360,486</u>	<u>\$ 658,881</u>

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	\$ 103,208	\$ 54,496	\$ (1,805)	\$ 519,714	\$ 675,613

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	<u>697,452</u>	<u>707,362</u>	<u>710,475</u>	<u>3,113</u>
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	<u>718,490</u>	<u>744,529</u>	<u>722,144</u>	<u>22,385</u>
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)			<u>115,820</u>	
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			<u>1,107</u>	
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	<u>252,040</u>	<u>194,975</u>	<u>194,975</u>	<u>-</u>
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	<u>254,150</u>	<u>200,886</u>	<u>200,886</u>	<u>-</u>
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			<u>4,106</u>	
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				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
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	<u>759,127</u>	<u>407,485</u>	<u>125,636</u>	<u>1,292,248</u>	<u>365,588</u>
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	<u>247</u>	<u>216,868</u>	<u>56,448</u>	<u>273,563</u>	<u>3,518</u>
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	<u>1,307,237</u>	<u>4,122,867</u>	<u>324,530</u>	<u>5,754,634</u>	<u>267,571</u>
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	<u>6,266</u>	<u>97,763</u>	<u>607</u>	<u>104,636</u>	<u>-</u>
Total noncurrent assets	<u>1,313,750</u>	<u>4,437,498</u>	<u>381,585</u>	<u>6,132,833</u>	<u>271,089</u>
TOTAL ASSETS	<u>2,072,877</u>	<u>4,844,983</u>	<u>507,221</u>	<u>7,425,081</u>	<u>636,677</u>
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				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPORTATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
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				<u>\$ 2,675,826</u>	

King County, Washington

**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	<u>269,861</u>	<u>435,788</u>	<u>135,134</u>	<u>840,783</u>	<u>524,544</u>
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	<u>787,536</u>	<u>290,758</u>	<u>132,188</u>	<u>1,210,482</u>	<u>484,829</u>
OPERATING INCOME (LOSS)	<u>(517,675)</u>	<u>145,030</u>	<u>2,946</u>	<u>(369,699)</u>	<u>39,715</u>
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	<u>566,417</u>	<u>5,708</u>	<u>7,927</u>	<u>580,052</u>	<u>2,692</u>
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	<u>16,688</u>	<u>155,364</u>	<u>25,673</u>	<u>197,725</u>	<u>12,350</u>
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	<u>55,169</u>	<u>(4,799)</u>	<u>3,921</u>	<u>54,291</u>	<u>29,415</u>
NET POSITION - JANUARY 1, 2014 (RESTATED)	<u>1,748,693</u>	<u>559,903</u>	<u>245,209</u>		<u>148,529</u>
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.

King County, Washington

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

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
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 TRANSPORTATION	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	2,616,331	2,825,118
 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	-	\$ 2,825,118
 NET POSITION		
Held in trust for pool participants	\$ 2,616,331	

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.

**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)
<u>-</u>	<u>(6,016)</u>	<u>(6,016)</u>
<u>(6,802)</u>	<u>(6,016)</u>	<u>(12,818)</u>
	(49)	(49)
<u>-</u>	<u>305</u>	<u>305</u>
<u>-</u>	<u>256</u>	<u>256</u>
(6,802)	(5,760)	(12,562)
<u>622,469</u>	<u>48,974</u>	<u>671,443</u>
<u>\$ 615,667</u>	<u>\$ 43,214</u>	<u>\$ 658,881</u>

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 practice, population and environmental health services, and targeted community health services. Its main sources of funding are federal and state grants, license and permit fees, charges for services and fines.

Major Proprietary Funds

The County reports two major proprietary funds.

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

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

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

Nonmajor Governmental Funds

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

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

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.

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 governmental funds</i> 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 governmental funds</i> 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 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

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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</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (1,931)

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	(38,958)
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>	\$ (51,951)

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	1,500
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>	\$ 6,776

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 depositories 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 depositories and provides that "All public funds deposited in public depositories, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter." It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositories within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

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

not be recovered. State statutes require that certificates of deposit be placed in qualified public depositories in the State of Washington and total deposits cannot exceed the net worth of the financial institution. The County further limits deposits to institutions with a short-term investment 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

Investment Type	AAA or A-1	AA	A	Not Rated	Total
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

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

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	<u>404,303</u>	<u>406,269</u>	<u>(1,966)</u>
Net Position - December 31, 2014	<u>\$ 5,252,818</u>	<u>\$ 5,242,812</u>	<u>\$ 10,006</u>

Individual Investment Accounts

King County also purchases individual investments for other legally separate entities, such as special districts and public authorities that are not part of the financial reporting entity. Net position in these individual investment accounts are reported in a separate Investment Trust Fund in the Fiduciary Funds section. 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.

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.

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.

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

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 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 \$0.05588 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					
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	<u>2,152,195</u>	<u>97,217</u>	<u>(5,385)</u>	<u>(7,377)</u>	<u>2,236,650</u>
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	<u>1,380,448</u>	<u>12,941</u>	<u>(13,787)</u>	<u>4,676</u>	<u>1,384,278</u>
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	<u>830,230</u>	<u>(47,107)</u>	<u>(1,530)</u>	<u>5,239</u>	<u>786,832</u>
Governmental activities capital assets - net	<u>\$ 2,982,425</u>	<u>\$ 50,110</u>	<u>\$ (6,915)</u>	<u>\$ (2,138)</u>	<u>\$ 3,023,482</u>
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	<u>901,292</u>	<u>273,080</u>	<u>(5,234)</u>	<u>(280,361)</u>	<u>888,777</u>
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	<u>8,026,828</u>	<u>23,657</u>	<u>(60,542)</u>	<u>283,063</u>	<u>8,273,006</u>
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	<u>4,869,046</u>	<u>(274,769)</u>	<u>(2,237)</u>	<u>282,499</u>	<u>4,874,538</u>
Business-type activities capital assets - net	<u>\$ 5,770,338</u>	<u>\$ (1,690)</u>	<u>\$ (7,471)</u>	<u>\$ 2,138</u>	<u>\$ 5,763,315</u>

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	<u>14,930</u>	<u>13,502</u>	<u>-</u>	<u>(11,986)</u>	<u>16,446</u>
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	<u>824,213</u>	<u>6,089</u>	<u>(2,236)</u>	<u>11,986</u>	<u>840,052</u>
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	<u>(484,302)</u>	<u>(42,957)</u>	<u>2,120</u>	<u>-</u>	<u>(525,139)</u>
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	<u>101,191</u>
Total	<u><u>368,272</u></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):

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the 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	<u>1,600</u>
 Total	 <u><u>29,640</u></u>

Funding Policy

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

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

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

For DRS' Fiscal Year 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:

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

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
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	<u>1,383</u>
 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	<u>\$ 59,607</u>

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 administrating authority. The CDA also offers insurance with American Family Life Assurance Company (AFLAC). With the AFLAC coverage, the CDA employees can pick from a selection of insurance policies at their own expense.

Note 12

Leases

Capital Leases

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

agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for under Governmental Activities. All capital leases related to Governmental Activities were settled 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):

	<u>Business-type Activities</u>	
	<u>Capital Assets</u>	<u>Capital Leases Payable</u>
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):

	<u>Minimum Lease Payments</u>
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>\$ 2,874</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)**

	<u>Balance 01/01/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>
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.

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.

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

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 (QECCBs) (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				1,103,600	1,013,615
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				3,403,618	2,975,732
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				4,507,218	3,989,347
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				\$ 5,758,371	\$ 4,924,887

(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	<u>1,077,891</u>	<u>56,872</u>	<u>(135,897)</u>	<u>998,866</u>	<u>91,672</u>
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	<u>4,082,368</u>	<u>329,209</u>	<u>(376,452)</u>	<u>4,035,125</u>	<u>76,680</u>
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:					
Antiprofitereing 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

King County, Washington

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.

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 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.

<u>PCI score interval</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						
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.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
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.

