OFFICIAL STATEMENT

	RATINGS	
	Moody's:	**Aa1**
	Fitch:	**AA+**
New Issue	**Standard & Poor's:**	**AAA**
Book-Entry Only	**(See "Other Bond Information—Ratings.")**	

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See "Legal and Tax Information—Tax Exemption" and "—Certain Other Federal Tax Consequences."

$50,595,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2015, SERIES D

DATED: Date of Initial Delivery **DUE: December 1, as shown on page i**

King County, Washington (the "County"), is issuing its Limited Tax General Obligation and Refunding Bonds, 2015, Series D (the "Bonds"), as fully registered obligations. When issued, the Bonds will be registered in the name of Cede & Co., as Bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. The Bonds will be issued initially in book-entry form only in denominations of $5,000 or any integral multiple thereof within a maturity of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest payable semiannually on June 1 and December 1, beginning June 1, 2016, to their maturities or prior redemption. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (currently U.S. Bank National Association) (the "Bond Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar is required to make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to Beneficial Owners of the Bonds as described in Appendix E—Book-Entry System.

The Bonds are being issued to (i) provide a portion of the financing for the County's Capital Improvement Program for Solid Waste Facilities and the Solid Waste Transfer and Waste Management Plan, (ii) refund certain of the County's outstanding bonds, and (iii) pay the costs of issuing the Bonds and refunding the refunded bonds.

The Bonds are subject to redemption prior to maturity as described herein. See "The Bonds—Redemption."

The Bonds are general obligations of the County. The County has irrevocably covenanted to levy nonvoted property taxes in an amount sufficient, together with other legally available money, to pay the principal of and interest on the Bonds when due. The County's nonvoted property taxes are subject to constitutional and statutory limits as described herein. See "Property Tax Information." The County has irrevocably pledged its full faith, credit, and resources for the annual levy and collection of such nonvoted property taxes and for the payment of the principal of and interest on the Bonds when due..

The Bonds are offered when, as, and if issued, subject to approval of legality by Foster Pepper PLLC, Seattle, Washington, Bond Counsel, and certain other conditions. The form of Bond Counsel's opinion is attached hereto as Appendix A. It is anticipated that the Bonds will be ready for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about November 5, 2015.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: October 19, 2015

No dealer, broker, sales representative or other person has been authorized by the County to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained by the County from County records and from other sources that the County believes to be reliable, but the County does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The County makes no representation regarding the accuracy or completeness of the information provided in Appendix E—Book-Entry System, which has been furnished by DTC.

This Official Statement is not to be construed as a contract or agreement between the County and purchasers or owners of any of the Bonds.

The public offering prices set forth on page i of this Official Statement may be changed from time to time by the initial purchaser of the Bonds (the "Purchaser"). The Purchaser may offer and sell the Bonds to certain dealers, unit investment trusts, or money market funds at prices lower than the public offering prices set forth on page i of this Official Statement.

Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

MATURITY SCHEDULE

$50,595,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2015, SERIES D

Due Dec. 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers [(1)]
2016	$ 710,000	3.00%	0.380%	102.800	49474FME7
2017	840,000	5.00%	0.650%	108.938	49474FMF4
2018	2,745,000	5.00%	0.880%	112.460	49474FMG2
2019	2,885,000	5.00%	1.070%	115.618	49474FMH0
2020	3,030,000	5.00%	1.390%	117.620	49474FMJ6
2021	1,025,000	5.00%	1.530%	120.047	49474FMK3
2022	1,075,000	5.00%	1.730%	121.678	49474FML1
2023	1,130,000	5.00%	1.930%	122.844	49474FMM9
2024	1,185,000	5.00%	2.060%	124.213	49474FMN7
2025	3,895,000	5.00%	2.180%	125.376	49474FMP2
2026	4,095,000	4.00%	2.300%	115.205 [(2)]	49474FMQ0
2027	4,260,000	4.00%	2.460%	113.663 [(2)]	49474FMR8
2028	1,415,000	5.00%	2.560%	121.540 [(2)]	49474FMS6
2029	1,485,000	4.00%	2.810%	110.374 [(2)]	49474FMT4
2030	1,545,000	4.00%	2.940%	109.181 [(2)]	49474FMU1
2031	1,605,000	4.00%	3.030%	108.364 [(2)]	49474FMV9
2032	1,670,000	4.00%	3.110%	107.643 [(2)]	49474FMW7
2033	1,735,000	4.00%	3.180%	107.017 [(2)]	49474FMX5
2034	1,805,000	4.00%	3.250%	106.396 [(2)]	49474FMY3
2035	1,880,000	4.00%	3.320%	105.779 [(2)]	49474FMZ0
2036	1,955,000	4.00%	3.380%	105.253 [(2)]	49474FNA4
2037	2,030,000	4.00%	3.430%	104.817 [(2)]	49474FNB2
2038	2,115,000	4.00%	3.480%	104.384 [(2)]	49474FNC0
2039	2,195,000	4.00%	3.520%	104.038 [(2)]	49474FND8
2040	2,285,000	4.00%	3.550%	103.780 [(2)]	49474FNE6

(1) CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. The County takes no responsibility for the accuracy of such CUSIP numbers.

(2) Calculated to the December 1, 2025, par call date.

KING COUNTY, WASHINGTON
500 FOURTH AVENUE
SEATTLE, WASHINGTON 98104

KING COUNTY EXECUTIVE

Dow Constantine

METROPOLITAN KING COUNTY COUNCIL

Larry Phillips	Chair
Jane Hague	Vice Chair
Joe McDermott	Vice Chair
Rod Dembowski	Councilmember
Reagan Dunn	Councilmember
Larry Gossett	Councilmember
Kathy Lambert	Councilmember
Dave Upthegrove	Councilmember
Pete von Reichbauer	Councilmember

OTHER ELECTED OFFICIALS

Dan Satterberg	Prosecuting Attorney
Lloyd Hara	Assessor
John Urquhart	Sheriff
Sherril Huff	Director of Elections

DIRECTOR OF FINANCE AND BUSINESS OPERATIONS DIVISION
DEPARTMENT OF EXECUTIVE SERVICES

Ken Guy

CLERK OF THE METROPOLITAN KING COUNTY COUNCIL

Anne Noris

BOND COUNSEL

Foster Pepper PLLC

FINANCIAL ADVISOR TO THE COUNTY

Piper Jaffray & Co./Seattle-Northwest Division

BOND REGISTRAR

Washington State Fiscal Agent
(currently U.S. Bank National Association)

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OFFICIAL STATEMENT

$50,595,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2015, SERIES D

INTRODUCTION

This Official Statement contains certain information concerning the issuance by King County, Washington (the "County"), of $50,595,000 aggregate principal amount of its Limited Tax General Obligation and Refunding Bonds, 2015, Series D (the "Bonds"). The Bonds are issued under and in accordance with the provisions of chapters 36.67, 39.46 and 39.53 of the Revised Code of Washington ("RCW") and the County Charter, and are authorized under the provisions of County Ordinance 17564, passed on April 29, 2013, County Ordinance 18089, passed on July 27, 2015, and Motion 14438 of the County Council passed on October 19, 2015 (together, the "Bond Ordinance").

Quotations, summaries, and explanations of constitutional provisions, statutes, resolutions, ordinances, and other documents in this Official Statement do not purport to be complete and are qualified by reference to the complete text of such documents, which may be obtained from the Finance and Business Operations Division of the King County Department of Executive Services, 500 Fourth Avenue, Room 600, Seattle, Washington 98104. Capitalized terms that are not defined herein have the same meanings as set forth in the Bond Ordinance.

THE BONDS

Description

The Bonds will be dated and bear interest from the date of their initial delivery, will be fully registered as to both principal and interest, and will be in the denomination of $5,000 or any integral multiple thereof within each maturity of the Bonds. When issued, the Bonds will be registered in the name of Cede & Co. as Registered Owner and nominee of The Depository Trust Company, New York, New York ("DTC").

The Bonds will bear interest payable semiannually on each June 1 and December 1, beginning June 1, 2016, to their maturities or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will mature on the dates and in the years and amounts and bear interest at the rates set forth on page i of this Official Statement.

DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, and purchasers will not receive certificates representing their interest in the Bonds purchased. For so long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners or Bond owners will mean Cede & Co. and will not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term "Beneficial Owner" means the person for whom a DTC participant acquires an interest in the Bonds.

The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (currently U.S. Bank National Association) (the "Bond Registrar"). For so long as all Bonds are in fully immobilized form, payments of principal thereof and interest thereon will be made in accordance with the operational arrangements of DTC referred to in the Letter of Representations between the County and DTC. DTC, in turn, is obligated to remit such principal and interest to DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds, as further described herein in Appendix E—Book-Entry System.

Redemption

Optional Redemption. The County reserves the right to redeem outstanding Bonds maturing on or after December 1, 2026, in whole or in part, at any time on or after December 1, 2025, at the price of par plus accrued interest, if any, to the date fixed for redemption.

Selection of Bonds for Redemption. If fewer than all of the Bonds subject to optional redemption are called for redemption, the County will choose the maturities to be redeemed. If fewer than all of the Bonds maturing on the same date are called for redemption, the Bond Registrar will select for redemption such Bonds or portions thereof randomly, or in such other manner as the Bond Registrar determines, except that, for so long as the Bonds are registered in the name of DTC or its nominee, DTC will select for redemption such Bonds or portions thereof in accordance with the Letter of Representations. In no event will any Bond be outstanding in a principal amount that is not $5,000 or any integral multiple thereof.

Notice of Redemption. While Bonds are held by DTC in book-entry only form, any notice of redemption must be given at the time, to the entity, and in the manner required by DTC in accordance with the Letter of Representations, and the Bond Registrar is not required to give any other notice of redemption. If the Bonds cease to be in book-entry only form, unless waived by any Registered Owner of the Bonds to be redeemed, the County will cause notice of any intended redemption of Bonds to be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice. The notice requirements of the Bond Ordinance will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the Owner of any Bond.

Rescission of Redemption. In the case of an optional redemption, the notice may state that the County retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded will be of no effect, and the Bonds for which the notice of optional redemption has been rescinded will remain outstanding.

Effect of Redemption. Interest on Bonds called for redemption will cease to accrue on the date fixed for redemption, except in the case of a rescinded optional redemption or unless the Bond or Bonds called are not redeemed when presented pursuant to the call.

Book-Entry System

Book-Entry Bonds. DTC will act as initial securities depository for the Bonds. Individual purchases may be made in book-entry form only, and purchasers will not receive certificates representing their interest in the Bonds purchased. The ownership of one fully registered Bond in the aggregate principal amount of each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the Registered Owner of the Bonds, references herein to the Registered Owners or Bond owners will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. Neither the County nor the Bond Registrar will have any responsibility or obligation to DTC participants or Beneficial Owners regarding the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on the Bonds, any notice that is permitted or required to be given to Registered Owners under the Bond Ordinance (except notices that are required to be given by the Bond Registrar to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of Bonds, or any consent given or other action taken by DTC as the Registered Owner. See Appendix E for additional information.

The County makes no representation as to the accuracy or completeness of information in Appendix E provided by DTC. Purchasers of the Bonds should confirm its contents with DTC or its participants.

Termination of Book-Entry System. If DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or the County determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided in the Bond Ordinance, and the Bonds will no longer be held in fully immobilized form. In that event, interest on the Bonds will be paid by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date or by electronic transfer on the interest payment date. The County is not required to make electronic transfers except to a Registered Owner pursuant to a request in writing received at least ten days before an interest payment date, and any such electronic transfer will be at the sole expense of the Registered Owner. Principal of the Bonds will be payable upon presentation and surrender of the Bonds by the Registered Owners to the Bond Registrar.

Purchase of Bonds

The County has reserved the right and option to purchase any or all of the Bonds in the open market or offered to the County at any time at any price acceptable to the County plus accrued interest to the date of purchase. All Bonds so purchased are to be cancelled.

Refunding or Defeasance of Bonds

The County may issue refunding obligations pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (i) paying when due the principal of and interest on any or all of the Bonds (the "Defeased Bonds"); (ii) redeeming the Defeased Bonds prior to their maturity; and (iii) paying the costs of the refunding or defeasance. If the County sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "Trust Account") money and/or Government Obligations, as defined below, maturing at a time or times and bearing interest in amounts sufficient to redeem, refund, or defease the Defeased Bonds in accordance with their terms, then all right and interest of the Registered Owners of the Defeased Bonds in the covenants of the Bond Ordinance and in the funds and accounts obligated to the payment of the Defeased Bonds will cease and become void. Thereafter, the Registered Owners of Defeased Bonds will have the right to receive payment of the principal of and interest on the Defeased Bonds solely from the Trust Account, and the Defeased Bonds will be deemed no longer outstanding.

"Government Obligations" is defined in chapter 39.53 RCW, as now in existence or hereafter amended, and currently means (i) direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates, or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, federal land banks, or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation to the extent insured or guaranteed as permitted under any other provision of State law.

USE OF PROCEEDS

Purpose

The Bonds are being issued to (i) provide a portion of the financing for the County's Capital Improvement Program for Solid Waste Facilities and the Solid Waste Transfer and Waste Management Plan, (ii) refund certain of the County's outstanding bonds (described below under "Plan of Refunding"), and (iii) pay the costs of issuing the Bonds and refunding the Refunded Bonds (defined below), as described below under "Plan of Refunding."

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS	
Par Amount of Bonds	$ 50,595,000
Reoffering Premium	6,274,736
Cash Contribution	323,828
Total Sources of Funds	$ 57,193,564
USES OF FUNDS	
Deposit to Project Fund	$ 40,000,000
Deposit to Refunding Escrow	16,813,233
Payment of Costs of Issuance[(1)]	380,331
Total Uses of Funds	$ 57,193,564

(1) Includes rating agency fees, financial advisory fees, escrow agent fees, verification agent fees, underwriter's discount, legal fees, printing costs, and other costs of issuing the Bonds and refunding the Refunded Bonds.

Plan of Refunding

A portion of the proceeds from the sale of the Bonds will be used to advance refund all of the County's outstanding callable Limited Tax General Obligation Bonds, 2007, Series E (the "Refunded Bonds"), for the purpose of realizing debt service savings. .

REFUNDED BONDS

Bond Component	Maturity Date	Par Amount	Interest Rate	Redemption Price	Redemption Date	CUSIP Number
Limited Tax General Obligation Bonds, 2007, Series E						
Serial	12/1/2018	$ 1,995,000	5.00%	100%	12/1/2017	49474EH63
	12/1/2019	2,095,000	5.00%	100%	12/1/2017	49474EH71
	12/1/2020	2,200,000	5.00%	100%	12/1/2017	49474EH89
	12/1/2025	2,805,000	5.00%	100%	12/1/2017	49474EJ53
Term	12/1/2027	6,045,000	5.00%	100%	12/1/2017	49474EJ61
Total		$ 15,140,000				

Procedure. With a portion of the proceeds of the Bonds, the County will purchase certain direct obligations of the United States of America or other Government Obligations. These Government Obligations will be deposited in the custody of U.S. Bank National Association (together with any duly appointed successor, the "Escrow Agent"). The Government Obligations, interest earned thereon, and any beginning cash balance will be used to provide for the payment of the Refunded Bonds, pursuant to a refunding escrow agreement to be executed by the County and the Escrow Agent.

Verification of Calculations. The mathematical accuracy of (i) the computations of the adequacy of the maturing principal amounts of and interest on the Government Obligations and cash on deposit to be held by the Escrow Agent to pay principal of and interest on the Refunded Bonds as described above, and (ii) the computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), will be verified by Causey Demgen & Moore P.C., independent certified public accountants (the "Verification Agent").

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the County. The County has irrevocably covenanted to levy nonvoted property taxes in an amount sufficient, together with other legally available money, to pay the principal of and interest on the Bonds when due. The County's nonvoted property taxes are subject to constitutional and statutory limits as described herein. See "Property Tax Information." The County has irrevocably pledged its full faith, credit, and resources for the annual levy and collection of such nonvoted property taxes and for the payment of the principal of and interest on the Bonds when due.

The County may, subject to applicable laws, apply other funds available to make payments with respect to the Bonds.

Bond owners do not have a security interest in particular revenues or assets of the County. The Bonds do not constitute a debt or indebtedness of the State of Washington (the "State") or any political subdivision thereof other than the County.

State law provides that the payment of general obligation bonds is enforceable in mandamus against the issuer. There is no express provision in the State Constitution or statutes on the priority of payment of debt service on general obligations incurred by a Washington municipality. Certain taxes and other money deposited in the County's governmental funds are restricted by State law to specific purposes and may not be available to pay debt service on the Bonds. The rights and remedies of anyone seeking enforcement of the Bonds are subject to laws of bankruptcy and insolvency and to other laws affecting the rights and remedies of creditors and to the exercise of judicial discretion. See “Legal and Tax Information—Limitations on Remedies and Municipal Bankruptcy.”

No Acceleration Upon Default

If the County were to default on the payment of principal of or interest on the Bonds, payment of the principal of and accrued interest on the Bonds would not be subject to acceleration. The County is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal of or interest on the Bonds, Bondholders would be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under State law.

KING COUNTY

General

As a general purpose government, the County provides roads, solid waste disposal, flood control, certain airport facilities, public health and other human services, park and recreation facilities, courts, law enforcement, agricultural services, property tax assessment and collection, fire inspection, planning, zoning, animal control, and criminal detention and rehabilitative services. In addition, with its assumption of the Municipality of Metropolitan Seattle in 1994, the County provides transit and wastewater treatment services (collectively, the “metropolitan functions”). Certain of these services are provided on a County-wide basis and certain others only to unincorporated areas.

Organization of the County

The County is organized under the executive-council form of government and operates under a Home Rule Charter adopted by a vote of the electorate in 1968. The County Executive, the Metropolitan King County Council (the “County Council”), the Prosecuting Attorney, the County Assessor (the “Assessor”), the Director of Elections, and the Sheriff are all elected to four-year terms.

County Executive. The County Executive serves as the chief executive officer of the County. The County Executive presents to the County Council annual statements of the financial and governmental affairs of the County, budgets, and capital improvement plans. The County Executive signs, or causes to be signed on behalf of the County, all deeds, contracts, and other instruments. All County employees report to the County Executive except those appointed by the County Council, Superior and District Courts, Prosecuting Attorney, Assessor, Director of Elections, or Sheriff.

County Council. The County Council is the policy-making legislative body of the County. The nine Councilmembers are elected by district to four-year staggered terms and serve on a full-time basis. The County Council sets tax levies, makes appropriations, and adopts and approves the operating and capital budgets for the County.

Superior and District Courts. The State Constitution provides for the existence of county superior courts as the courts of general jurisdiction. The County currently has 53 superior court judges who are elected to four-year terms and 21 district court judges who are elected to four-year terms.

County’s Budget Process

Revenue forecasts are developed by the County’s independent Office of Economic and Financial Analysis and submitted to the King County Forecast Council for approval. The Forecast Council consists of the County Executive, two Councilmembers, and the Director of the Office of Performance, Strategy and Budget.

The County’s Office of Performance, Strategy and Budget, under the direction of the County Executive, has the responsibility for (i) preparation and management of the operating and capital budgets, (ii) expenditure and revenue policy, and (iii) planning and growth management. Beginning in 2014 for the 2015/2016 biennium, the County has implemented the adoption of biennial budgets for all agencies.

These budgets must be presented to the County Council on or before September 27 of each year, as appropriate. The County Council holds public hearings and may increase or decrease proposed appropriations. Any changes in the budget must be within the revenues and reserves estimated as available, or the revenue estimates must be changed by an affirmative vote of at least six Councilmembers. The County Executive has general and line-item veto power over appropriation ordinances approved by the County Council. Each appropriation ordinance establishes a budgeted level of authorized expenditures that may not be exceeded without County Council approval of supplemental appropriation ordinances. The County Executive, within the restrictions of any provisos of the appropriation ordinances, may establish and amend line-item budgets as long as the total budget for each appropriation unit does not exceed the budgeted level of authorized expenditures. By an affirmative vote of at least six Councilmembers, the County Council may override any general or line-item veto by the County Executive.

Finance and Business Operations Division

The Finance and Business Operations Division is comprised of five sections. The Treasury Operations Section manages the receipt and investment of assigned revenues due to the County or to other agencies for which the section performs the duties of treasurer and is responsible for the issuance and administration of the County's debt. The Financial Management Section is responsible for the accounting and disbursing of assigned public funds. The other sections are responsible for administering the County's payroll and benefits and for managing the County's procurement and contracting practices.

Auditing

Legal compliance and fiscal audits of all County agencies are conducted by examiners from the State Auditor's office. The County is audited annually. The most recent State Auditor's Report is for the year ended December 31, 2014, and is incorporated into the County's 2014 Comprehensive Annual Financial Report.

The County's Comprehensive Annual Financial Report in its entirety may be accessed on the internet at the following link, which is not incorporated into this Official Statement by reference:

http://www.kingcounty.gov/operations/Finance/FMServices/CAFR.aspx

or obtained from the Financial Management Section at the King County Finance and Business Operations Division, 500 Fourth Avenue, Room 600, Seattle, Washington 98104. See Appendix B—Excerpts from King County's 2014 Comprehensive Annual Financial Report.

County Fund Accounting

The County uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the County are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Most of the basic services provided by the County are financed through its governmental funds. The County's governmental funds are comprised of a General Fund and several individual Special Revenue, Debt Service, and capital project funds. The proprietary funds are generally used to account for services for which the County charges customers a fee, while the fiduciary funds are used to account for resources held for the benefit of parties other than the County.

Major Governmental Fund Revenue Sources

The County's two major revenue sources for general County purposes are taxes and intergovernmental revenues. The General, Special Revenue, and Debt Service Funds received approximately 93% of taxes and 96% of intergovernmental revenues in 2014. Taxes and intergovernmental revenues provided approximately 80% of the total revenue in the governmental funds of the County. Additional sources of revenue are licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues.

Taxes. The following table lists various taxes collected and deposited in the governmental funds of the County, excluding the Flood Control Zone District Fund and the Ferry District Fund. A description of each type of tax follows the table.

TAXES COLLECTED
AS OF DECEMBER 31
($000)

Source	2010	2011	2012	2013	2014
Real and Personal Property Tax[(1)]	$ 556,144	$ 557,957	$ 555,994	$ 582,478	$ 681,954
Retail Sales and Use Tax[(2)]	126,262	133,458	137,176	147,129	160,635
Penalty and Interest on Property Taxes	21,328	21,889	21,476	20,867	20,993
Hotel/Motel Tax	18,245	19,715	21,268	20,244	23,237
Real Estate Excise tax	7,369	6,783	8,004	11,059	10,924
E-911 Excise Tax	16,169	22,833	23,316	23,515	22,440
Public Facilities District-related Taxes[(3)]	33,670	24,965	166	91	133
Other Taxes	11,541	13,680	14,511	14,912	15,982
Total	$ 790,728	$ 801,280	$ 781,911	$ 820,295	$ 936,298

(1) Excludes revenue generated by real and personal property taxes to support public transit.

(2) Excludes revenue generated by the 0.9% levy to support public transit.

(3) No longer collected after October 1, 2011. See "Public Facilities District Taxes" below.

Source: King County Finance and Business Operations Division—Financial Management Section

REAL AND PERSONAL PROPERTY TAX. The method of determining the assessed value of real and personal property, the County's taxing authority, tax collection procedures, tax collection information, and the allocation of such taxes are described in "Property Tax Information" herein.

RETAIL SALES AND USE TAX. The State first levied a retail sales tax and a corresponding use tax on taxable uses of certain services and personal property in 1935. Counties, cities, and certain other municipal corporations in the State are also authorized to levy various sales and use taxes. Neither the State nor local governments in the State collect an income tax.

A sales and use tax of 9.5% is charged on all gross retail sales in the County within the boundaries of the Central Puget Sound Regional Transit Authority ("Sound Transit") and 8.6% outside its boundaries (excluding food products for off-premise consumption and certain other exempt items described below). The resulting tax revenues are allocated 6.5% to the State, 0.9% to the County to support public transit, 0.15% to the County and 0.85% to a city or town if the area is incorporated or 1% to the County in unincorporated areas, 0.1% to cities within the County and to the County for criminal justice purposes, 0.1% to the County for the purpose of providing new or expanded chemical dependency or mental health treatment services and for the operation of new or expanded therapeutic court programs, and 0.9% collected within the boundaries of Sound Transit to fund Sound Transit.

The sales tax currently is applied to a broad base of tangible personal property and selected services purchased by consumers, including construction (labor and materials), machinery and supplies used by businesses, services and repair of real and personal property, and many other transactions not taxed in other states. The use tax supplements the sales tax by taxing the use of certain services and the use of certain personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax). The State Legislature, and the voters through the initiative process, have changed the base of the sales and use tax on occasion, and this may occur again in the future. See "Initiatives and Referenda." Among the various items not currently subject to the sales and use tax are most personal services, motor vehicle fuel, most food for off-premises consumption, trade-ins, and purchases for resale. Most lodging is not subject to the sales tax because the State Legislature has limited the total sales taxes that may be imposed on lodging. See "Hotel/Motel Tax" below.

Sales taxes upon applicable retail sales are collected by the seller from the consumer. Use taxes are payable by the consumer upon the applicable rendering of service or use of personal property. The County collects any use tax imposed on the use of motor vehicles. Each seller (and the County) is required to hold taxes in trust until remitted to the State Department of Revenue, which usually occurs on a monthly basis. The State

Department of Revenue administers and collects sales and use taxes from sellers, consumers, and the County and makes disbursements to the County on a monthly basis.

PENALTY AND INTEREST ON PROPERTY TAXES. Interest of 12% per annum is charged on all delinquent real and personal property taxes until the taxes are paid. There is an 11% penalty in addition to the 12% interest rate on delinquent taxes: 3% is assessed on the amount of tax delinquent on June 1 of the year in which the tax is due and 8% is assessed on the total amount of delinquent tax on December 1 of the year in which the tax is due. The amount of penalty and interest collected is credited to the County's General Fund.