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development						
Department of Agriculture	Washington Office of Superintendent of Public Instruction	School Breakfast Program	10.553	15157WAWA3N109 \$ ⁹	41,218.85 \$	0.00 \$	41,218.85								
				Indirect Total	\$ 41,218.85	0.00 \$	41,218.85								
				10.553 Total	\$ 41,218.85	0.00 \$	41,218.85								
				Washington Office of Superintendent of Public Instruction	National School Lunch Program	10.555	15157WAWA3N109 \$ ⁹	82,465.17 \$	0.00 \$	82,465.17					
							Indirect Total	\$ 82,465.17	0.00 \$	82,465.17					
							10.555 Total	\$ 82,465.17	0.00 \$	82,465.17					
							Washington State Department of Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2014W100347/151 \$ ³	7,511.22 \$	0.00 \$	7,511.22		
										57WAWA7W1003					
										15157WAWA7W100 \$ ³	1,434,447.58 \$	321,126.42 \$	1,755,574.00		
										7WA700WA1 \$	144,735.05 \$	226,658.08 \$	371,393.13		
7WA700WA7A \$	4,549,075.79 \$	839,959.80 \$	5,389,035.59												
Indirect Total	\$ 6,135,769.64	1,387,744.30 \$	7,523,513.94												
10.557 Total	\$ 6,135,769.64	1,387,744.30 \$	7,523,513.94												
Washington State	State Administrative Matching Grants for	10.561	14147WAWA5S750 \$	513,494.81 \$	0.00 \$	513,494.81									

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
	Department of Health	the Supplemental Nutrition Assistance Program		3					
	Washington State Department of Social and Health Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	14147WAWA4Q251 ⁹	103,490.27\$	0.00\$	103,490.27		
	Washington State Department of Social and Health Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15147WAWA4Q251 ⁹	108,180.10\$	0.00\$	108,180.10		
	Washington State Department of Social and Health Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Requested FAIN \$	103,195.00\$	0.00\$	103,195.00		
			Indirect Total		828,360.18\$	0.00\$	828,360.18		
			10.561 Total		828,360.18\$	0.00\$	828,360.18		
	Washington State Department of Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572	14147WAWA7Y860 ⁴	8,219.03\$	0.00\$	8,219.03		
			Indirect Total		8,219.03\$	0.00\$	8,219.03		
			10.572 Total		8,219.03\$	0.00\$	8,219.03		
		Forestry Research-Research Grants % Cooperative Agreements	10.652	10DG11261985098\$	20,278.07\$	0.00\$	20,278.07		
			Direct Total		20,278.07\$	0.00\$	20,278.07		
			10.652 Total		20,278.07\$	0.00\$	20,278.07		
	Washington Office of State Treasurer	Schools and Roads - Grants to States	10.665	Requested FAIN \$	177,068.84\$	0.00\$	177,068.84		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
					177,068.84\$	0.00\$	177,068.84		
				Indirect Total					
					177,068.84\$	0.00\$	177,068.84		
				10.665 Total					
					275,750.90\$	0.00\$	275,750.90	(6), (9)	
					275,750.90\$	0.00\$	275,750.90		
				Indirect Total					
					275,750.90\$	0.00\$	275,750.90		
				10.688 Total					
					7,569,130.68\$	1,387,744.30\$	8,956,874.98		
				Department of Agriculture					
					813,173.51\$	0.00\$	813,173.51		
					51,268.19\$	0.00\$	51,268.19		
					112,364.00\$	0.00\$	112,364.00		
				Indirect Total					
					976,805.70\$	0.00\$	976,805.70		
				11.438 Total					
					976,805.70\$	0.00\$	976,805.70		
				Department of Commerce					
					976,805.70\$	0.00\$	976,805.70		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development					
Department of Defense	Electronic Absentee Systems for Elections		12.217	H982101210005	0.00\$	17,677.21\$	17,677.21		Y					
			Direct Total				0.00\$	17,677.21\$	17,677.21					
			12.217 Total				0.00\$	17,677.21\$	17,677.21					
			Effective Absentee Systems for Elections 2.0			12.219	H982101310011	935,825.00\$	0.00\$	935,825.00		Y		
						Direct Total				935,825.00\$	0.00\$	935,825.00		
						12.219 Total				935,825.00\$	0.00\$	935,825.00		
						Department of Defense				935,825.00\$	17,677.21\$	953,502.21		
			Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants		14.218	B-11-UC-53-0001	3,499.44\$	12,328.00\$	15,827.44	(3)			
						Direct Total				227,162.21\$	1,052,295.54\$	1,279,457.75	(3)	
						14.218 Total				1,731,490.70\$	2,142,838.37\$	3,874,329.07	(3)	
Department of Defense						935,825.00\$	17,677.21\$	953,502.21						
Department of Housing and Urban Development						1,982,169.37\$	3,283,941.91\$	5,266,111.28						
14.218 Total						1,982,169.37\$	3,283,941.91\$	5,266,111.28						

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
		Emergency Solutions Grant Program	14.231	E14-UC-53-0002 \$	18,162.24 \$	199,244.25 \$	217,406.49	(3)	
		Emergency Solutions Grant Program	14.231	E13-UC-53-0002 \$	8,138.10 \$	0.00 \$	8,138.10	(3)	
		Emergency Solutions Grant Program	14.231	E11-UC-53-0002 \$	0.00 \$	19,359.11 \$	19,359.11	(3)	
		Emergency Solutions Grant Program	14.231	E12-UC-53-0002 \$	0.00 \$	119,244.21 \$	119,244.21	(3)	
		Direct Total		\$ 26,300.34 \$	337,847.57 \$	364,147.91			
	Washington State Department of Commerce	Emergency Solutions Grant Program	14.231	E14-DC-53-0001 \$	13,429.51 \$	199,845.00 \$	213,274.51	(3)	
		Indirect Total		\$ 13,429.51 \$	199,845.00 \$	213,274.51			
		14.231 Total		\$ 39,729.85 \$	537,692.57 \$	577,422.42			
		Supportive Housing Program	14.235	WA005580T000801 \$	22,306.00 \$	446,119.00 \$	468,425.00		
		Direct Total		\$ 22,306.00 \$	446,119.00 \$	468,425.00			
		14.235 Total		\$ 22,306.00 \$	446,119.00 \$	468,425.00			
		Home Investment Partnerships Program	14.239	M-11-DC-530200 \$	735.56 \$	539.84 \$	1,275.40	(3)	
		Home Investment Partnerships Program	14.239	M-13-DC-530200 \$	4,409.60 \$	1,552,994.15 \$	1,557,403.75	(3)	
		Home Investment Partnerships Program	14.239	M-12-DC-530200 \$	16,713.01 \$	8,437.69 \$	25,150.70	(3)	
		Home Investment Partnerships Program	14.239	M-14-DC-530200 \$	345,364.50 \$	236,878.65 \$	582,243.15	(3)	
		Direct Total		\$ 367,222.67 \$	1,798,850.33 \$	2,166,073.00			

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			14.239 Total	\$	367,222.67\$	1,798,850.33\$	2,166,073.00		
		Continuum of Care Program	14.267	WA0033LOT001205	2,821.93\$	444,716.68\$	447,538.61	(6)	
		Continuum of Care Program	14.267	WA0285LOT001200	152,869.23\$	47,130.77\$	200,000.00		
		Continuum of Care Program	14.267	WA0033LOT001407	385.56\$	1,844.47\$	2,230.03		
		Continuum of Care Program	14.267	WA0030LOT001407	0.00\$	4,627.29\$	4,627.29		
		Continuum of Care Program	14.267	WA0034LOT001407	385.56\$	1,844.47\$	2,230.03		
		Continuum of Care Program	14.267	WA0064LOT001407	0.00\$	-308.64\$	-308.64		
		Continuum of Care Program	14.267	WA0001LOT001405	0.00\$	-16,554.27\$	-16,554.27		
		Continuum of Care Program	14.267	WA0042LOT001407	5,042.79\$	-1,353.11\$	3,689.68		
		Continuum of Care Program	14.267	WA0041LOT001407	1,573.42\$	-784.71\$	788.71		
		Continuum of Care Program	14.267	WA0001LOT001203	1,315.16\$	75,540.28\$	76,855.44		
		Continuum of Care Program	14.267	WA0030LOT001205	2,886.05\$	40,043.38\$	42,929.43		
		Continuum of Care Program	14.267	WA0042LOT001205	4,434.03\$	70,788.58\$	75,222.61		
		Continuum of Care Program	14.267	WA0049LOT001205	3,619.00\$	286,738.00\$	290,357.00		
		Continuum of Care Program	14.267	WA0041LOT001205	1,718.35\$	49,902.86\$	51,621.21		
		Continuum of Care Program	14.267	WA0064LOT001205	1,204.00\$	59,224.11\$	60,428.11		
		Continuum of Care Program	14.267	WA0033LOT001306	2,861.61\$	468,331.97\$	471,193.58		
		Continuum of Care Program	14.267	WA0001LOT001304	964.98\$	60,268.15\$	61,233.13		
		Continuum of Care Program	14.267	WA0030LOT001306	1,590.18\$	91,795.28\$	93,385.46		
		Continuum of Care Program	14.267	WA0042LOT001306	5,907.24\$	165,313.87\$	171,221.11		
		Continuum of Care Program	14.267	WA0223LOT001304	1,145.63\$	241,140.28\$	242,285.91		
		Continuum of Care Program	14.267	WA0034LOT001306	16,556.41\$	3,530,394.94\$	3,546,951.35		
		Continuum of Care Program	14.267	WA0064LOT001306	0.00\$	3,841.36\$	3,841.36		
		Continuum of Care Program	14.267	WA0041LOT001306	1,573.42\$	15,012.52\$	16,585.94		
		Continuum of Care Program	14.267	WA0034LOT001205	16,326.90\$	1,728,457.96\$	1,744,784.86	(6)	
		Continuum of Care Program	14.267	WA0223LOT001203	1,007.83\$	113,027.75\$	114,035.58	(6)	
		Direct Total		\$	226,189.28\$	7,480,984.24\$	7,707,173.52		
City of Seattle		Continuum of Care Program	14.267	WA0039LOT001306	228,939.27\$	0.00\$	228,939.27		

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	City of Seattle	Continuum of Care Program	14.267	WA0040LOT001202	20,878.31	591,257.33	612,135.64		
	City of Seattle	Continuum of Care Program	14.267	WA0040LOT001205	3,890.03	67,837.00	71,727.03		
	City of Seattle	Continuum of Care Program	14.267	WA0039LOT001205	286,071.60	0.00	286,071.60		
		Indirect Total		\$	539,779.21	659,094.33	1,198,873.54		
		14.267 Total		\$	765,968.49	8,140,078.57	8,906,047.06		
		Fair Housing Assistance Program_State and Local	14.401	FF210K101005	215.78	0.00	215.78	(6)	
		Fair Housing Assistance Program_State and Local	14.401	FF210K091005	33,120.63	0.00	33,120.63	(6)	
		Fair Housing Assistance Program_State and Local	14.401	FF210K131005	79.70	0.00	79.70	(6)	
		Fair Housing Assistance Program_State and Local	14.401	FF210K121005	19,179.79	0.00	19,179.79	(6)	
		Direct Total		\$	52,595.90	0.00	52,595.90		
		14.401 Total		\$	52,595.90	0.00	52,595.90		
		Department of Housing and Urban Development		\$	3,229,992.28	14,206,682.38	17,436,674.66		
Department of the Interior		Fish and Wildlife Management Assistance	15.608	F13AC00319	25,000.00	0.00	25,000.00		
		Direct Total		\$	25,000.00	0.00	25,000.00		
	U.S. National Fish and Wildlife Foundation	Fish and Wildlife Management Assistance	15.608	2004-0228-027	6,198.64	0.00	6,198.64		