HOTEL/MOTEL TAX. Under the authority of State legislation, the County levies a 2% excise tax on all transient lodging within the County. Effective January 1, 2013, the County no longer levies this tax on transient lodging within the City of Bellevue. The tax is collected by the State through its sales tax program and distributed to the County. The revenue has been used for the payment of certain of the County's general obligation bonds, excluding the Bonds.

Since January 1, 2013, all such taxes collected were first applied to retiring the debt on the former multi-purpose sports stadium (which was fully retired in May 2015) and thereafter, through December 31, 2015, are deposited into an account dedicated to arts, culture, and heritage programs. From January 1, 2016, through December 31, 2020, all such taxes are to be retained by the State and used primarily to pay the debt service on bonds issued by the State to finance a new football stadium and exhibition hall.

REAL ESTATE EXCISE TAX. The County imposes a real estate excise tax of 0.5% on property sales in unincorporated areas. The funds are used for capital projects benefiting unincorporated area residents and parks in unincorporated areas of the County. The County's tax is in addition to the current State real estate excise tax of 1.28%. A portion of the revenue is used for the payment of certain of the County's general obligation bonds, excluding the Bonds.

E-911 EXCISE TAX. The County has levied a tax on all telephone access lines since 1984, to provide enhanced emergency telephone service throughout the entire County.

PUBLIC FACILITIES DISTRICT TAXES. The County levied additional taxes to pay the debt service on bonds issued by the County to provide funds for the construction of a baseball stadium ("Safeco Field") and parking facilities by the Washington State Major League Baseball Stadium Public Facilities District. These taxes included additional sales taxes on food and beverage service and car rentals, as well as a tax on stadium admissions. The County also received a tax credit of 0.017% of the general sales taxes collected in the County which otherwise would have been paid to the State. The remaining County bonds issued in connection with the construction of Safeco Field were fully defeased in September 2011, and effective October 1, 2011, the County ceased collecting the taxes and receiving the tax credit associated with these bonds.

OTHER TAXES. Other taxes include an automobile rental sales and use tax, business taxes, a leasehold excise tax, a timber harvest tax, and gambling taxes.

Intergovernmental Revenue. The following table lists various intergovernmental revenues. A description of each type of intergovernmental revenue follows the table.

VARIOUS INTERGOVERNMENTAL REVENUES
AS OF DECEMBER 31
($000)

Source	2010	2011	2012	2013	2014
Grants	$ 183,523	$ 218,736	$ 205,690	$ 161,851	$ 145,518
Revenue Sharing	11,083	7,217	12,065	10,753	13,637
Gas Tax	13,802	13,762	13,098	12,989	12,838
Liquor Tax and Profits	1,830	1,626	1,664	1,088	1,169
Intergovernmental Payments	342,290	331,775	360,674	369,344	465,378
Public Facilities District-related Lottery Allocation(1)	5,195	5,403	-	-	-
Other Intergovernmental Revenues	10,507	10,488	10,737	10,363	10,580
Total	$ 568,230	$ 589,007	$ 603,928	$ 566,388	$ 649,120

(1) No longer collected after October 1, 2011.

Source: King County Finance and Business Operations Division—Financial Management Section

GRANTS. In 2014, operating, health, public employment, and capital improvement grants from the federal government, either directly or indirectly through the State or local governmental agencies, contributed an estimated $93.5 million in intergovernmental revenues to the County. As the following schedule shows, this comprised 64.2% of total 2014 grants. A total of 35.8% of estimated grant revenue was from the State.

2013 AND 2014 GRANT REVENUE
BY SOURCE AND FUNCTION
($000)

	2013		2014	
	Actual	Item as a Percent of Total Actual	Actual	Item as a Percent of Total Actual
Federal				
General Government Services	$ 827	0.5%	$ -	0.0%
Law, Safety and Justice	16,534	10.2%	13,392	9.2%
Physical Environment	8,455	5.2%	6,864	4.7%
Transportation	17,034	10.5%	10,367	7.1%
Economic Environment	17,845	11.0%	18,802	12.9%
Mental and Physical Health	50,636	31.3%	44,057	30.3%
Culture and Recreation	105	0.1%	-	0.0%
Total Federal	$ 111,436	68.9%	$ 93,482	64.2%
State:				
General Government Services	$ -	0.0%	$ -	0.0%
Law, Safety and Justice	5,164	3.2%	4,870	3.3%
Physical Environment	6,913	4.3%	11,116	7.6%
Transportation	1,691	1.0%	953	0.7%
Economic Environment	13,116	8.1%	13,844	9.5%
Mental and Physical Health	23,495	14.5%	21,039	14.5%
Culture and Recreation	36	0.0%	214	0.1%
Total State	$ 50,415	31.1%	$ 52,036	35.8%
Total Grants	$ 161,851	100.0%	$ 145,518	100.0%

Source: King County Finance and Business Operations Division—Financial Management Section

REVENUE SHARING. In 1999, passage of Initiative 695 and the subsequent repeal of the Motor Vehicle Excise Tax by the State Legislature in 2000 eliminated a dedicated funding source for public health. As backfill, the State Legislature began allocating State General Fund revenues to local health jurisdictions in support of their responsibilities under the Health Reform Act of 1993. In 2014, this legislative allocation generated $8.8 million in revenues for public health purposes in the County.

GAS TAX. Counties are entitled to 19.2287% of 23 cents of the State motor vehicle fuel tax collected by the State, less amounts for State supervision and studies and amounts withheld for the County Road Administration Board (RCW 46.68.090(2)(h)). The motor vehicle fuel tax is allocated to counties by the County Road Administration Board according to a formula based on population, needs, and financial resources. The County received 8.515% of the tax distributed to counties in 2014.

In addition, the County Road Administration Board program allocates funds to the County for the construction of arterial streets in urban areas. The State's County Arterial Preservation Program receives 1.9565% of 23 cents of the State motor vehicle fuel tax (RCW 46.68.090(2)(i)). The County received 3.751% and 3.702% of these funds in 2013 and 2014, respectively, based on the County's share of State-wide arterial preservation funds.

LIQUOR TAX AND PROFITS. Prior to June 1, 2012, a county's share of State liquor excise taxes and State Liquor Board profits was based on four variables: (i) the county's unincorporated population, (ii) total unincorporated population in the balance of the State, (iii) liquor sales, and (iv) State Liquor Board profits. Counties were entitled to 10% of the State Liquor Board profits which, together with 20% of the money made available from the State liquor excise tax, were allocated among the counties on the basis of each county's proportion of the total unincorporated population in the State.

In November 2011, voters passed Initiative 1183, which privatized liquor distribution and sales within the State effective June 1, 2012. As a result, the State closed its distribution center and retail liquor stores and sold new liquor distributor and retailer licenses.

Local government liquor excise tax revenues have been, and will continue to be, affected both by changes in sales volumes associated with privatization and with State legislative changes made after passage of the initiative. During the 2012 legislative session, the State Legislature diverted all liquor excise tax revenue that would have normally been distributed to cities, counties, and border cities and counties to the State General Fund for one year beginning in October 2012. In addition, beginning with the October 2013 distribution, the State Treasurer was directed to transfer $10 million each year from the Liquor Excise Tax Fund to the State General Fund prior to the distribution to the cities and counties. Both changes reduced liquor tax revenues received by the County. Though local distributions commenced again in October 2013, the 2013 State Legislature passed a 2013-2015 budget that increases the share of liquor taxes deposited in the State general fund from 65% to 82.5% for the 2013-2015 biennium. This resulted in lower local distributions than would have been the case without the change.

Initiative 1183 required that liquor revolving fund distributions remain at least as large as distributions prior to privatization (although they are now funded by license fees), and that, beginning in September 2012, an additional $10 million annually be distributed on a quarterly basis State-wide to counties, cities, towns, and border areas.

INTERGOVERNMENTAL PAYMENTS. These are payments made to one unit of government for performing a service that is a statutory responsibility of another unit of government. In 2014, these payments were primarily related to the County's provision of mental health, public health, law enforcement, jail, and flood control services and were primarily received from various cities, including the City of Seattle (the "City"), and the State.

PUBLIC FACILITIES DISTRICT-RELATED LOTTERY ALLOCATION. The State granted authority to the State Lottery Commission to issue two to four scratch games with sports themes per year. Since 1996, lottery revenues of $3 million, increasing at 4% per year, have been allocated to the County and committed to debt service on the limited tax general obligation bonds issued by the County for the construction of Safeco Field. The remaining County bonds issued in connection with the construction of Safeco Field were fully defeased in September 2011, and the County no longer receives lottery revenues.

OTHER INTERGOVERNMENTAL REVENUE. Other sources of intergovernmental revenue include distributions from the State for criminal justice purposes and criminal justice costs related to aggravated murder cases, vessel registration fees, mitigation payments relating to certain changes in the administration of the sales and use tax, and other miscellaneous items.

Operating Deficits

If a County fund experiences an operating deficit, that fund is able to borrow from the County's portion of the King County Investment Pool (the "Investment Pool"). All such borrowings must comply with the procedures established by the Executive Finance Committee (the "Committee"). Interest accrues on borrowed amounts at the interest rate earned by the Investment Pool during the term of such borrowing. County policies with respect to such borrowings do not require that funds be repaid prior to the end of the County's fiscal year. Such borrowings are infrequent, as the County has systems in place intended to ensure, on a planning basis, that funds on hand are sufficient to meet operating requirements. At no time in the past five years was there an operating deficit in the General Fund.

Financial Results

The following tables provide a comparative balance sheet and comparative statement of revenues, expenditures, and changes in fund balance for the County's General Fund and a comparative statement of revenues, expenditures, and changes in fund balance for the governmental funds (General, Special Revenue, and Debt Service) (notes for that statement are on the succeeding page).

GENERAL FUND
COMPARATIVE BALANCE SHEET
(Years Ended December 31) ($000)

	2010	2011	2012	2013	2014
ASSETS					
Cash and cash equivalents	$ 55,685	$ 90,164	$ 106,168	$ 87,093	$ 71,558
Taxes receivable - delinquent	7,533	7,192	7,264	7,652	7,716
Accounts receivable	82,582	83,690	80,328	81,750	85,476
Estimated uncollectible accounts receivable	(73,095)	(71,924)	(66,973)	(68,035)	(71,194)
Interest receivable	6,829	9,885	9,003	7,453	6,817
Due from other funds	5,057	6,835	2,610	8,232	92
Interfund short-term loans receivable	4,731	3,978	6,194	-	-
Due from other governments	41,898	43,198	44,677	45,341	34,828
Estimated uncollectible due from other governments	(79)	(320)	(285)	(187)	(297)
Advances to other funds	3,800	3,800	3,800	300	300
TOTAL ASSETS	$ 134,941	$ 176,498	$ 192,786	$ 169,599	$ 135,296
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable	$ 8,426	$ 2,810	$ 4,304	$ 3,377	$ 3,806
Due to other funds	5,048	5,097	9,300	6,629	2,407
Due to other governments	898	936	621	-	513
Wages payable	15,928	14,915	20,613	24,620	14,471
Taxes payable	95	19	204	189	179
Unearned revenues	7,033	8,343	6	3,411	1,724
Custodial accounts	1,737	2,418	2,934	1,886	1,021
Total Liabilities	$ 39,165	$ 34,538	$ 37,982	$ 40,112	$ 24,121
Deferred Inflows of Resources (1)					
Unavailable revenue	$ 7,533	$ 7,192	$ 15,160	$ 15,117	$ 7,967
Fund balance					
Nonspendable	$ -	$ 3,800	$ 3,800	$ 300	$ 300
Restricted	-	3,309	2,702	2,506	2,803
Committed	-	23,694	21,761	24,982	20,212
Assigned	-	7,420	8,827	8,264	8,151
Unassigned	-	96,545	102,554	78,318	71,742
Reserved	16,632	-	-	-	-
Unreserved					
Designated	4,001	-	-	-	-
Undesignated	67,610	-	-	-	-
Total Fund Balance (2)(3)	$ 88,243	$ 134,768	$ 139,644	$ 114,370	$ 103,208
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 134,941	$ 176,498	$ 192,786	$ 169,599	$ 135,296

NOTES TO TABLE:

(1) As a result of the implementation of GASB Statement No. 65 in 2013, certain liabilities were reclassified retroactively under Deferred Inflows of Resources.

(2) As a result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 54 in 2011, the Rainy Day Reserve Fund (see "Management Discussion of Financial Results—Fund Balances") is reported as part of the General Fund.

(3) After the release of the County's 2012 Comprehensive Annual Financial Report ("CAFR"), it was identified that the General Fund balance for 2012 was overstated by $6.186 million as a result of both an overestimation of revenues for election cost billings and the reversal of a year-end recognition of unrealized Investment Pool gains. This overstatement was also included in the beginning fund balance for 2013 shown in the 2013 CAFR. The overstatement was corrected through 2013 current period activity in the 2013 audited financial statements, and the 2013 ending fund balance reflects this correction.