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				Indirect Total	\$ 6,198.64\$	0.00 \$	6,198.64		
				15.608 Total	\$ 31,198.64\$	0.00 \$	31,198.64		
		Partners for Fish and Wildlife	15.631	F10AC00042 \$	2,288.76\$	0.00 \$	2,288.76		
		Partners for Fish and Wildlife	15.631	F09AC00038 \$	14,843.62\$	0.00 \$	14,843.62		
				Direct Total	\$ 17,132.38\$	0.00 \$	17,132.38		
				15.631 Total	\$ 17,132.38\$	0.00 \$	17,132.38		
		Endangered Species Conservation & Recovery Implementation Funds	15.657	F14AC00643 \$	941.38\$	0.00 \$	941.38		
				Direct Total	\$ 941.38\$	0.00 \$	941.38		
				15.657 Total	\$ 941.38\$	0.00 \$	941.38		
	Washington State Department of Archeology	Historic Preservation Fund Grants-In-Aid	15.904	P13AF00086/P14AF 00053	10,000.00\$	0.00 \$	10,000.00		
				Indirect Total	\$ 10,000.00\$	0.00 \$	10,000.00		
				15.904 Total	\$ 10,000.00\$	0.00 \$	10,000.00		
		Department of the Interior			\$ 59,272.40\$	0.00 \$	59,272.40		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
Department of Justice	Washington State Department of Social and Health Services Washington State Department of Social and Health Services	Juvenile Accountability Block Grants	16.523	2012JBFX0039/2013 \$	132,896.48 \$	0.00 \$	132,896.48		
				WFAX0055					
				2012JBFX0039 \$	26,456.00 \$	0.00 \$	26,456.00		
				Indirect Total	159,352.48 \$	0.00 \$	159,352.48		
			16.523 Total	159,352.48 \$	0.00 \$	159,352.48			
	City of Seattle	Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	2009-WEAX-0008 \$	67,987.83 \$	0.00 \$	67,987.83		
			Indirect Total	67,987.83 \$	0.00 \$	67,987.83			
			16.528 Total	67,987.83 \$	0.00 \$	67,987.83			
	Washington State Department of Social and Health Services	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2012-50187-WA-JF \$	21,493.75 \$	0.00 \$	21,493.75		
			Indirect Total	21,493.75 \$	0.00 \$	21,493.75			
			16.540 Total	21,493.75 \$	0.00 \$	21,493.75			
	Washington State Administrative Office of the Courts	Violence Against Women Formula Grants	16.588	2013WFAX0055 \$	57,741.55 \$	0.00 \$	57,741.55		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
				Indirect Total	\$ 57,741.55	0.00	57,741.55		
				16.588 Total	\$ 57,741.55	0.00	57,741.55		
		State Criminal Alien Assistance Program	16.606	2014APBX0058	488,965.00	0.00	488,965.00		
				Direct Total	\$ 488,965.00	0.00	488,965.00		
				16.606 Total	\$ 488,965.00	0.00	488,965.00		
		Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0569	2,011.23	0.00	2,011.23		
		Public Safety Partnership and Community Policing Grants	16.710	2011CKWXK007	14,056.28	0.00	14,056.28		
		Public Safety Partnership and Community Policing Grants	16.710	2009CKWX0386	105,749.54	0.00	105,749.54		
				Direct Total	\$ 121,817.05	0.00	121,817.05		
				16.710 Total	\$ 121,817.05	0.00	121,817.05		
	City of Seattle	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012DJBX0526	59,296.12	0.00	59,296.12		
	City of Seattle	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013DJBX0715	100,785.18	0.00	100,785.18		
				Indirect Total	\$ 160,081.30	0.00	160,081.30		
				16.738 Total	\$ 160,081.30	0.00	160,081.30		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
	Child Advocacy Center	Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	160-A-KING-CAP-13	7,361.67	0.00	7,361.67		
			Indirect Total		7,361.67	0.00	7,361.67		
			16.758 Total		7,361.67	0.00	7,361.67		
		Department of Justice			1,084,800.63	0.00	1,084,800.63		
Department of Labor	Workforce Development Council	WIA Youth Activities	17.259	Requested FAIN	1,695,370.60	329,531.97	2,024,902.57		
			Indirect Total		1,695,370.60	329,531.97	2,024,902.57		
			17.259 Total		1,695,370.60	329,531.97	2,024,902.57		
		Reintegration of Ex-Offenders	17.270	YF259561460A53	24,888.13	0.00	24,888.13		
			Direct Total		24,888.13	0.00	24,888.13		
			17.270 Total		24,888.13	0.00	24,888.13		
	Workforce Development Council	Workforce Investment Act (WIA) National Emergency Grants	17.277	Requested FAIN	93,604.61	0.00	93,604.61		
			Indirect Total		93,604.61	0.00	93,604.61		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			17.277 Total	\$	93,604.61 \$	0.00 \$	93,604.61		
	Workforce Development Council	WIA Dislocated Worker Formula Grants	17.278	Requested FAIN \$	1,250,336.55 \$	0.00 \$	1,250,336.55		
			Indirect Total	\$	1,250,336.55 \$	0.00 \$	1,250,336.55		
			17.278 Total	\$	1,250,336.55 \$	0.00 \$	1,250,336.55		
		Department of Labor		\$	3,064,199.89 \$	329,531.97 \$	3,393,731.86		
Department of Transportation		Airport Improvement Program	20.106	3 53 0058 047 \$	546,576.00 \$	0.00 \$	546,576.00		
		Airport Improvement Program	20.106	3 53 0058 045 \$	1,528,526.00 \$	0.00 \$	1,528,526.00	(6)	
		Airport Improvement Program	20.106	3 53 0058 044 \$	104,683.00 \$	0.00 \$	104,683.00		
		Airport Improvement Program	20.106	3 53 0058 043 \$	1,224,810.00 \$	0.00 \$	1,224,810.00		
		Airport Improvement Program	20.106	3 53 0058 042 \$	800,000.00 \$	0.00 \$	800,000.00		
		Airport Improvement Program	20.106	3 53 0058 051 \$	717,213.00 \$	0.00 \$	717,213.00		
		Airport Improvement Program	20.106	3 53 0058 048 \$	950,394.00 \$	0.00 \$	950,394.00		
		Airport Improvement Program	20.106	3 53 0058 049 \$	1,392,831.00 \$	0.00 \$	1,392,831.00		
		Airport Improvement Program	20.106	3 53 0058 050 \$	8,468.00 \$	0.00 \$	8,468.00		
		Direct Total		\$	7,273,501.00 \$	0.00 \$	7,273,501.00		
		20.106 Total		\$	7,273,501.00 \$	0.00 \$	7,273,501.00		
	Highway Planning and Construction		20.205	WA-70-X009 \$	1,000,000.00 \$	0.00 \$	1,000,000.00		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
		Highway Planning and Construction	20.205	WA-70-X012	59,451.99	0.00	59,451.99		
		Highway Planning and Construction	20.205	WA-70-X006	1,102,860.00	0.00	1,102,860.00		
		Highway Planning and Construction	20.205	WA-70-X017	773,441.86	0.00	773,441.86		
Direct Total					2,935,753.85	0.00	2,935,753.85		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	CM - 2085(005)	841,929.61	0.00	841,929.61		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	BROS-2017(125)	48,449.35	0.00	48,449.35	(6)	
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	BHOS-17ZC(001)	2,015.46	0.00	2,015.46		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	ER-1104(014)	100,914.21	0.00	100,914.21	(6)	
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA ER-1101 (010) LA-7436	93.87	0.00	93.87		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	ITS-CM-2004(046)	122,866.48	0.00	122,866.48	(6)	
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	STPE 2094(001)	575,793.79	0.00	575,793.79	(6)	
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	CM-2085(004)	115,538.93	0.00	115,538.93	(6)	
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	BHOS-2017(130)	2,780.81	0.00	2,780.81		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	BROS-2017(129)	19,292.96	0.00	19,292.96		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	BHOS-2017(131)	29,299.79	0.00	29,299.79		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	BHS-T174(001)	951,700.45	0.00	951,700.45		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	DTFH70-13-E-00006 \$	577.75 \$	0.00 \$	577.75		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	STPUL-9917(019) \$	1,831,342.10 \$	0.00 \$	1,831,342.10		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	BROS-2017(127) \$	34,256.60 \$	0.00 \$	34,256.60		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	CM - 2017(128) \$	116,112.82 \$	0.00 \$	116,112.82		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	VPP9917 017 \$	126,595.80 \$	0.00 \$	126,595.80		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	NHPP 9917(020) \$	5,323.23 \$	0.00 \$	5,323.23		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	STPE-2017(126) \$	2,982,700.00 \$	0.00 \$	2,982,700.00		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA ER-1403 \$ (007)	295,449.76 \$	0.00 \$	295,449.76		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA TAP-2017 \$ (132)	121,593.26 \$	0.00 \$	121,593.26		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA ER-1403(008) \$	290,825.00 \$	0.00 \$	290,825.00		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA ER-1403(009) \$	95,150.00 \$	0.00 \$	95,150.00		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	STPE-2017(093) \$	1,758.01 \$	0.00 \$	1,758.01		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	VPPP-9917(017) \$	114,083.75 \$	0.00 \$	114,083.75		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	STPE-EN10(017) \$	17,988.64 \$	0.00 \$	17,988.64		
Washington State Department of Transportation	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA HSIP-0005 \$ (281)	1,719,650.81 \$	0.00 \$	1,719,650.81		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
	Transportation Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA \$ HRRR-0005(238)	99,898.22 \$	0.00 \$	99,898.22	(6)	
	Transportation Washington State Department of Transportation	Highway Planning and Construction	20.205	ER-1403(009) \$	305.94 \$	0.00 \$	305.94		
Indirect Total					10,664,287.40 \$	0.00 \$	10,664,287.40		
20.205 Total					13,600,041.25 \$	0.00 \$	13,600,041.25		
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-04-0077 \$	32,836.13 \$	0.00 \$	32,836.13	(6)	
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-03-0245 \$	775,209.69 \$	0.00 \$	775,209.69		
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-03-0236 \$	1,343,343.87 \$	0.00 \$	1,343,343.87	(6)	
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-04-0078 \$	119,982.99 \$	0.00 \$	119,982.99		
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-04-0061 \$	419,877.46 \$	0.00 \$	419,877.46		
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-04-0081 \$	911,929.85 \$	0.00 \$	911,929.85		
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-04-0032 \$	1,893.57 \$	0.00 \$	1,893.57		
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-04-0021 \$	54,204.91 \$	0.00 \$	54,204.91		
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-04-0099 \$	177,409.32 \$	559,111.57 \$	736,520.89		
	Federal Transit Grants	Federal Transit_Capital Investment	20.500	WA-04-0080 \$	1,808,331.70 \$	3,494,463.20 \$	5,302,794.90		
Direct Total					5,645,019.49 \$	4,053,574.77 \$	9,698,594.26		
20.500 Total					5,645,019.49 \$	4,053,574.77 \$	9,698,594.26		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Research and Development
		Federal Transit_Formula Grants	20.507	WA-90-X524 \$	2,594,653.34 \$	0.00 \$	2,594,653.34	
		Federal Transit_Formula Grants	20.507	WA-90-X522 \$	32,794.53 \$	471,133.88 \$	503,928.41	
		Federal Transit_Formula Grants	20.507	WA-95-0069 \$	220,976.69 \$	0.00 \$	220,976.69	
		Federal Transit_Formula Grants	20.507	WA-90-0523 \$	20,595,019.00 \$	0.00 \$	20,595,019.00	
		Federal Transit_Formula Grants	20.507	WA-90-X513 \$	4,830.39 \$	0.00 \$	4,830.39	
		Federal Transit_Formula Grants	20.507	WA-92-X506 \$	2,249,728.00 \$	0.00 \$	2,249,728.00	
		Federal Transit_Formula Grants	20.507	WA-90-X405 \$	220,640.65 \$	0.00 \$	220,640.65	(6)
		Federal Transit_Formula Grants	20.507	WA-90-X256 \$	37,400.55 \$	0.00 \$	37,400.55	(6)
		Federal Transit_Formula Grants	20.507	WA-90-X455 \$	954,881.20 \$	0.00 \$	954,881.20	
		Federal Transit_Formula Grants	20.507	WA-90-X363 \$	72,017.79 \$	0.00 \$	72,017.79	
		Federal Transit_Formula Grants	20.507	WA-90-X323 \$	63,656.15 \$	0.00 \$	63,656.15	
		Federal Transit_Formula Grants	20.507	WA-90-X321 \$	85,979.83 \$	0.00 \$	85,979.83	
		Federal Transit_Formula Grants	20.507	WA-90-X254 \$	31,231.31 \$	0.00 \$	31,231.31	
		Federal Transit_Formula Grants	20.507	WA-90-X209 \$	161,763.55 \$	0.00 \$	161,763.55	
		Federal Transit_Formula Grants	20.507	WA-95-X043 \$	174,390.82 \$	8,380.80 \$	182,771.62	
		Federal Transit_Formula Grants	20.507	WA-95-X027 \$	1,346,066.44 \$	0.00 \$	1,346,066.44	
		Federal Transit_Formula Grants	20.507	WA-95-X005 \$	1,574,923.58 \$	163,424.00 \$	1,738,347.58	(6)
Direct Total					\$ 30,420,953.82 \$	642,938.68 \$	31,063,892.50	
20.507 Total					\$ 30,420,953.82 \$	642,938.68 \$	31,063,892.50	
		Public Transportation Research	20.514	WA-26-7008 \$	66,433.38 \$	0.00 \$	66,433.38	
Direct Total					\$ 66,433.38 \$	0.00 \$	66,433.38	
20.514 Total					\$ 66,433.38 \$	0.00 \$	66,433.38	
		Job Access And Reverse Commute	20.516	WA-37-X045 \$	20,466.86 \$	33,267.56 \$	53,734.42	

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
	Program								
	Job Access And Reverse Commute Program		20.516	WA-37-X001	140,377.89	9,010.14	149,388.03		
	Job Access And Reverse Commute Program		20.516	WA-37-X021	35,209.82	0.00	35,209.82		
			Direct Total		196,054.57	42,277.70	238,332.27		
			20.516 Total		196,054.57	42,277.70	238,332.27		
		Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	WA-88-0001	103,809.15	0.00	103,809.15		
			Direct Total		103,809.15	0.00	103,809.15		
			20.523 Total		103,809.15	0.00	103,809.15		
		State of Good Repair Grants Program	20.525	WA-54-0010	5,718,199.80	0.00	5,718,199.80		
			Direct Total		5,718,199.80	0.00	5,718,199.80		
			20.525 Total		5,718,199.80	0.00	5,718,199.80		
		Bus and Bus Facilities Formula Program	20.526	WA-34-0001	5,986,803.47	0.00	5,986,803.47		
			Direct Total		5,986,803.47	0.00	5,986,803.47		
			20.526 Total		5,986,803.47	0.00	5,986,803.47		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
	University of Washington	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	DTNH2210H00295	27,008.60\$	0.00\$	27,008.60		
			Indirect Total		27,008.60\$	0.00\$	27,008.60		
			20.614 Total		27,008.60\$	0.00\$	27,008.60		
	Washington Traffic Safety Commission	National Priority Safety Programs	20.616	MSX15-09	22,365.32\$	0.00\$	22,365.32		
			Indirect Total		22,365.32\$	0.00\$	22,365.32		
			20.616 Total		22,365.32\$	0.00\$	22,365.32		
		Department of Transportation			69,060,189.85\$	4,738,791.15\$	73,798,981.00		
Environmental Protection Agency		Puget Sound Watershed Management Assistance	66.120	00J08401	141,748.99\$	0.00\$	141,748.99		
			Direct Total		141,748.99\$	0.00\$	141,748.99		
			66.120 Total		141,748.99\$	0.00\$	141,748.99		
	San Juan County	Puget Sound Action Agenda Outreach, Education and Stewardship Support Program	66.122	PT-0017601	1,513.05\$	0.00\$	1,513.05		

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			Indirect Total	\$	1,513.05\$	0.00\$	1,513.05		
			66.122 Total	\$	1,513.05\$	0.00\$	1,513.05		
	Puget Sound Partnership	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00J32101\$	122,906.52\$	0.00\$	122,906.52		
	Puget Sound Partnership	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00J90301\$	15,192.06\$	0.00\$	15,192.06		
	Washington State Department of Fish and Wildlife	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00J29801\$	5,689.87\$	0.00\$	5,689.87		
	Washington State Department of Commerce	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00J20101\$	115,512.72\$	0.00\$	115,512.72		
	Washington State Department of Ecology	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PC-00J27601-0\$	0.00\$	0.00\$	301.00		
	Washington State Department of Ecology	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00J27601\$	335,421.57\$	0.00\$	335,421.57		
	Washington State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00J32601\$	194,901.16\$	0.00\$	194,901.16		
		Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PC-00J90301; PSP 2015-60	-3,516.13\$	0.00\$	-3,516.13		
			Indirect Total	\$	786,107.77\$	0.00\$	786,408.77		
			66.123 Total	\$	786,107.77\$	0.00\$	786,408.77		
		Targeted Watersheds Grants	66.439	00I28501\$	31,278.32\$	0.00\$	31,278.32		
		Targeted Watersheds Grants	66.439	00J08901\$	76,171.11\$	0.00\$	76,171.11		
		Targeted Watersheds Grants	66.439	00J09801\$	233,227.84\$	0.00\$	233,227.84		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
		Targeted Watersheds Grants	66.439	00128401 \$	159,759.47 \$	0.00 \$	159,759.47		
			Direct Total	\$	500,436.74 \$	0.00 \$	500,436.74		
			66.439 Total	\$	500,436.74 \$	0.00 \$	500,436.74		
	Washington State Department of Ecology	National Estuary Program	66.456	00128401 \$	57,089.04 \$	0.00 \$	57,089.04		
			Indirect Total	\$	57,089.04 \$	0.00 \$	57,089.04		
			66.456 Total	\$	57,089.04 \$	0.00 \$	57,089.04		
	Washington State Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1300013 \$	484,204.00 \$	0.00 \$	484,204.00	(5), (6)	
			Indirect Total	\$	484,204.00 \$	0.00 \$	484,204.00		
			66.458 Total	\$	484,204.00 \$	0.00 \$	484,204.00		
	Washington State Department of Health	Beach Monitoring and Notification Program Implementation Grants	66.472	00175501 \$	26,902.66 \$	0.00 \$	26,902.66		
			Indirect Total	\$	26,902.66 \$	0.00 \$	26,902.66		
			66.472 Total	\$	26,902.66 \$	0.00 \$	26,902.66		
		Brownfields Assessment and Cleanup Cooperative Agreements	66.818	00178101 \$	54,928.48 \$	0.00 \$	54,928.48		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
		Brownfields Assessment and Cleanup Cooperative Agreements	66.818	00J26801	6,445.83	0.00	6,445.83		
Direct Total					61,374.31	0.00	61,374.31		
66.818 Total					61,374.31	0.00	61,374.31		
		Environmental Protection Agency			2,059,376.56	0.00	2,059,677.56		
Department of Education	Washington State Department of Health	Special Education-Grants for Infants and Families	84.181	H181A110128	6,609.85	0.00	6,609.85		
Indirect Total					6,609.85	0.00	6,609.85		
84.181 Total					6,609.85	0.00	6,609.85		
		Department of Education			6,609.85	0.00	6,609.85		
Election Assistance Commission	Secretary of State	Help America Vote Act Requirements Payments	90.401	WA10RP01	765,668.69	0.00	765,668.69		
Indirect Total					765,668.69	0.00	765,668.69		
90.401 Total					765,668.69	0.00	765,668.69		
		Election Assistance Commission			765,668.69	0.00	765,668.69		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
Department of Health and Human Services	National Association of County & City Health Officials	Medical Reserve Corps Small Grant Program	93.008	MIRCSG101005	3,500.00\$	0.00 \$	3,500.00		
			Indirect Total		3,500.00\$	0.00 \$	3,500.00		
			93.008 Total		3,500.00\$	0.00 \$	3,500.00		
University of Washington	Innovations in Applied Public Health Research	93.061	P011TP000297	57,301.63\$	0.00 \$	57,301.63			
		Indirect Total		57,301.63\$	0.00 \$	57,301.63			
		93.061 Total		57,301.63\$	0.00 \$	57,301.63			
Washington State Department of Health	Public Health Emergency Preparedness	93.069	U90TP000559	1,854,220.32\$	14,087.44 \$	1,868,307.76			
		Indirect Total		1,854,220.32\$	14,087.44 \$	1,868,307.76			
		93.069 Total		1,854,220.32\$	14,087.44 \$	1,868,307.76			
Washington State Department of Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52PS000510	434,465.15\$	0.00 \$	434,465.15			
		Indirect Total		434,465.15\$	0.00 \$	434,465.15			
		93.116 Total		434,465.15\$	0.00 \$	434,465.15			

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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			93.116 Total	\$	434,465.15\$	0.00\$	434,465.15		
	University of Washington	Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	U48DP001911/U48\$ DP005013	6,141.56\$	0.00\$	6,141.56		
			Indirect Total	\$	6,141.56\$	0.00\$	6,141.56		
			93.135 Total	\$	6,141.56\$	0.00\$	6,141.56		
	Washington State Department of Social and Health Services	Projects for Assistance in Transition from Homelessness (PATH)	93.150	SM016048\$	0.00\$	222,842.72\$	222,842.72		
			Indirect Total	\$	0.00\$	222,842.72\$	222,842.72		
			93.150 Total	\$	0.00\$	222,842.72\$	222,842.72		
	Washington State Department of Health	Family Planning_Services	93.217	FPHPA106023\$	932,466.49\$	0.00\$	932,466.49	(3)	
			Indirect Total	\$	932,466.49\$	0.00\$	932,466.49		
			93.217 Total	\$	932,466.49\$	0.00\$	932,466.49		
		Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS00056\$	7,878,275.38\$	2,172,483.77\$	10,050,759.15	(3)	
			Direct Total	\$	7,878,275.38\$	2,172,483.77\$	10,050,759.15		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			93.224 Total	\$ 7,878,275.38\$	2,172,483.77\$	10,050,759.15			
	University of Washington	Research on Healthcare Costs, Quality and Outcomes	93.226	R18HS021658\$	36,810.13\$	0.00\$	36,810.13		Y
			Indirect Total	\$ 36,810.13\$	0.00\$	36,810.13			
			93.226 Total	\$ 36,810.13\$	0.00\$	36,810.13			
		Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	T1023202\$	4,473.93\$	0.00\$	4,473.93		
		Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	T1022856\$	3,796.27\$	97,386.40\$	101,182.67		
		Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	T1022126\$	6,817.17\$	76,785.54\$	83,602.71		
		Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	SM060121\$	124,613.65\$	262,711.96\$	387,325.61		
			Direct Total	\$ 139,701.02\$	436,883.90\$	576,584.92			
	Washington State Department of Social and Health Services	Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	T1023477\$	365,786.28\$	199,279.73\$	565,066.01		
			Indirect Total	\$ 365,786.28\$	199,279.73\$	565,066.01			
			93.243 Total	\$ 505,487.30\$	636,163.63\$	1,141,650.93			