Source: King County Finance and Business Operations Division—Financial Management Section

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(Years Ended December 31) ($000)

	2010	2011	2012	2013	2014
REVENUES					
Property taxes	$ 271,832	$ 276,387	$ 282,775	$ 311,500	$ 319,188
Penalties and interest-delinquent taxes	21,328	21,889	21,476	20,869	20,993
Sales, excise, and other taxes	89,000	95,504	97,551	104,291	112,333
Licenses and permits	8,242	4,563	4,418	4,741	4,753
Federal grants	10,018	9,393	9,311	8,287	9,028
State grants	2,135	2,078	3,273	2,531	2,326
Entitlements and shared revenues	10,911	10,789	11,148	10,109	10,422
Intergovernmental services	85,655	81,910	77,619	82,718	96,716
Charges for services	109,034	117,591	114,226	114,208	113,553
Fines and forfeits	8,740	8,169	8,262	7,233	5,922
Interest earnings	2,067	2,444	3,612	1,458	1,632
Rents and royalties	12,169	12,117	15,103	3,045	7,490
Other miscellaneous revenues	2,353	2,420	2,443	13,668	4,653
TOTAL REVENUES	$ 633,484	$ 645,254	$ 651,217	$ 684,658	$ 709,009
EXPENDITURES					
Current					
Personal services	$ 427,450	$ 410,613	$ 429,240	$ 460,039	$ 491,145
Supplies	14,402	14,317	13,021	14,189	14,619
Contract services and other charges	65,671	62,825	68,605	53,504	40,186
Contributions	1,960	2,192	2,786	2,733	2,901
Interfund service support	75,740	76,295	82,217	89,794	99,114
Debt service	5	-	-	17	44
Capital outlay	819	756	1,149	1,452	1,895
TOTAL EXPENDITURES	$ 586,047	$ 566,998	$ 597,018	$ 621,728	$ 649,904
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 47,437	$ 78,256	$ 54,199	$ 62,930	$ 59,105
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	$ 294	$ 10,300	$ 93	$ 62	$ 156
Transfers in	951	936	238	5,328	118
Transfers out	(42,865)	(58,897)	(49,654)	(93,594)	(71,991)
TOTAL OTHER FINANCING SOURCES (USES)	$ (41,620)	$ (47,661)	$ (49,323)	$ (88,204)	$ (71,717)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 5,817	$ 30,595	$ 4,876	$ (25,274)	$ (12,612)
FUND BALANCE - JANUARY 1 (Restated) (1)(2)(3)	82,426	104,173	134,768	139,644	115,820
FUND BALANCE - DECEMBER 31 (1)(3)	$ 88,243	$ 134,768	$ 139,644	$ 114,370	$ 103,208

(1) As a result of the implementation of GASB Statement No. 54 in 2011, the Rainy Day Reserve Fund (see "Management Discussion of Financial Results—Fund Balances") is reported as part of the General Fund.

(2) In 2014, the beginning fund balance was restated to reflect a change in the property tax availability policy.

(3) After the release of the County's 2012 Comprehensive Annual Financial Report ("CAFR"), it was identified that the General Fund balance for 2012 was overstated by $6.186 million as a result of both an overestimation of revenues for election cost billings and the reversal of a year-end recognition of unrealized Investment Pool gains. This overstatement was also included in the beginning fund balance for 2013 shown in the 2013 CAFR. The overstatement was corrected through 2013 current period activity in the 2013 audited financial statements, and the 2013 ending fund balance reflects this correction.

Source: King County Finance and Business Operations Division—Financial Management Section

GENERAL GOVERNMENT FUNDS
COMBINED COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE [1]
(Years Ended December 31) ($000)

	2010	2011	2012	2013	2014
REVENUES					
Taxes	$ 810,700	$ 821,816	$ 801,565	$ 841,050	$ 867,250
Licenses and permits	24,398	26,818	21,652	22,155	23,633
Intergovernmental revenues	535,627	532,614	558,623	548,620	627,173
Charges for services	215,865	243,599	242,491	264,907	269,959
Fines and forfeits	9,001	8,635	8,499	7,376	6,357
Interest earnings	5,583	5,299	6,006	3,170	4,358
Miscellaneous revenues	27,621	55,884	86,084	77,618	67,924
TOTAL REVENUES	$ 1,628,795	$ 1,694,665	$ 1,724,920	$ 1,764,896	$ 1,866,654
EXPENDITURES					
Current					
General government services [2]	$ 105,623	$ 135,970	$ 182,699	$ 176,679	$ 180,300
Law, safety and justice [3]	556,416	553,127	570,772	590,415	618,175
Physical environment [4]	84,926	90,412	94,807	116,434	184,211
Transportation [5]	96,052	95,854	70,749	61,287	80,573
Economic environment [6]	85,112	111,682	103,475	97,806	101,865
Mental and physical health [7]	455,202	467,409	481,745	490,932	521,960
Culture and recreation [8]	44,079	46,212	50,165	42,418	42,774
Total Current	$ 1,427,410	$ 1,500,666	$ 1,554,412	$ 1,575,971	$ 1,729,858
Debt Service [9]					
Redemption of long-term debt	$ 62,901	$ 50,772	$ 56,913	$ 70,686	$ 71,998
Interest and other debt service costs	30,426	30,333	27,121	32,713	31,429
Payment to escrow agent	14,997	41,722	-	-	260
Total Debt Service	$ 108,324	$ 122,827	$ 84,034	$ 103,399	$ 103,687
Capital Outlay [10]	$ 22,488	$ 17,546	$ 27,638	$ 40,046	$ 12,857
TOTAL EXPENDITURES	$ 1,558,222	$ 1,641,039	$ 1,666,084	$ 1,719,416	$ 1,846,402
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 70,573	$ 53,626	$ 58,836	$ 45,480	$ 20,252
OTHER FINANCING SOURCES (USES)					
General obligation bonds issued	$ -	$ 24,710	$ 3,010	$ (99,593)	$ 12,160
Refunding bonds issued	41,250	25,700	256,615	92,940	34,815
Premium on bonds sold	4,390	3,516	41,294	7,261	5,971
Sale of capital assets	(20)	10,835	543	4,500	1,144
Transfers in	54,415	87,310	85,393	125,404	111,746
Transfers out	(119,905)	(128,310)	(119,620)	(171,135)	(142,594)
Payment to refunded bond escrow agent	(45,561)	(28,242)	(296,322)	-	(38,958)
TOTAL OTHER FINANCING SOURCES (USES)	$ (65,431)	$ (4,481)	$ (29,087)	$ (40,623)	$ (15,716)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 5,142	$ 49,145	$ 29,749	$ 4,857	$ 4,536
FUND BALANCE - JANUARY 1 - RESTATED [11, 12, 13]	$ 432,408	$ 490,776	$ 516,301	$ 546,046	$ 528,973
FUND BALANCE - DECEMBER 31 [14]	$ 437,550	$ 539,921	$ 546,050	$ 550,903	$ 533,509

NOTES TO TABLE:

(1) Includes General Fund, Special Revenue Funds, and Debt Service Funds, and excludes Capital Project, Enterprise, and Internal Service Funds.

(2) Legislative operations, executive operations, licensing, recording, election, special programs, personnel administration, facilities management, appraisal and assessments, financial accounting and budgeting, purchasing services, and real property management.

(3) Law enforcement, jail operations, prosecution, superior, district, and juvenile courts, judicial administration, public defense, emergency services, and probation services.

(4) Surface water management, animal control, flood control, and resource planning.

(5) Road construction and maintenance and traffic planning.

(6) Youth work training, public employment, veterans services, aging, planning and community development, housing and community development, and handicapped services.

(7) Public health operations, medical examiner services, alcoholism and substance abuse services, and community mental health and mental retardation programs.

(8) Parks and recreation services, park development cooperative extension services, and arts programs.

(9) General long-term principal and interest and other debt service costs.

(10) Will be capitalized in the government-wide financial statements.

(11) As a result of the implementation of GASB Statement No. 54 in 2011, several funds formerly reported as Capital Projects Funds (and not included in this statement for 2010) are reported as Special Revenue Funds in 2011, 2012, 2013, and 2014.

(12) The King County Ferry District reported a special revenue fund in 2008-2011 which is not included in 2012 and is now being reported as a nonmajor enterprise fund. The beginning balances of the Flood Control Zone District (a Special Revenue Fund) were adjusted for prior year expenditures.

(13) For 2014, beginning fund balance was restated for the following: (i) exclusion of the Children and Family Justice Center fund, reclassified to a Capital Projects fund; (ii) change in property tax availability policy; (iii) revenue deferral for critical areas mitigation; and (iv) inclusion of King County Law Library as Special Revenue fund.

(14) After the release of the County's 2012 Comprehensive Annual Financial Report ("CAFR"), it was identified that the General Fund balance for 2012 was overstated by $6.186 million as a result of both an overestimation of revenues for election cost billings and the reversal of a year-end recognition of unrealized Investment Pool gains. This overstatement was also included in the beginning fund balance for 2013 shown in the 2013 CAFR. The overstatement was corrected through 2013 current period activity in the 2013 audited financial statements, and the 2013 ending fund balance reflects this correction.

Source: King County Finance and Business Operations Division—Financial Management Section

Management Discussion of Financial Results

Revenues and Economic Conditions. The Puget Sound area's economy has fully recovered from the Great Recession. As of August 2015, the unemployment rate was 3.6% in the County, compared with 5.0% for the State and 5.2% for the nation. The region's relatively better performance was driven by the strength of major industry sectors, including software and health services as well as construction.

Tax Limitation Legislation. Future property tax revenue growth will remain low due to State legislation limiting annual property tax revenue growth without voter approval to the lesser of inflation or 1%, plus new construction. See "Property Tax Information" below.

Annexations and Incorporations. In 2009, the State Legislature expanded the credit for sales taxes (which would otherwise be payable to the State) received by cities that aid the efforts of certain counties, including the County, to move all urban unincorporated residents into cities through annexation. Under both the previous and the expanded legislation, cities that annex areas with more than 10,000 residents are eligible for the credit, which is equivalent to a sales tax rate of 0.1%, applied in both the newly annexed area and within the prior city boundaries. Annexations of more than 20,000 residents are eligible for a credit of 0.2%. The credit is available for a period of ten years, although the date by which an annexation must occur is 2015. Other provisions in the legislation give incentives to cities to annex additional areas, even if they are already receiving a sales tax credit for a previous annexation.

At the February 11, 2014, election, residents of the Klahanie neighborhood defeated a proposed annexation to the City of Issaquah. At the April 28, 2015 election, annexation of the same area to the City of Sammamish was approved by an 85.02% "yes" vote. This annexation covers approximately 10,800 residents and will likely be effective on January 1, 2016.

Annexations of several small residential areas in the northeast and east areas of the County and a small industrial and residential area along the Duwamish River are currently being considered. These proposed annexations would have almost no effect on the County's finances.

The County routinely reviews fiscal impact studies of potential incorporations, negotiates cost-reimbursable contracts for new cities desiring to contract with the County for services, and makes budget adjustments consistent with the anticipated savings in expenditures and loss of tax and service revenues.

Fund Balances. The financial policies of the County require that appropriate levels of reserves and undesignated balances be established based on the specific characteristics and purposes of each fund.

The County's fiscal policies provide that the undesignated balance for the General Fund be maintained between 6% and 8% of estimated annual revenues. This fund balance has been maintained above 6% each year without exception over the last two decades. The 2012 Adopted Budget increased the undesignated fund balance from 6% (as it had been for several years) to 6.5% to provide a larger undesignated reserve. This level has been maintained in all subsequent budgets.

The County also continues to maintain a separate balance in the Rainy Day Reserve Fund, which was first established outside of the General Fund in 2008. Use of this fund requires a declaration of emergency by the County Council. The County Executive increased this reserve from $16.1 million to $20.0 million in the 2013 Adopted Budget.

Enterprise Funds. The County has four enterprises that fund operations from sources other than the General Fund: the Transit, Water Quality, Solid Waste, and Airport enterprises. Each enterprise functions under different fiscal policies designed to make it self-sustaining with minimal risk that General Fund subsidies will be necessary during financial hardship.

2014 Results

The financial performance of the General Fund in 2014 improved when compared to the assumptions in the 2015-2016 Adopted Budget. The year-end 2014 total fund balance in the General Fund is $83.1 million. This is higher than what was projected due to slightly higher revenue collections and larger than anticipated under-expenditures. In addition, employee benefits costs were lower than anticipated in 2014 and, as a result, the General Fund was refunded a portion of the employee benefits charges at the end of 2014. Approximately $6.1 million of the year-end fund balance was planned to be reappropriated to the 2015-2016 biennial budget to fund prior contracts that had not been fully paid and long-term capital projects that had already been approved. The ending 2014 undesignated fund balance met the 6.5% target established in the budget process. This fund balance will be available to mitigate future risks and stabilize the General Fund. The Rainy Day Reserve Fund holds an additional approximately $20.2 million in fund balance.

At the April 22, 2014, special election, County voters did not approve the creation and funding of a King County Transportation District. This proposition would have increased funding for the County Department of Transportation and County cities to maintain transit services and roads. At the November 4, 2014, general election, Seattle voters approved the creation and funding of a Seattle Transportation Benefit District. This provides the City with funding to maintain and expand bus service in the City. This service is provided by the County Department of Transportation.