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
	Washington State Department of Health	Immunization Cooperative Agreements	93.268	H23IP000762	1,428,106.29	0.00	1,428,106.29		
			Indirect Total		1,428,106.29	0.00	1,428,106.29		
			93.268 Total		1,428,106.29	0.00	1,428,106.29		
		Adult Viral Hepatitis Prevention and Control	93.270	U51PS003827	32,876.27	38,571.51	71,447.78		
		Adult Viral Hepatitis Prevention and Control	93.270	U51PS004601	69,484.54	0.00	69,484.54		
			Direct Total		102,360.81	38,571.51	140,932.32		
	Washington State Department of Health	Adult Viral Hepatitis Prevention and Control	93.270	U51PS004091	164,424.33	0.00	164,424.33		
			Indirect Total		164,424.33	0.00	164,424.33		
			93.270 Total		266,785.14	38,571.51	305,356.65		
	Washington State Department of Social and Health Services	Substance Abuse and Mental Health Services-Access to Recovery	93.275	T1023120	57,055.44	287,963.40	345,018.84		
			Indirect Total		57,055.44	287,963.40	345,018.84		
			93.275 Total		57,055.44	287,963.40	345,018.84		
	Washington State	Centers for Disease Control and	93.283	U58DP003899	537,395.49	0.00	537,395.49		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
	Department of Health	Prevention_ Investigations and Technical Assistance							
	Washington State Department of Health	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58DP002057	63,519.87	0.00	63,519.87		
	Washington State Department of Health	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58DP001996	128,450.41	0.00	128,450.41		
Indirect Total					\$ 729,365.77	0.00	729,365.77		
93.283 Total					\$ 729,365.77	0.00	729,365.77		
		Partnerships to Improve Community Health							
			93.331	U58DP005663	97,812.43	0.00	97,812.43		
Direct Total					\$ 97,812.43	0.00	97,812.43		
93.331 Total					\$ 97,812.43	0.00	97,812.43		
	University of Washington	Cancer Cause and Prevention Research							
			93.393	R01CA160217	10,731.35	0.00	10,731.35		
Indirect Total					\$ 10,731.35	0.00	10,731.35		
93.393 Total					\$ 10,731.35	0.00	10,731.35		
		Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures							
			93.501	C12CS25482	213,997.56	0.00	213,997.56		
Direct Total					\$ 213,997.56	0.00	213,997.56		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			93.501 Total	\$	213,997.56	0.00	213,997.56		
	Thrive by Five Washington	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	X02MC23096	563,480.67	0.00	563,480.67		
			Indirect Total	\$	563,480.67	0.00	563,480.67		
			93.505 Total	\$	563,480.67	0.00	563,480.67		
		Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	C88CS23970	439,545.21	0.00	439,545.21		
			Direct Total	\$	439,545.21	0.00	439,545.21		
			93.526 Total	\$	439,545.21	0.00	439,545.21		
	Washington State Department of Health	PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	U58DP003558	4,003.98	0.00	4,003.98		
			Indirect Total	\$	4,003.98	0.00	4,003.98		
			93.531 Total	\$	4,003.98	0.00	4,003.98		
	Washington State Department of Health	PPHF Capacity Building Assistance to Strengthen Public Health Immunization	93.539	H23IP000561	109,327.09	0.00	109,327.09		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
		Child Abuse and Neglect Discretionary Activities	93.670	90CA1825 \$	3,932.30 \$	0.00 \$	3,932.30		
Direct Total					3,932.30 \$	0.00 \$	3,932.30		
93.670 Total					3,932.30 \$	0.00 \$	3,932.30		
	Washington State Department of Health	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	93.733	H23IP000702 \$	13,556.59 \$	0.00 \$	13,556.59		
Indirect Total					13,556.59 \$	0.00 \$	13,556.59		
93.733 Total					13,556.59 \$	0.00 \$	13,556.59		
		Prevention Public Health Fund: Viral Hepatitis Prevention	93.736	U51PS003827 \$	15,414.97 \$	14,495.57 \$	29,910.54		
Direct Total					15,414.97 \$	14,495.57 \$	29,910.54		
93.736 Total					15,414.97 \$	14,495.57 \$	29,910.54		
	Seattle Children's Hospital	PPHF: Community Transformation Grants -Small Communities Program financed solely by Public Prevention and Health Funds	93.737	H75DP004595 \$	570,613.45 \$	0.00 \$	570,613.45		
Indirect Total					570,613.45 \$	0.00 \$	570,613.45		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			93.737 Total	\$	570,613.45	0.00	570,613.45		
Washington State Department of Health	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds		93.752	U58DP003899	388,595.76	46,958.13	435,553.89		
			Indirect Total	\$	388,595.76	46,958.13	435,553.89		
			93.752 Total	\$	388,595.76	46,958.13	435,553.89		
Washington State Department of Health	Medical Assistance Program		93.778	1205WA5ADM	224,823.44	0.00	224,823.44		
Washington State Department of Health	Medical Assistance Program		93.778	1305WA5MAP	212,668.66	0.00	212,668.66		
Washington State Health Care Authority	Medical Assistance Program		93.778	0963-53331	2,840,568.34	1,557,290.00	4,397,858.34	(8)	
Washington State Health Care Authority	Medical Assistance Program		93.778	WA20152	190,620.04	0.00	190,620.04		
			Indirect Total	\$	3,468,680.48	1,557,290.00	5,025,970.48		
			93.778 Total	\$	3,468,680.48	1,557,290.00	5,025,970.48		
	Diabetes, Digestive, and Kidney Diseases Extramural Research		93.847	R18DK088072	439,949.95	0.00	439,949.95		
			Direct Total	\$	439,949.95	0.00	439,949.95		