2015/2016 Adopted Budget

The County Executive submitted his 2015/2016 Proposed Budget to the County Council on September 22, 2014. The County Council adopted a 2015/2016 budget on November 17, 2014. Only small changes were made to the 2015/2016 Proposed Budget. The 2015/2016 Adopted Budget totals $9 billion, including $1.5 billion for the General Fund. This is the first fully biennial (two-year) budget in the County's history. The County has been moving to this model gradually for about a decade.

General Fund spending was increased by about $3 million, which was partially offset by additional ongoing revenue from internal audit functions, higher property tax forecasts based on the most recent assessed value, and changes to reserve levels. These increases will fund new services such as a domestic violence unit in the County Sherriff's Office, help build internal audit capacity, and provide for one-time grants to human service providers.

The 2015/2016 Adopted Budget for the General Fund includes $1.49 billion in estimated expenditures and $1.48 billion in revenues and transfers. The adopted 2015/2016 year-end fund balance in the General Fund is $92.9 million, including the Rainy Day Reserve Fund. The General Fund total reflects a couple of changes in budgeting practice. Previously, the revenues and expenditures associated with the provision of certain human services and the operations of the County-owned parking garage were not budgeted directly in the General Fund. Starting with the 2015/2016 Adopted Budget, the General Fund includes additional sales tax collections that were previously transferred directly to other funds. This new revenue helps fund the transfer to the Department of Community and Human Services. In addition, the parking garage operations subfund was added to the General Fund to better track the revenues and costs associated with those operations. These changes were net zero changes to the fund; however, they increase overall transparency and provide for future flexibility.

The General Fund was balanced through a combination of operational efficiencies, workload reductions, lower internal service rates, and effective management of health care costs. The 2015/2016 Adopted Budget continues the trend of finding annual efficiencies and the deployment of the Lean management methodology throughout County government. In addition, the County has expanded its use of Line of Business planning and will continue this discipline in the 2015/2016 biennium. The 2015/2016 Adopted Budget invests in the replacement of major technology systems in the District Court, Superior Court, and Records and Licensing Services. Lastly, the adopted budget sets aside funding for a new Office of Equity and Social Justice, which will continue to work to make sure that all individuals and communities are treated equitably in County programs.

The year-end General Fund balance target was increased to 6.5% in the 2012 Adopted Budget. This level was maintained in the 2015/2016 Adopted Budget. The Rainy Day Reserve Fund balance remains at approximately $20.2 million.

2015/2016 Biennium to Date Results

The biennium to date financial performance of the General Fund for the 2015/2016 biennium to date has not varied significantly from the assumptions in the 2015/2016 Adopted Budget. General Fund revenues are expected to be higher than budgeted due to the strength of County sales tax collections. However, some of the higher revenues will be used to offset supplemental activity, which appears to be in line with historical trends. No major unplanned expenditures have emerged. The General Fund is projected to meet its 6.5% undesignated balance target.

At the April 28, 2015, special election, County voters approved Proposition 1, which funded the update of the Puget Sound Emergency Radio Network through an increase in the regular property tax levy. This proposition passed with 65% of the vote and funds the project for nine years.

Future General Obligation Financing Plans

The County sold $53.385 million of limited tax general obligation bonds on September 21, 2015, to provide approximately $30 million of new financing for an open space acquisition, a real estate purchase, and several technology and energy conservation projects, as well as to refund certain outstanding bonds. This issue closed on October 13, 2015, after the date of the Preliminary Official Statement for the Bonds.

Two new series of lease revenue bonds totaling approximately $120 million are expected to be issued on behalf of the County either later this year or in 2016. These bonds will be secured by rental payments that are limited tax general obligations of the County.

Other than such new money issuances, when and if market conditions allow refunding of any outstanding bonds for the purpose of realizing debt service savings, the County may pursue such refundings.

Debt Repayment Record

The County has met promptly all principal and interest payments on its outstanding bonds and notes. The County has never defaulted on a payment of principal of or interest on any of its bonds and notes. Furthermore, the County has never issued refunding bonds for the purpose of avoiding an impending default.

King County Investment Pool

The Investment Pool invests cash reserves for all County agencies and approximately 100 special purpose districts and other public entities such as fire, school, sewer, and water districts, and other public authorities. It is one of the largest investment pools in the State, with an average asset balance of more than $5.0 billion during the past year. Assets of all County agencies typically comprise between 35% and 40% of the Investment Pool.

The Executive Finance Committee establishes the County's investment policy and oversees the portfolio to ensure that specific holdings comply with both the investment policy and State law. The Investment Pool is allowed to invest only in certain types of highly-rated securities, including certificates of deposit, U.S. Treasury obligations, federal agency obligations, municipal obligations, repurchase agreements, and commercial paper. A summary of the current investment policy is attached as Appendix C.

The County has commissioned an outside financial consultant, Public Financial Management ("PFM"), to conduct quarterly reviews of all assets in the Investment Pool. In its most recent assessment, as of June 30, 2015, PFM concluded that "the County's Investment Pool appears to provide ample liquidity, is well diversified, and is of sound credit quality." The most recent portfolio review can be obtained at the following website, which is not incorporated into this Official Statement by reference:

http://www.kingcounty.gov/operations/Finance/Treasury/InvestmentPool.aspx

County Employees

The number of full- and part-time employees of the County at year-end is shown below:

COUNTY EMPLOYEES

Year	Full-time	Part-time
2010	13,658	1,202
2011	13,314	870
2012	13,293	828
2013	13,540	894
2014	13,319	866

Source: King County Finance and Business Operations Division—Payroll Systems and Operations Sections

The County's Office of Labor Relations negotiates, implements, and administers 79 collective bargaining agreements with 33 unions covering the terms of employment for the County's approximately 12,000 represented employees. The County is working under a two-year coalition agreement from January 1, 2015, through December 31, 2016, covering the majority of labor contracts and a total of 5,370 employees. The agreement calls for a fixed cost-of-living wage increase of 2% in 2015 and 2.25% in 2016. A majority of other unions not part of the coalition have agreed to those same terms. Agreements reached that did not match the coalition terms include the Police Officer Guild, which calls for a 2% increase in both 2015 and 2016; the King County Corrections Guild, which calls for a 2% increase in 2015 and a 2.5% increase in 2016; and the Amalgamated Transit Union, the largest union in the County representing about 3,700 employees, which calls for a 1.48% increase in 2015 and a 1.10% increase in 2016. There are a few small units that are currently in negotiations. All ratified agreements are submitted to the County Council for adoption.

There have been no strikes or work stoppages by County employees during the last ten years.

Retirement Programs

Full-time County employees are covered by one of the following retirement systems:

NUMBER OF EMPLOYEES AS OF DECEMBER 31, 2014	RETIREMENT SYSTEM
47	Seattle City Employees Retirement System (“SCERS”)
734	State of Washington—Law Enforcement Officers and Fire Fighters Retirement System (“LEOFF”)
350	State of Washington—Public Safety Employees Retirement System (“PSERS”)
All Others (11,848)	State of Washington—Public Employees Retirement System (“PERS”)

Source: King County Finance and Business Operations Division—Financial Management and Payroll Systems and Operations Sections

The County administers payroll deductions under these retirement programs and remits the deductions together with County contributions to the respective retirement systems annually.

Substantially all full-time and qualifying part-time employees of the County participate in one of the retirement plans listed in the table titled “Overview of Retirement Plans” below. PERS, PSERS, and LEOFF are State-wide governmental retirement systems administered by the State of Washington’s Department of Retirement Systems (“WSDRS”). SCERS is a retirement plan administered by Seattle in accordance with Seattle Municipal Code Chapter 4.36. County employees who are former employees of Seattle Transit are covered by SCERS, as are King County Health Department employees.

OVERVIEW OF RETIREMENT PLANS

Retirement System/Plan	Administered by	Plan Type	Benefit Type	Plan Status
PERS - Plan 1	WSDRS	Cost-sharing multiple-employer retirement system	Defined Benefit	Closed in 1977
PERS - Plan 2	WSDRS	Cost-sharing multiple-employer retirement system	Defined Benefit	Open
PERS - Plan 3	WSDRS	Cost-sharing multiple-employer retirement system	Defined Benefit/Defined Contribution Hybrid	Open
PSERS - Plan 2	WSDRS	Cost-sharing multiple-employer retirement system	Defined Benefit	Open
LEOFF - Plan 1	WSDRS	Cost-sharing multiple-employer retirement system	Defined Benefit	Closed in 1977
LEOFF - Plan 2	WSDRS	Cost-sharing multiple-employer retirement system	Defined Benefit	Open
SCERS	City of Seattle	Single-employer retirement plan	Defined Benefit	Open

Source: State Department of Retirement Systems and SCERS

In June 2012, GASB approved Statement Nos. 67 and 68 that modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. The WSDRS-administered plans and SCERS will be subject to GASB 67; the County will be subject to GASB 68. GASB 67 is effective for Fiscal Year 2014; GASB 68 is effective for Fiscal Year 2015.

Each biennium, the State Legislature establishes contribution rates for the WSDRS-administered retirement plans. The SCERS Retirement Board of Administration establishes the contribution rates for the SCERS plan. The actuarial assumptions used in the most recent rate calculations are summarized in the following table:

ACTUARIAL ASSUMPTIONS FOR FUNDING CALCULATIONS

	WSDRS-Administered Plans	SCERS
Investment return	7.80% (1)	7.50%
General salary increases	3.75%	4.00%
Consumer Price Index increase	3.00%	3.25%
Annual growth in membership	0.95% (2)	0.50%

(1) Assumed rate of 7.50% for LEOFF Plan 2.

(2) Assumed rate of 1.25% for LEOFF.

Source: 2014 Actuarial Valuation from the Office of the State Actuary and SCERS January 1, 2015, Actuarial Valuation

The County's employer and employee contribution rates and contribution amounts for all systems for the fiscal year ended December 31, 2014, and current contribution rates for 2015 are shown in the table below:

COUNTY CONTRIBUTION RATES AND AMOUNTS

	PERS Plan 1	PERS Plan 2	PERS Plan 3	LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2	SCERS
2014 Employer Contribution Rate	9.21% (1)	9.21% (1)	9.21% (1)	0.18% (1)	5.23% (1)(2)	10.54% (1)	12.89%
2014 Employee Contribution Rate	6.00% (3)	4.92% (3)	Varies (3)(4)	0.00%	8.41%	6.36%	10.03%
2014 Employer Contribution Amount (000)	$2,244	$73,115	$12,793	$1	$4,325	$3,064	$620
2014 Employee Contribution Amount (000)	1,472	39,281	9,824	-	6,954	1,850	436
Total 2014 Contribution Amount (000)	$3,716	$112,396	$22,617	$1	$11,279	$4,914	$1,056
Current 2015 Employer Contribution Rate	11.18% (1)(5)	11.18% (1)(5)	11.18% (1)(5)	0.18% (1)	5.23% (1)(2)	11.54% (1)(5)	15.23%
Current 2015 Employee Contribution Rate	6.00% (3)	6.12% (3)(5)	Varies (3)(4)	0.00%	8.41%	6.59% (5)	10.03%

(1) The employer contribution rate includes an employer administrative expense fee of 0.18%.

(2) The State contributed an additional 3.36%.

(3) Under the Judicial Benefit Multiplier Program, County judges participating in PERS Plans 1, 2, and 3 may pay higher employee rates in exchange for enhanced benefits.

(4) The employee contributions to PERS Plan 3, which may range between 5% and 15% of employees' compensation, are paid into a defined contribution plan rather than funding a defined retirement benefit.

(5) New contribution rates became effective July 1, 2015.

Sources: King County, WSDRS, and SCERS

WSDRS-Administered Plans. Under State statute, contribution rates for WSDRS-administered plans are adopted by the State Pension Funding Council ("PFC") (and, for LEOFF 2, by the LEOFF 2 Board) in even-numbered years for the next ensuing State biennium. The rate-setting process begins with an actuarial valuation by the Office of the State Actuary, which makes non-binding recommendations to the Select Committee on Pension Policy, which then recommends contribution rates to the PFC and the LEOFF 2 Board. No later than the end of July in even-numbered years, the PFC and LEOFF 2 Board adopt contribution rates, which are subject to revision by the State Legislature.

The County has met its funding obligations to these systems when they have come due. While the County's contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates.

To calculate the funded status, the WSDRS-administered plans compare the Actuarial Value of Assets ("AVA") to the Entry Age Normal ("EAN") liabilities. The EAN cost method projects future benefits under the plans, using salary growth and other assumptions, and applies the service that has been earned as of the valuation date to determine accrued liabilities. The AVA is calculated using a methodology that smooths the effect of short-term volatility in the Market Value of Assets ("MVA") by deferring a portion of the annual investment gains or losses over a period of up to eight years. This helps limit fluctuations in contribution rates and funded status that would otherwise arise from short-term changes in the MVA. Additional information on this measure is provided in the 2014 Actuarial Valuation Report (published September 2015), which can be found on the Office of the State Actuary's website at

http://osa.leg.wa.gov/Actuarial_Services/Publications/Valuations.htm,

which link is not incorporated into this Official Statement by reference.