KING COUNTY, WASHINGTON
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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			93.847 Total	\$	439,949.95 \$	0.00 \$	439,949.95		
	Keck Graduate Institute	Allergy, Immunology and Transplantation Research	93.855	R01A1090831 \$	14,217.62 \$	0.00 \$	14,217.62		
	University of Washington	Allergy, Immunology and Transplantation Research	93.855	U54A1057141 \$	26,211.84 \$	0.00 \$	26,211.84		Y
			Indirect Total	\$	40,429.46 \$	0.00 \$	40,429.46		
			93.855 Total	\$	40,429.46 \$	0.00 \$	40,429.46		
	University of Washington	Medical Library Assistance	93.879	R01LM011180 \$	22,203.28 \$	0.00 \$	22,203.28		
			Indirect Total	\$	22,203.28 \$	0.00 \$	22,203.28		
			93.879 Total	\$	22,203.28 \$	0.00 \$	22,203.28		
		HIV Emergency Relief Project Grants	93.914	H89HA00022 \$	862,675.58 \$	5,908,914.97 \$	6,771,590.55		
			Direct Total	\$	862,675.58 \$	5,908,914.97 \$	6,771,590.55		
			93.914 Total	\$	862,675.58 \$	5,908,914.97 \$	6,771,590.55		
	University of Washington	HIV Prevention Activities_Non-Governmental Organization Based	93.939	U65PS004387 \$	5,576.46 \$	0.00 \$	5,576.46		
			Indirect Total	\$	5,576.46 \$	0.00 \$	5,576.46		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			93.939 Total	\$	5,576.46\$	0.00\$	5,576.46		
Washington State Department of Health	HIV Prevention Activities_Health Department Based		93.940	U62PS003666\$	1,273,437.63\$	457,691.18\$	1,731,128.81		
			Indirect Total	\$	1,273,437.63\$	457,691.18\$	1,731,128.81		
			93.940 Total	\$	1,273,437.63\$	457,691.18\$	1,731,128.81		
Washington State Department of Health	HIV Demonstration, Research, Public and Professional Education Projects		93.941	U1BPS003250\$	537,157.17\$	0.00\$	537,157.17		
			Indirect Total	\$	537,157.17\$	0.00\$	537,157.17		
			93.941 Total	\$	537,157.17\$	0.00\$	537,157.17		
Washington State Department of Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	U62PS001593\$	483,584.73\$	0.00\$	483,584.73		
Washington State Department of Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	U62PS003982\$	594,581.56\$	0.00\$	594,581.56		
			Indirect Total	\$	1,078,166.29\$	0.00\$	1,078,166.29		
			93.944 Total	\$	1,078,166.29\$	0.00\$	1,078,166.29		
Washington State Department of Social and Health Services	Block Grants for Community Mental Health Services		93.958	SM010056\$	0.00\$	1,638,982.43\$	1,638,982.43		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
				Indirect Total	\$ 0.00	1,638,982.43	1,638,982.43		
				93.958 Total	\$ 0.00	1,638,982.43	1,638,982.43		
Washington State Department of Social and Health Services	Block Grants for Prevention and Treatment of Substance Abuse		93.959	T1010056	1,064,853.56	1,484,256.48	2,549,110.04		
				Indirect Total	\$ 1,064,853.56	1,484,256.48	2,549,110.04		
				93.959 Total	\$ 1,064,853.56	1,484,256.48	2,549,110.04		
Washington State Department of Health	Preventive Health Services_Sexually Transmitted Diseases Control Grants		93.977	H25PS004271	38,488.42	7,232.74	45,721.16		
Washington State Department of Health	Preventive Health Services_Sexually Transmitted Diseases Control Grants		93.977	H25PS004364	457,239.28	186,096.15	643,335.43		
				Indirect Total	\$ 495,727.70	193,328.89	689,056.59		
				93.977 Total	\$ 495,727.70	193,328.89	689,056.59		
Washington State Department of Health	Maternal and Child Health Services Block Grant to the States		93.994	MC26703/MC25378	1,040,214.22	0.00	1,040,214.22		
Washington State Department of Health	Maternal and Child Health Services Block Grant to the States		93.994	B04MC26703/B04M C28134	30,516.34	17,699.80	48,216.14		
				Indirect Total	\$ 1,070,730.56	17,699.80	1,088,430.36		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			93.994 Total	\$	1,070,730.56\$	17,699.80\$	1,088,430.36		
		Department of Health and Human Services		\$	33,813,858.28\$	14,691,729.92\$	48,505,588.20		
Department of Homeland Security	Washington State Department of Parks	Boating Safety Financial Assistance	97.012	3314FAS140153	18,456.96\$	0.00\$	18,456.96		
		Indirect Total		\$	18,456.96\$	0.00\$	18,456.96		
		97.012 Total		\$	18,456.96\$	0.00\$	18,456.96		
	Washington State Military Department	Flood Mitigation Assistance	97.029	PW-1661	14,727.42\$	0.00\$	14,727.42	(7)	
		Indirect Total		\$	14,727.42\$	0.00\$	14,727.42		
		97.029 Total		\$	14,727.42\$	0.00\$	14,727.42		
	Washington State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1817DRWA	35.76\$	0.00\$	35.76	(7)	
	Washington State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4056DRWA	1,592.67\$	0.00\$	1,592.67	(7)	
	Washington State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1817-DR-WA	4,054.94\$	0.00\$	4,054.94	(7)	
	Washington State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D12-031	59,667.58\$	0.00\$	59,667.58	(7)	
		Indirect Total		\$	65,350.95\$	0.00\$	65,350.95		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
			97.036 Total	\$	65,350.95\$	0.00\$	65,350.95		
	Washington State Military Department	Hazard Mitigation Grant	97.039	1963DRWAP0000000\$ 0	61,069.54\$	0.00\$	61,069.54	(7)	
			Indirect Total	\$	61,069.54\$	0.00\$	61,069.54		
			97.039 Total	\$	61,069.54\$	0.00\$	61,069.54		
	Washington State Military Department	Emergency Management Performance Grants	97.042	EMW2013EP00050\$	162,277.54\$	0.00\$	162,277.54	(7)	
	Washington State Military Department	Emergency Management Performance Grants	97.042	EMW2014EP00033\$	119,910.14\$	0.00\$	119,910.14		
			Indirect Total	\$	282,187.68\$	0.00\$	282,187.68		
			97.042 Total	\$	282,187.68\$	0.00\$	282,187.68		
	Washington State Military Department	Pre-Disaster Mitigation	97.047	EMS-2012-PD-0001\$	156,727.27\$	0.00\$	156,727.27	(7)	
	Washington State Military Department	Pre-Disaster Mitigation	97.047	EMS-2011-PC-0004\$	172,807.14\$	0.00\$	172,807.14		
	Washington State Military Department	Pre-Disaster Mitigation	97.047	E15-170\$	1,123.94\$	0.00\$	1,123.94		
			Indirect Total	\$	330,658.35\$	0.00\$	330,658.35		
			97.047 Total	\$	330,658.35\$	0.00\$	330,658.35		
	Marine Exchange of Puget Sound	Port Security Grant Program	97.056	PSGP FY10 MOA\$	359,357.38\$	0.00\$	359,357.38		

KING COUNTY, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	Research and Development
	Washington State Military Department	Severe Repetitive Loss Program	97.110	EMS-2011-SR-0001 \$	1,660.74 \$	0.00 \$	1,660.74	(7)	
				Indirect Total	51,019.65 \$	0.00 \$	51,019.65		
				97.110 Total	51,019.65 \$	0.00 \$	51,019.65		
	Seattle Office of Emergency Management	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	EMW2011CA00019 \$	114,543.18 \$	0.00 \$	114,543.18		
				Indirect Total	114,543.18 \$	0.00 \$	114,543.18		
				97.111 Total	114,543.18 \$	0.00 \$	114,543.18		
				Department of Homeland Security	4,086,342.27 \$	1,292,740.14 \$	5,379,082.41		
State Justice Institute		Court Clerk Workload Assessment	99.SJI	SJI-14-N-011 \$	40,901.50 \$	0.00 \$	40,901.50		
				Direct Total	40,901.50 \$	0.00 \$	40,901.50		
				99.SJI Total	40,901.50 \$	0.00 \$	40,901.50		
				State Justice Institute	40,901.50 \$	0.00 \$	40,901.50		
				Grand Total	126,753,274.58 \$	36,664,897.07 \$	163,418,171.65		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDING DECEMBER 31, 2014

General Notes

- (1) Basis of Accounting. The SEFA is prepared on the same basis of accounting as the county's financial statements. The county's financial statements are prepared on a modified accrual or full accrual basis, depending on the type of fund.
- (2) Program Costs. The amounts shown as current year expenditures represent only the federal portion of program costs. The full cost may include state or local funds in addition to the amounts shown.
- (4) The Ferry District will have its own Single Audit to comply with the requirements of the federal grantor and Circular A-133. The expenditures were reported on the King County Marine Division SEFA.

Line-item Specific Notes

- (3) Program Income. These programs generate income used to cover expenses. Current year expenditures may include transfers between programs or repayments of float loans.
- (5) Federal Loan - State Revolving Loan Fund. The amount reported on the Schedule is the amount of loans made during the year.
- (6) Prior year's expenditures are reported in this SEFA. They were not reported on prior year's SEFAs.
- (7) Expenditures are reported on this year's SEFA, due to the uncertainty of funding status in the prior year. They were not reported on prior year's SEFAs.
- (8) This is an estimate of the whole current reporting year based on the last two quarters of 2013. It is estimated to be reimbursed at 50 percent.
- (9) American Recovery and Reinvestment Act of 2009 (ARRA) - Expenditures for this program were funded by ARRA.
- (10) The amount of non-cash assistance provided to the County for "Visor Kit MED" units is valued at \$38,287.44. This is the fair market value of the property on the date it was received by the County.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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Washington State Auditor's Office

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Federal Single Audit Report **King County**

For the period January 1, 2014 through December 31, 2014

Published August 31, 2015

Report No. 1014974





Washington State Auditor's Office

August 31, 2015

Council and Executive
King County
Seattle, Washington

Report on Federal Single Audit

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

We are issuing this report in order to provide information on specific activities of the County.

Sincerely,

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

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FEDERAL SUMMARY

King County January 1, 2014 through December 31, 2014

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

Financial Statements

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

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.218	CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants
20.500	Federal Transit Cluster - Federal Transit - Capital Investment Grants
20.507	Federal Transit Cluster - Federal Transit - Formula Grants
20.525	Federal Transit Cluster - Federal Transit - State of Good Repair Grants
20.526	Federal Transit Cluster - Federal Transit - Bus and Bus Facilities Formula Program
93.563	Child Support Enforcement
93.914	HIV Emergency Relief Project Grants
93.958	Block Grants for Community Mental Health Services
97.067	Homeland Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$3,000,000.

The County did not qualify as a low-risk auditee under OMB Circular A-133.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

King County January 1, 2014 through December 31, 2014

2014-001 The County did not have adequate internal controls to ensure compliance with federal equipment management requirements.

CFDA Number and Title:	97.067 Homeland Security Grant Program
Federal Grantor Name:	U.S. Department of Homeland Security
Federal Award/Contract Number:	EMW-2011-SS-00-030, EMW-2011-SS-00030-S01, EMW-2013-SS-00025-S-01, EMW-2012-SS-00115, EMW-2014-SS-00016, EMW-2013-SS-00025
Pass-through Entity Name:	Military Department
Pass-through Award/Contract Number:	E12-251 UASI, E12-253 SHSP, E13-162 UASI, E13-220 SHSP, E14-097 UASI, E14-144 SHSP
Questioned Cost Amount:	\$0

Background

During the audit period, the County spent \$3,277,150 in federal grant funds for the Homeland Security Grant Program. The funding was used for various activities, including equipment purchases.

Federal regulations require equipment records be maintained and include the following: the manufacturer's serial number or other identification number, use and condition of the equipment, disposition data including the date of disposal and sale price of the property. In addition, a physical inventory of the equipment should be taken at least every two years and results reconciled with equipment records. Equipment, with a current market value over \$5,000 at the time of disposal may be retained or sold and the federal-sponsoring agency compensated for its share.

Description of Condition

The County utilized a manual spreadsheet for tracking equipment purchased with Homeland Security Grant Program funding. The spreadsheet did not contain all required information about the equipment. Sixty assets, totaling \$1,556,325, lacked the required disposition information on the spreadsheet.

Additionally, the spreadsheet contained inaccurate equipment data. The listed serial number of one asset selected for testing, totaling \$21,569, did not match the serial number attached to the asset. We noted several other instances where this field was blank.

Finally, the County did not accurately reconcile results of the physical inventory to the equipment listing. One asset out of 12 tested was on the manual spreadsheet included in the 2014 physical inspection. We determined this asset was transferred to another jurisdiction prior to this inspection and therefore could not have been inspected physically.

We consider these control deficiencies, collectively, to be a material weakness in internal controls over equipment management.

Cause of Condition

The County was not aware that it was required to include disposition data as part of the asset record for retired equipment or equipment no longer used for the federal program.

Effect of Condition and Questioned Costs

The County did not comply with the requirement to maintain adequate equipment management records. Without this information, we were unable to evaluate whether the County disposed of equipment during the audit period and whether it complied with requirements to compensate the awarding agency for the disposal of equipment with a fair market value above \$5,000.

Recommendation

We recommend the County establish internal controls to ensure equipment is accurately tracked and equipment management records meet federal requirements. Additionally, we recommend the County determine if any of the assets disposed of had a current per-unit fair market value of more than \$5,000, and, if so, compensate the grantor for its share in accordance with the grant agreement.

County's Response

We thank the State Auditor's Office for its review of the Homeland Security Grant Program (HSGP). We appreciate the opportunity to learn and improve overall grant management, as we strive for outstanding stewardship of Homeland Security Grant Funds.

The County respectfully offers clarification regarding the Description of Condition section. The manual spreadsheet used for tracking equipment purchased with HSGP funds includes equipment purchases spanning the life of the program from 2005 to the current period. The sixty assets totaling \$1,556,325 lacking the required disposition information was program-to-date through 2014.

The County's responses to the conditions are as follows:

Disposition Record

The County will seek guidance from a Federal Reviewer on the interpretation of 44 CFR 13.32 (d)(1) (Equipment Management Requirements), and add any additional required information to the manual spreadsheet. The county will complete the evaluation in Q4 2015 and make any necessary updates to the manual spreadsheet in Q1 – Q2 of 2016. The County will also determine actions necessary to update central accounting property records to reduce reliance on manual tracking. The central fixed asset team will work with the Office of Emergency Management (OEM) and other departments to update central fixed asset records in Q4 2015.

Serial Number and Physical Inventory

The County concurs with this finding and will work with other County agencies to improve internal controls over this area of equipment management. Going forward, OEM will request that other County agencies provide a serial number or other identification, as applicable, for equipment purchases as part of the reimbursement request package. In addition, OEM will continue to request an annual equipment inventory certification from other County agencies to ensure a physical inspection is performed and reconciled.

Auditor's Remarks

We appreciate the County's commitment to resolving this issue and wish to thank County management and staff for its cooperation and assistance during the audit. We will review the corrective action taken during our next regularly scheduled audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States Local Governments and Non-Profit Organizations Section 300 states:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws regulations and the provisions of contracts or grant agreements related to each of its Federal programs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and

corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

44 Code of Federal Regulations § 13.32 Equipment, states in part:

(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

(4) Adequate maintenance procedures must be developed to keep the property in good condition

(5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

(1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.

(2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

(3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

STATUS OF PRIOR FEDERAL AUDIT FINDINGS

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of King County. The State Auditor’s Office has reviewed the status as presented by the County.

Audit Period: 2013	Report Ref. No: 1012451	Finding Ref. No: 1	CFDA Number(s): 20.500, 20.507 and 20.525
Federal Program Name and Granting Agency: Federal Transit Cluster, U.S. Department of Transportation		Pass-Through Agency Name: NA	
Finding Caption: The County’s internal controls were not adequate to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA)			
Background: The County spent \$70,242,523 in federal funds provided by the U.S. Department of Transportation (DOT) for the Federal Transit Cluster in 2013. Grant funding may be used for financing the planning, acquisition, construction, preventative maintenance, and improvement of facilities and equipment in public transportation services. We audited six out of thirty-two transit awards, which represents 80 percent of the funds spent during the year. Two of the awards passed through grants funds in the amount of \$4,800,000 and \$1,400,000 to the City of Shoreline and City of Tukwila, respectively.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The County submitted the final sub award information into the FFATA Subaward Reporting System (FSRS) on July 15, 2014. The County strengthened departmental procedures to ensure proper oversight and timely report filing. A second Grants Administrator reviews the report prior to its submission. Staff will take part in a County-wide supplemental training in FFATA reporting planned by the Financial Management Section (FMS) of the Finance and Business Operations Division (FBOD) in the second quarter of 2015 to help ensure this oversight does not occur in the future.</i>			

Audit Period: 2013	Report Ref. No: 1012451	Finding Ref. No: 2	CFDA Number(s): 14.267
Federal Program Name and Granting Agency: Continuum of Care, U.S. Department of Housing and Urban Development		Pass-Through Agency Name: NA	
Finding Caption: The County advanced \$10,000 to a subrecipient to be used as a revolving fund, which is unallowable.			
Background: During the audit period, the County spent \$5,459,934 in federal funds for the Continuum of Care grant. Grant funding may be used to provide rental assistance, medical services, case management and various support services to homeless persons and their eligible family members. The grant period runs from May, 2013 to April, 2014. The County contracted with a subrecipient to administer the program. The subrecipient contracted with landlords and organizations to provide direct services to eligible participants. Monthly, the subrecipient requested reimbursement from the County for allowable costs to the program. Federal regulations require direct costs be identifiable with a specific final cost objective. In addition, payment of contingency provisions is unallowable.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The DCHS Community Services Division has updated their internal controls over Continuum of Care funding to ensure subrecipient expenditures are allowable and properly supported. If future advances are provided to the subrecipient, prior approval from HUD will be secured or advances will be disbursed from non-federal funds. The advance was reconciled at the end of the grant period and all disbursements were supported by allowable, supported expenditures. Therefore, DCHS does not believe there is any amount to be repaid. This issue was fully resolved in April 2014.</i>			

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**King County
January 1, 2014 through December 31, 2014**

Council and Executive
King County
Seattle, Washington

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

We have audited the compliance of King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the accompanying Federal Summary.

The County's basic financial statements include the operations of the Harborview Medical Center, a discretely presented component unit, which expended \$7,484,984 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2014. The County's basic financial statements also include the operations of the King County Ferry District, a blended component unit, which expended \$8,408,608 in federal awards which is included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2014. Our audit, described below, did not include the operations of the Harborview Medical Center or the King County Ferry District because these have arranged for a separate audit of their federal awards in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

The County's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

County's Response to Findings

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

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

August 24, 2015

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED
UNDER OMB CIRCULAR A-133**

**King County
January 1, 2014 through December 31, 2014**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the King County.

Finding ref number: 2014-001	Finding caption: The County did not have adequate internal controls to ensure compliance with federal equipment management requirements.
Name, address, and telephone of auditee contact person: Pete Anthony, Chief Accountant/Manager Finance Management Section Finance and Business Operations Division 500 Fourth Ave Room 653 Seattle, WA 98104	
Corrective action the auditee plans to take in response to the finding: <u>Disposition Record</u> <i>The County will seek guidance from a Federal Reviewer on the interpretation of 44 CFR 13.32 (d)(1) (Equipment Management Requirements), and add any additional required information to the manual spreadsheet. The county will complete the evaluation in Q4 2015 and make any necessary updates to the manual spreadsheet in Q1 – Q2 of 2016. The County will also determine actions necessary to update central accounting property records to reduce reliance on manual tracking. The central fixed asset team will work with the Office of Emergency Management (OEM) and other departments to update central fixed asset records in Q4 2015.</i> <u>Serial Number and Physical Inventory</u> <i>The County concurs with this finding and will work with other County agencies to improve internal controls over this area of equipment management. Going forward, OEM will request that other County agencies provide a serial number or other identification, as applicable, for equipment purchases as part of the reimbursement request package. In addition, OEM will continue to request an annual equipment inventory certification from other County agencies to ensure a physical inspection is performed and reconciled.</i>	
Anticipated date to complete the corrective action: Q2 2016	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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