SCERS. To calculate the funded status of the SCERS plan, the assets are valued using a five-year smoothing method based on the difference between the expected market value and the actual market value of the assets in each year. The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes a measure of both benefits already earned and future benefits to be earned. Additional information on this measure is provided in the January 1, 2015, Actuarial Valuation Report (published May 26, 2015, which can be found on the SCERS website at

http://www.seattle.gov/retirement/Actuarial_Reports.htm,

which link is not incorporated into this Official Statement by reference.

Retirement System Funded Status. Information regarding the funded status from the most recent actuarial report for each system is shown in the following table:

RETIREMENT SYSTEM FUNDED STATUS(1)
(dollar amounts in millions)

	Administered by	Most Recent Actuarial Valuation Report	Actuarial Accrued Liability(a)	Actuarial Valuation of Assets(b)(2)	UAAL(3) (a-b)	Funded Ratio (b/a)	Plan Status
PERS - Plan 1	WSDRS	As of 6/30/2014	$ 12,720	$ 7,761	$ 4,959	61%	Closed in 1977
PERS - Plan 2/3	WSDRS	As of 6/30/2014	29,321	26,386	2,935	90%	Open
PSERS - Plan 2	WSDRS	As of 6/30/2014	291	278	13	96%	Open
LEOFF - Plan 1	WSDRS	As of 6/30/2014	4,323	5,499	(1,177)	127%	Closed in 1977
LEOFF - Plan 2	WSDRS	As of 6/30/2014	8,069	8,638	(569)	107%	Open
SCERS	City of Seattle	As of 1/1/2015	3,433	2,267	1,166	66%	Open

(1) Reflects the full retirement systems, not the County's share of each system.

(2) Asset valuations incorporate the smoothing of investment gains and losses.

(3) Unfunded actuarial accrued liability.

Sources: 2014 Actuarial Valuation from the Office of the State Actuary and SCERS January 1, 2015, Actuarial Valuation

As shown in the above table, the funded status on an actuarial basis for some plans is greater than 100%, while others are underfunded. Other than PERS Plans 2 and 3, assets from one plan may not be used to fund benefits for another plan.

Retirement funds for the WSDRS-administered plans are invested by the Washington State Investment Board. SCERS plan funds are invested at the direction of the SCERS Retirement Board of Administration.

The table below shows historical investment returns for retirement funds held in these plans.

HISTORICAL ONE-YEAR INVESTMENT RETURNS ON RETIREMENT FUNDS

Year	WSDRS-Adminstered Plans(1)	SCERS(2)
2005	13.1%	8.1%
2006	16.7%	13.9%
2007	21.3%	7.3%
2008	-1.2%	-26.8%
2009	-22.8%	10.8%
2010	13.2%	13.2%
2011	21.1%	0.0%
2012	1.4%	14.0%
2013	12.4%	15.5%
2014	17.1%	5.7%

(1) As of June 30.

(2) As of December 31.

For more information on employee retirement plans, see Appendix B—Excerpts from King County's 2014 Comprehensive Annual Financial Report.

Other Post-Employment Benefits

The King County Health Plan (the "Health Plan") is a single-employer defined-benefit healthcare plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees and employees. LEOFF Plan 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. The County's liability for other post-employment benefits ("OPEB") is limited to the direct Health Plan subsidy associated with LEOFF Plan 1 retirees and the implicit rate subsidy for other Health Plan retiree participants, which is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees. For the fiscal year ended December 31, 2014, the County contributed an actuarially estimated $5.1 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits. For the fiscal year ended December 31, 2014, the County's annual OPEB cost (expense), which is calculated based on the annual required contribution of the County, was $11.8 million and the County's net OPEB obligation was $59.6 million. The Health Plan liability is based on a computed annual required contribution that includes the current period's service cost and an amount to amortize unfunded accrued liabilities.

For additional information regarding the County's OPEB liability, see Appendix B—Excerpts from King County's 2014 Comprehensive Annual Financial Report.

Risk Management and Insurance

The County has a separate division that is responsible for claims handling, insurance, and loss control programs. The County has implemented a program of self-insurance to cover general and automobile liability, Health Department professional malpractice, police professionals, and public officials' errors and omissions. The County has excess liability coverage that currently provides $92.5 million in limits above a $7.5 million per occurrence self-insured retention for the above exposures.

Insurance policies currently in force covering major exposure areas are as follows:

COVERAGE	LIMITS
Combined Property Damage and Extra Expense for covered County property (includes $100 million earthquake and $250 million flood; terrorism is included in overall limit)	$500 million
Airport Liability	$300 million
Airport Property Damage and Extra Expense for covered airport property (includes $50 million earthquake and $100 million flood)	$160 million
Airport Property Damage Terrorism for covered airport property	$250 million
Fiduciary Liability	$20 million
Employee Dishonesty	$2.5 million
Aviation (Police Helicopter) Program	$50 million
Excess Workers' Compensation	Statutory above $2,500,000 deductible per occurrence
Marine Liability	$150 million

The cash balance in the Insurance Fund was $103.7 million as of December 31, 2014. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2014, was $72.8 million.

See Appendix B—Excerpts from King County's 2014 Comprehensive Annual Financial Report.

Emergency Management and Preparedness

The County's Office of Emergency Management ("OEM") is responsible for managing and coordinating the County's resources and responsibilities in dealing with all aspects of emergencies. It also provides regional leadership in developing operational and communication strategies among cities, tribes, private businesses, and other key stakeholders within the County. The OEM prepares for emergencies, trains County staff in emergency response, provides education to the community about emergency preparedness, plans for emergency recovery, and works to mitigate known hazards. It has identified and assessed many types of hazards that may impact the County, including geophysical hazards (e.g., earthquakes, seismic seiches, landslides, tsunamis, volcanic eruptions, and lahars), infectious disease outbreaks, intentional hazards (e.g., terrorism and civil disorder), transportation incidents, fires, hazardous materials, and unusual weather conditions (e.g., floods, snow, extreme temperatures, water shortages, and wind storms). However, the County cannot anticipate all potential hazards and their impacts on people, property, the environment, the local economy, and the County's finances.

GENERAL OBLIGATION DEBT INFORMATION

General Obligation Debt Limitation

The statutory limitation (RCW 39.36.020) on non-voted general obligation debt of counties, such as the Bonds, is 1.5% of the assessed value of all taxable property within the county at the time of issuance. Of this, 0.75% may be incurred by a county that performs metropolitan functions, such as the County. Voter approval is required to exceed these limits. Any election to authorize debt incurred for county purposes must have a voter turnout of at least 40% of those who voted in the last State general election, and of those voting, 60% must vote in the affirmative. The statutory limitations on the combination of voted and non-voted general obligation debt are 2.5% of the assessed value of all taxable property within a county at the time of issuance for county purposes and 2.5% for metropolitan functions.

The State constitution limits non-voted general obligation debt of a county to 1.5% of the assessed value of taxable property within the county, and limits all general obligation debt of the county—voted and non-voted debt together—to 5% of the assessed value of taxable property within the county.

Debt Capacity and Debt Service Summary

The assessed value of all property in the County for the 2015 tax year is $388,118,855,592, resulting in a voted and non-voted total general obligation debt capacity of $9,702,971,390 (2.5%) for County purposes and an additional $9,702,971,390 (2.5%) for metropolitan functions. The non-voted general obligation debt capacity within these limitations is $5,821,782,834 (1.5%), of which a maximum of $2,910,891,417 (0.75%) may be incurred for metropolitan functions.

The following table shows a computation of the County's debt capacity for voted (unlimited tax general obligation, or "UTGO") and non-voted (limited tax general obligation, or "LTGO") debt for County purposes and for metropolitan functions. The table reflects general obligation debt of the County as of December 31, 2014, adjusted for subsequent County debt-related transactions, and is followed by a table that summarizes the total general obligation debt service requirements of the County.

UTGO bonds are payable from excess property taxes levied specifically for the purpose of paying debt service on such bonds. LTGO bonds, such as the Bonds, are payable from revenues and money of the County legally available for such purposes, including regular property taxes permitted to counties without voter approval. See "Property Tax Information."

Federal Sequestration. The sequestration provisions of the Budget Control Act of 2011 ("Sequestration") went into effect in March 2013. Sequestration has resulted in and is expected to continue to result in a reduction in the amount that the County expects to receive from the federal government in connection with interest payments on approximately $80 million of outstanding County limited tax general obligation bonds that were issued as taxable bonds eligible for federal interest subsidies. Payments made by the federal government between October 1, 2014, and October 1, 2015, were reduced by 7.3%, totaling approximately $59,000. In August 2015, the Internal Revenue Service Office of Tax Exempt Bonds announced that the federal interest subsidy payments would be reduced by 6.8% in for payments scheduled to be received between October 1, 2015 and October 1, 2016. Sequestration has been extended by Congress and is scheduled to remain in effect through federal fiscal year 2024.

COMPUTATION OF STATUTORY DEBT CAPACITY

2014 Assessed Value (2015 Tax Year)	$ 388,118,855,592
Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions	
1 1/2 % of Assessed Value	$ 5,821,782,834
County Purposes	
Outstanding Limited Tax General Obligation Bonds for County Purposes[(1)]	$ 778,315,258
The Bonds	50,595,000
General Obligation Lease Revenue Bonds for County Purposes	217,900,000
County Credit Enhancement Program for Housing[(2)]	132,826,641
Capital Leases/Installment Purchase Contracts for County Purposes	-
General Obligation Long-Term Liabilities for County Purposes	98,420,000
Less: Amount Legally Available for Payment of All Limited Tax General Obligation Indebtedness for County Purposes	(6,077,084)
Net Limited Tax General Obligation Debt for County Purposes	$ 1,271,979,815
Metropolitan Functions	
Outsanding Limited Tax General Obligation Bonds for Metropolitan Functions	$ 26,565,000
Outstanding Limited Sales Tax General Obligation Bonds	86,385,000
Outstanding Limited Tax General Obligation Bonds (Payable from Sewer Revenues)	762,385,000
Credit Enhancement Program for Reimbursement Agreements[(3)]	100,000,000
General Obligation Long-Term Liabilities for Metropolitan Functions	71,117,000
Capital Leases/Installment Purchase Contracts for Metropolitan Functions	-
Less: Amount Legally Available for Payment of all Limited Tax General Obligation Indebtedness for Metropolitan Functions	(25,397,572)
Net Limited Tax General Obligation Debt for Metropolitan Functions	$ 1,021,054,428
Total Net Limited Tax General Obligation Debt for County Purposes and Metropolitan Functions	$ 2,293,034,243
Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions	$ 3,528,748,591
Total General Obligation Debt Capacity for County Purposes	
2 1/2 % of Assessed Value	$ 9,702,971,390
Outstanding Unlimited Tax General Obligation Debt for County Purposes	113,255,000
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for County Purposes	(7,148,505)
Net Unlimited Tax General Obligation Debt for County Purposes	$ 106,106,495
Net Limited Tax General Obligation Debt for County Purposes (from above)	1,271,979,815
Total Net General Obligation Debt for County Purposes	$ 1,378,086,310
Remaining Capacity: General Obligation Debt for County Purposes	$ 8,324,885,080
Total General Obligation Debt Capacity for Metropolitan Functions	
2 1/2 % of Assessed Value	$ 9,702,971,390
Outstanding Unlimited Tax General Obligation Debt for Metropolitan Functions	-
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for Metropolitan Functions	-
Net Unlimited Tax General Obligation Debt for Metropolitan Functions	$ -
Net Limited Tax General Obligation Debt for Metropolitan Functions (from above)	1,021,054,428
Total Net General Obligation Debt for Metropolitan Functions	1,021,054,428
Remaining Capacity: General Obligation Debt for Metropolitan Functions	$ 8,681,916,962

NOTES TO TABLE:

(1) Excludes the Refunded Bonds. Includes the County's limited tax general obligation bonds that closed on October 13, 2015, after the date of the Preliminary Official Statement for the Bonds, and excludes the bonds refunded by that issuance.

(2) Reflects the outstanding principal amount plus accrued interest as of December 31, 2014, under contingent loan agreements authorized by the County Credit Enhancement Program. See "General Obligation Debt Information—Contingent Loan Agreements."

(3) The County has pledged its full faith and credit as a limited tax general obligation to the reimbursement agreements with Landesbank Hessen- Thüringen Girozentrale (Helaba) related to the letters of credit securing the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and 2001B. See the table titled "Summary of Credit Facilities" under "General Obligation Debt Information—Credit Facilities."

Source: King County Finance and Business Operations Division—Financial Management Section and Treasury Section

AGGREGATE DEBT SERVICE REQUIREMENTS FOR ALL GENERAL OBLIGATION DEBT OF THE COUNTY
(Fiscal Years Ending December 31)

		Limited Tax General Obligation Bonds					
	Unlimited Tax General	County Purposes					
			The Bonds		Lease Revenue	Metropolitan	Total LTGO
Year	Obligation Bonds	Outstanding(1)(2)	Principal	Interest	Bond Payments	Functions(2)(3)	Debt Service
2015	$ 16,778,025	$ 114,925,514	$ -	$ -	$ 18,406,574	$ 61,326,249	$ 194,658,336
2016	16,658,475	87,694,385	710,000	2,368,485	18,407,875	62,493,010	171,673,755
2017	16,708,975	81,085,532	840,000	2,187,650	18,404,975	73,325,153	175,843,310
2018	17,128,925	73,578,369	2,745,000	2,145,650	18,403,774	73,274,426	170,147,219
2019	16,209,475	73,607,112	2,885,000	2,008,400	18,406,772	73,207,165	170,114,449
2020	15,080,700	69,805,520	3,030,000	1,864,150	18,404,630	69,718,692	162,822,992
2021	13,807,700	65,058,443	1,025,000	1,712,650	18,410,537	64,735,401	150,942,031
2022	14,126,950	71,574,895	1,075,000	1,661,400	18,407,979	61,463,955	154,183,229
2023	14,460,825	44,984,211	1,130,000	1,607,650	18,407,220	61,411,499	127,540,580
2024	-	41,142,560	1,185,000	1,551,150	18,402,534	61,367,339	123,648,583
2025	-	38,411,380	3,895,000	1,491,900	16,640,427	61,295,019	121,733,726
2026	-	33,783,761	4,095,000	1,297,150	13,235,268	61,298,414	113,709,593
2027	-	35,021,509	4,260,000	1,133,350	13,237,351	61,231,198	114,883,408
2028	-	33,699,126	1,415,000	962,950	13,234,831	61,143,161	110,455,068
2029	-	30,774,744	1,485,000	892,200	13,236,934	61,081,767	107,470,645
2030	-	24,231,151	1,545,000	832,800	13,237,384	61,079,797	100,926,132
2031	-	19,582,971	1,605,000	771,000	13,235,207	47,133,994	82,328,171
2032	-	15,290,626	1,670,000	706,800	13,234,376	59,916,594	90,818,396
2033	-	6,492,691	1,735,000	640,000	13,233,643	59,847,666	81,948,999
2034	-	6,489,016	1,805,000	570,600	13,236,756	52,019,304	74,120,676
2035	-	4,126,156	1,880,000	498,400	13,237,191	24,342,600	44,084,347
2036	-	4,127,836	1,955,000	423,200	13,233,698	24,399,850	44,139,584
2037	-	4,129,249	2,030,000	345,000	-	24,346,600	30,850,849
2038	-	4,125,119	2,115,000	263,800	-	24,389,200	30,893,119
2039	-	4,129,400	2,195,000	179,200	-	4,000,000	10,503,600
2040	-	4,124,475	2,285,000	91,400	-	100,000,000	106,500,875
Total	$ 140,960,050	$ 991,995,751	$ 50,595,000	$ 28,206,935	$ 346,295,931	$ 1,449,848,051	$ 2,866,941,668

(1) Includes debt service on the Multi-Modal Limited Tax General Obligation Refunding Bonds, 2013, at an assumed interest rate of 4.00%. The principal of such bonds amortizes annually through June 1, 2029, to produce approximately level estimated annual debt service payments. Excludes debt service on the Refunded Bonds. Includes debt service on the County's limited tax general obligation bonds that closed on October 13, 2015, after the date of the Preliminary Official Statement for the Bonds, and excludes debt service on the bonds refunded by that issuance.

(2) Reflects taxable rates on certain bonds issued as taxable bonds and eligible for a federal subsidy, but does not reflect the interest credit subsidy associated with those bonds.

(3) These bonds are mostly secured by an additional pledge of certain taxes and revenues of the metropolitan functions of the County. Includes debt service at an assumed interest rate of 4.00% on the Multi-Modal Limited Tax General Obligation Bonds (Payable From Sewer Revenue), Series 2010A and Series 2010B, the principal of which is payable in full on January 1, 2040.

Source: King County Finance and Business Operations Division—Financial Management Section and Treasury Section

Net Direct and Overlapping Debt Outstanding

The following table lists the net outstanding direct debt and overlapping debt payable from taxes on property within the County.

NET DIRECT AND OVERLAPPING DEBT

2014 Assessed Value (for 2015 Tax Year)	$ 388,118,855,592
Net Direct Debt(1)	$ 904,409,669
Estimated Overlapping Debt:	
School Districts	$ 3,308,586,247
City of Seattle	857,818,775
Other Cities and Towns	746,858,610
Port of Seattle	225,420,000
Hospital Districts	219,138,195
Fire Districts	72,284,434
Park Districts	5,184,065
King County Library System	116,097,583
Library Capital Facilities	4,263,435
Parks and Recreation Service District	1,071,613
Total Estimated Overlapping Debt	$ 5,556,722,957
Total Net Direct and Estimated Overlapping Debt	$ 6,461,132,626
County Debt Ratios :	
Net Direct Debt to Assessed Value	0.23%
Net Direct and Overlapping Debt to Assessed Value	1.66%
2014 Population (estimated)	2,017,250
Per Capita Net Direct Debt	$448
Per Capita Net Direct and Overlapping Debt	$3,203
Per Capita Assessed Value	$192,400

(1) Total Net General Obligation Debt per Debt Capacity Schedules, as of December 31, 2014, Adjusted for Subsequent County Debt-Related Transactions:

Total Net General Obligation Debt for County Purposes	$ 1,378,086,310
Total Net General Obligation Debt for Metropolitan Functions	1,021,054,428
Total Net General Obligation Debt	$ 2,399,140,738
General Obligation Debt Serviced by Proprietary-Type Funds*	(124,170,000)
General Obligation Debt Issued for Component Units*	(216,680,000)
County Credit Enhancement Program**	(132,826,641)
General Obligation Debt Issued for Metropolitan Functions*	(1,021,054,428)
Net Direct Debt	$ 904,409,669

* The debt service on these bonds is payable first from other revenues of the County.

** Reflects the outstanding principal amount plus accrued interest as of December 31, 2014, under contingent loan agreements authorized by the County Credit Enhancement Program. See "General Obligation Debt Information-Contingent Loan Agreements."

Source: King County Finance and Business Operations Division—Financial Management Section and Treasury Section

Contingent Loan Agreements

Since 1997, the County has maintained a program to provide credit enhancement by entering into contingent loan agreements in connection with the financing of workforce housing projects assisting the poor and infirm. The program permits the County to provide credit enhancement for projects undertaken by public housing authorities, non-profit organizations, for-profit organizations, local governments, public agencies, and public development authorities, primarily the King County Housing Authority. The maximum principal amount permitted under the County's credit enhancement program is $200,000,000. The aggregate outstanding principal of and accrued interest on the contingent loan agreements provided under the County's credit enhancement program was $132,826,641 as of December 31, 2014.

In 2012, the Washington State Supreme Court issued its decision *In the Matter of the Bond Issuance of Greater Wenatchee Regional Events Center Public Facilities District*, involving a proposed contingent loan agreement between the City of Wenatchee and a public facilities district. Under the reasoning of the lead opinion in the case, the principal amount of any contingent loan agreement plus any accrued interest (but not interest still to be accrued) may be considered debt of the County for purposes of calculating constitutional and statutory debt limits. See the footnotes to the tables titled "Computation of Statutory Debt Capacity" and "Net Direct and Overlapping Debt."

Credit Facilities

The County has entered into certain credit facilities to which it has pledged its full faith and credit. Unless extended, such facilities terminate prior to the final maturity of the obligations secured thereby. A summary of such facilities is shown in the following table.

SUMMARY OF CREDIT FACILITIES

Series	Amount Outstanding as of 9/1/2015	Type of Facility	Provider	Expiration	Term-Out Provision	Maturity
Multi-Modal Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2010 A and B	$100,000,000	Standby Bond Purchase Agreement	State Street Bank and Trust Company	11/3/2017	Three Years	01/01/2040
Multi-Modal Limited Tax General Obligation Bonds, Series 2013	$37,340,000	Continuing Covenant Agreement	Bank of America Preferred Funding Corporation	8/6/2016	Three Years	06/01/2029
Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001 A&B	$100,000,000	Letter of Credit	Landesbank Hessen-Thuringen Girozentrale (Helaba)	9/30/2020	Three Years	01/01/2032

The County currently intends to keep these obligations outstanding until the stated maturity date. However, if the County is unable to extend or replace any such credit facility, the provider of that credit facility is obligated to purchase the outstanding obligations secured thereby before that credit facility terminates. In that case, the County would be obligated to repay during a "term-out" period all principal of the obligations secured thereby before the stated maturity date. In addition, if fees for extensions or replacements of any such credit facility increase substantially or such extensions or replacements otherwise cease to benefit the County, the County may seek to refund or convert the obligations secured by that credit facility with fixed rate bonds, which may increase debt service associated with those obligations above that currently projected by the County. See the table above titled "Aggregate Debt Service Requirements for All General Obligation Debt of the County."

PROPERTY TAX INFORMATION

Authorized Property Taxes

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

Regular Property Taxes. The County may levy regular property taxes for general municipal purposes, including the payment of debt service on limited tax general obligation bonds, such as the Bonds, and for road district purposes. Such regular property taxes 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 taxing district. Under the State Constitution, all real property constitutes one class for purposes of this uniformity requirement, with limited exceptions. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

The information in this Official Statement relating to regular property tax limitations and requirements is based on existing statutes and constitutional provisions. Changes in such laws could alter the impact of other interrelated tax limitations on the County.

(i) *Maximum Rate Limitations.* The County may levy regular property taxes for two purposes: 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 $1,000 of assessed value, and the County is levying $1.1995 per $1,000 of assessed value for the 2015 tax year. 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 $1,000 of assessed value, and the County currently is levying at the maximum rate of $2.25 per $1,000 of assessed value for the 2015 tax year. Additional statutory provisions limit the increase in the aggregate amount of taxes levied. See “Authorized Property Taxes—Regular Property Tax Increase Limitation.”

The County is authorized to increase its general municipal purposes levy to a maximum of $2.475 per $1,000 of assessed value if the total combined levies for both general and road district purposes do not exceed $4.05 per $1,000 of assessed value 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 $1,000 of assessed value limitation on the general purposes levy is exclusive of the following regular property taxes:

(a) a voted levy for emergency medical services, limited to $0.50 per $1,000 of assessed value (authorized by RCW 84.52.069),

(b) a voted levy to finance affordable housing for very low income households, limited to $0.50 per $1,000 of assessed value (authorized by RCW 84.52.105, although the County has not sought approval from voters for this levy),

(c) a non-voted levy for conservation futures, limited to $0.0625 per $1,000 of assessed value (authorized by RCW 84.34.230), and

(d) a non-voted levy for transit-related purposes, limited to $0.075 per $1,000 of assessed value (authorized by RCW 84.52.140).

The County’s EMS levy was approved in November 2013 for an additional six years, at a rate of $0.335 or less per $1,000 of assessed value. The current second-year rate is $0.30217 per $1,000 of assessed value. The County’s levy rate for conservation futures in 2015 is $0.04757 per $1,000 of assessed value, and its levy rate for transit-related purposes is $0.06792 per $1,000 of assessed value.

(ii) *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 1% of the true and fair value of property (or $10.00 per $1,000 of assessed value) by Article VII, Section 2, of the State Constitution and by RCW 84.52.050.

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

If aggregate regular property tax levies exceed the 1% 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.

(iv) *Regular Property Tax Increase Limitation.* The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amount 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% or 100% plus inflation, but if the inflation rate is less than 1%, the limit factor may be increased to 101%, 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 above under "Maximum Rate Limitations." The new limit factor is 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) that 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 majority voter approval, a taxing district may levy, within the statutory rate limitations described above, more than what otherwise would be allowed by the tax increase limitation, as allowed by RCW 84.55.050. This is known as a "levy lid lift," which has the effect of increasing the taxing district'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.

The table titled "Allocation of 2014 and 2015 Tax Levies" shows the allocation of the County's existing levies. The automated fingerprint identification system ("AFIS") levy, a regular property tax levy authorized by 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 not more than $0.0592 per $1,000 of assessed value, and in 2015 the rate is $0.05069 per $1,000 of assessed value. In August 2013, the Parks levy lid lift was renewed by voters for six years, for a rate of $0.1877 per $1,000 of assessed value. The 2015 tax year rate for the Parks levy lid lift is $0.17014 per $1,000 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 no more than $0.05 per $1,000 of assessed value. The 2015 rate is $0.04488 per $1,000 of assessed value. The Children and Family Justice Center levy is a nine-year temporary levy lid lift approved by voters in August 2012, at a rate of $0.07 per $1,000 of assessed value for the first year (2013). The rate for 2015 is $0.05971 per $1,000 of assessed value. A new regular property tax levy for the emergency public safety radio network replacement was approved by voters in April 2015, at a rate of $0.07 per $1,000 of assessed value for nine years, beginning in 2016. The proposed Best Starts for Kids levy has been approved by the County Council and will be on the November 3, 2015, ballot. This is a six-year levy at a rate of $0.14 per $1,000 of assessed value and, if approved by voters, will be used to invest in prevention and early intervention strategies for children and families.

Excess Property Taxes. The County also may impose "excess" property taxes, which are not subject to limitation, when authorized by 60% supermajority voter approval, 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% 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% of a number equal to 40% of the number who voted at the last County general election. Excess levies also may be imposed without voter approval when necessary to prevent the impairment of the obligation of contracts.

Component Units with Taxing Authority. In 2007, the County Council created a County-wide flood control zone district and a County-wide ferry district which levy regular property taxes at rates of $0.13860 and $0.00306 per $1,000 of assessed value, respectively, for the 2015 tax year. The boundaries of each district are coterminous with the boundaries of the County, and the members of the County Council serve initially as the legislative body for each district but, under State law, each district is a separate taxing district with independent taxing authority.

A County-wide transportation benefit district known as the King County Transportation District ("KCTD") was formed by the County Council in February 2014, as authorized by the State's transportation benefit district law. Shortly thereafter, the KCTD adopted a resolution to put a funding measure up for a public vote on April 22, 2014. The KCTD proposal was to enact a $60 annual vehicle fee and a one-tenth-of-a-cent increase in the sales tax; both would have expired after ten years. The measure failed by a margin of 46% to 54%, and at this time, the KCTD has no plans to propose any additional funding measures.

Allocation of Tax Levies

The following table sets forth the allocation of the County-wide, EMS, and unincorporated County (road district) levies.

ALLOCATION OF 2014 AND 2015 TAX LEVIES

County-Wide Levy Assessed Value(1) **$388,118,855,592**	**2014 Original Taxes Levied (in thousands)**	**2014 Levy Rate ($ per thousand)**	**2015 Original Taxes Levied (in thousands)**	**2015 Levy Rate ($ per thousand)**
Items Within Operating Levy(2)				
General Fund	$320,367	0.94477	$327,699	0.84772
Veterans' Relief	2,705	0.00798	2,759	0.00714
Human Services	6,069	0.01790	6,196	0.01603
Intercounty River Improvement	51	0.00015	50	0.00013
Limited G.O. Bonds Debt Service	-	0.00000	6	0.00000
AFIS Levy	18,947	0.05588	19,594	0.05069
Parks Levy	63,653	0.18770	65,765	0.17014
Veterans and Family Human Services	16,778	0.04948	17,350	0.04488
Children and Family Justice Center	22,366	0.06597	23,081	0.05971
Marine Operating (Ferry)	-	0.00000	1,182	0.00306
Total Operating Levy(2)	$450,936	1.32983	$463,682	1.19950
Transit Levy(3)	$ 25,431	0.07500	$ 26,255	0.06792
Conservation Futures Levy(4)				
Conservation Futures Levy	$ 9,379	0.02766	$ 10,104	0.02614
Farmland and Park Debt Service	8,578	0.02530	8,284	0.02143
Total Conservation Futures Levy	$ 17,957	0.05296	$ 18,388	0.04757
Unlimited Tax G.O. Bonds (Voter-approved Excess Levy)	$ 19,627	0.05826	$ 11,618	0.03023
Total County-wide Levy	$513,951	1.51605	$519,943	1.34522
EMS Assessed Value(5) $242,938,385,808				
EMS Levy(5)	$ 70,608	0.33500	$ 73,111	0.30217
Unincorporated County Assessed Value(1) $32,075,397,556				
Road District Levy(6)	$ 71,721	2.25000	$ 81,183	2.25000
Total County Tax Levies	$656,280		$674,237	

(1) Assessed value for taxes payable in 2015.

(2) The operating levy is limited statutorily to $1.80 per $1,000 of assessed value.

(3) The Transit Levy is limited statutorily to $0.075 per $1,000 of assessed value.

(4) The Conservation Futures Levy is limited statutorily to $0.0625 per $1,000 of assessed value.

(5) The EMS levy is limited statutorily to $0.335 per $1,000 of assessed value.

(6) The Road District Levy is levied only in the unincorporated areas of the County and is limited statutorily to $2.25 per $1,000 of assessed value.

Source: King County Department of Assessments

Assessed Value Determination

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% 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.

The following table presents the assessed value of the taxable property within the County for the current year and the last six years.

KING COUNTY
ASSESSED VALUE

Tax Year	Amount	Percentage Change From Previous Year
2010	$ 341,971,517,465	-11.6%
2011	330,414,998,614	-3.4%
2012	319,460,937,305	-3.3%
2013	314,746,206,667	-1.5%
2014	340,643,616,343	8.2%
2015	388,118,855,592	13.9%

Source: King County Department of Assessments

Tax Collection Procedure

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 by the Assessor based upon the assessed value of the property within the various taxing districts. The Assessor extends the tax levied within each taxing district on 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 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 of giving notice of payment of taxes due, collecting taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed 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 (but not a federal tax lien) is senior to real property taxes that are incurred after the judgment lien has been recorded. In all other respects, and subject to the possible "homestead exemption" described below, the lien that secures payment 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 $125,000 proceeds of the forced sale of a family residence 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.

The following table shows the County's property tax collection record.

PROPERTY TAX COLLECTION RECORD
ALL COUNTY FUNDS ($000)

Tax Year	Original Amount Levied(1)	Amount Collected Year of Levy	Percent Collected Year of Levy	Percent Collected as of 5/31/2015
2010	$ 587,009	$ 569,405	97.00%	98.88%
2011	588,486	571,256	97.07%	98.76%
2012	583,597	571,789	97.98%	99.50%
2013	608,445	597,455	98.19%	99.42%
2014	656,280	645,201	98.31%	99.16%
2015	674,237	345,666	51.27%	51.27% (2)

(1) Excludes the portions of the EMS levy collected within the cities of Seattle and Milton, which are paid to those cities.

(2) Partial collection as of May 31, 2015.

Source: King County Finance and Business Operations Division—Financial Management Section

Principal Taxpayers

The following table lists the ten largest taxpayers in the County and the assessed value of their real and personal property for the 2015 tax collection year.

LARGEST TAXPAYERS IN THE COUNTY
2015 TAX COLLECTION YEAR

Taxpayer	Assessed Value	AV as Percentage of County's Total AV
Boeing	$ 3,153,954,309	0.81%
Microsoft	2,736,627,732	0.71%
Puget Sound Energy	2,370,277,658	0.61%
Alaska Airlines	778,080,992	0.20%
AT&T Mobility LLC	645,729,153	0.17%
Kemper Development	606,557,469	0.16%
Union Square LLC	593,709,418	0.15%
Qwest Corporation(1)	493,826,094	0.13%
Urban Renaissance Property Co.	460,465,549	0.12%
1201 Tab Owner LLC	457,615,155	0.12%
Total Assessed Value of Top Ten Taxpayers	$ 12,296,843,529	3.17%
Total Assessed Value of All Other Taxpayers	$375,822,012,063	96.83%
2014 Assessed Value for Taxes Due in 2015	$388,118,855,592	100.00%

(1) Acquired by CenturyLink in 2011.

Source: King County Department of Assessments

INITIATIVES AND REFERENDA

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the State Legislature and then, if not enacted, to the voters) and require the State Legislature to refer legislation to the voters through the power of referendum. Any law approved through the power of initiative by a majority of the voters may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the State Legislature. After two years, the law is subject to amendment or repeal by the State Legislature in the same manner as other laws. The State Constitution may not be amended by initiative.

Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiative) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election.

In recent years, several State-wide initiative petitions to repeal or reduce the growth of taxes and fees, including County taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts. Tax and fee initiative measures continue to be filed, but it cannot be predicted whether any such initiatives might gain sufficient signatures to qualify for submission to the State Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Under the County Charter, County voters may initiate County legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the County Council from becoming law. The County Charter also permits legislation to be proposed by cities in the County, provided that at least one half of the cities in the County support the proposal.

LEGAL AND TAX INFORMATION

Litigation

There is no litigation pending questioning the validity of the Bonds or the power and authority of the County to issue the Bonds or seeking to enjoin the issuance of the Bonds.

The County is party to litigation in its normal course of business. The excerpts from the County's 2014 Comprehensive Annual Financial Report attached as Appendix B include Note 19 concerning non-tort legal matters. Reflecting recent developments in those matters, the following information supplements the information in Appendix B:

(i) In the Brightwater Treatment Plant influent pump station design engineer's error matter, the case has been remanded to Superior Court.

(ii) In the lawsuit by public defenders claiming that they should have been enrolled in PERS, the parties have developed a case schedule for litigating the issues that remain in the case after remand.

The County and its agencies are also party to litigation involving tort claims. Information under the heading "King County—Risk Management and Insurance" herein describes the County's self-insurance program and the current insurance policies that cover tort litigation. The County expects that the amount of the Insurance Fund and County insurance coverage, together with routinized budget practices, are sufficient to cover all costs associated with known tort litigation pending. Although the County cannot predict the amount of damages that may be payable, if any, in its litigation, the County does not believe that any pending litigation would materially adversely affect the ability of the County to pay when due the principal of or interest on the Bonds.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of the Bonds by the County are subject to the approving legal opinion of Foster Pepper PLLC, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached as Appendix A. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of the initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result.

Potential Conflicts of Interest

The fees of Bond Counsel and the Financial Advisor are contingent upon the sale of the Bonds. From time to time, Bond Counsel serves as counsel to the Financial Advisor and other parties that may be involved with the Bonds with respect to transactions other than the issuance of the Bonds.

Limitations on Remedies and Municipal Bankruptcy

Any remedies available to the owners of the Bonds upon the occurrence and continuation of a default under the Bond Ordinance are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the County fails to comply with its covenants under the Bond Ordinance or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in the Bond Ordinance, the rights and obligations under the Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases.

A municipality such as the County must be specifically authorized under State law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). Washington State law permits any "taxing district" (defined to include counties) to voluntarily petition for relief under a predecessor to the Bankruptcy Code. A creditor, however, cannot bring an involuntary bankruptcy proceeding under the Bankruptcy Code against a municipality, including the County. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code.

The opinion to be delivered by Foster Pepper PLLC, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights, and also to the exercise of judicial discretion in accordance with general principles of equity. The form of legal opinion of Bond Counsel is attached as Appendix A.

Tax Exemption

Exclusion from Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Code), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

Continuing Requirements. The County is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of proceeds of the Bonds and the facilities financed or refinanced with proceeds of the Bonds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirement to the extent applicable to the Bonds. The County has covenanted in the Bond Ordinance to comply with those requirements, but if the County fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor the County's compliance with such requirements.

Corporate Alternative Minimum Tax. While interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75% of the excess of the corporation's adjusted current earnings (including any tax-exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of $40,000, which exemption will be reduced (but not below zero) by 25% of the amount by which the corporation's alternative minimum taxable income exceeds $150,000, is then subject to a 20% minimum tax.

A small business corporation is exempt from the corporate alternative minimum tax for any taxable year beginning after December 31, 1997, if its average annual gross receipts during the three-taxable-year period beginning after December 31, 1993, did not exceed $5,000,000, and its average annual gross receipts during each successive three-taxable-year period thereafter ending before the relevant taxable year did not exceed $7,500,000.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

Certain Other Federal Tax Consequences

Bonds Not "Qualified Tax Exempt Obligations" for Financial Institutions. Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than $10,000,000 of tax exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax exempt obligations," only 20% of any interest expense deduction allocable to those obligations will be disallowed.

The County is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing more than $10,000,000 of tax exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year and has not designated the Bonds as "qualified tax exempt obligations" for purposes of the 80% financial institution interest expense deduction. Therefore, no interest expense of a financial institution allocable to the Bonds is deductible for federal income tax purposes.

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds should consult their own tax advisors.

Potential Future Federal Tax Law Changes. Current and future legislative proposals, if enacted into law, may directly or indirectly cause interest on the Bonds to be subject in whole or in part to federal income taxation, may prevent the Beneficial Owners of the Bonds from realizing the full benefits of the current federal tax status of interest on the Bonds, or may affect, perhaps significantly, the market value or marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the potential impact of any pending or proposed legislation or regulations.

Original Issue Premium. The Bonds have been sold at prices reflecting original issue premium ("Premium Bonds"). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period, and may affect the calculation of alternative minimum tax liability described above. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Continuing Disclosure Undertaking

Annual Disclosure Report. The County agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") the following annual financial information and operating data for the prior fiscal year (commencing in 2016 for the fiscal year ended December 31, 2015):

(i) annual financial statements prepared in accordance with the Budget Accounting and Reporting System ("BARS") prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statutes) and generally of the type attached as Appendix B, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the County they will be provided;

(ii) a summary of the assessed value of taxable property in the County;

(iii) a summary of budgeted General Fund revenues and appropriations;

(iv) a summary of *ad valorem* property tax levy rates per $1,000 of assessed value and delinquency rates;

(v) a summary of outstanding tax-supported indebtedness of the County; and

(vi) a schedule of the aggregate annual debt service on tax-supported indebtedness of the County.

Items (ii) through (vi) are required only to the extent that such information is not included in the annual financial statements.

The annual information and operating data described above will be provided on or before the end of seven months after the end of the County's fiscal year. The County's fiscal year currently ends on December 31. The County may adjust its fiscal year by providing written notice to the MSRB. In lieu of providing such annual financial information and operating data, the County may make specific cross-reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

The County agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information and operating data described above on or prior to the date set forth above.

Specified Events. The County further agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB notice of the occurrence of any of the following specified events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership, or similar event of the County;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of disclosure and not intending to modify the undertaking, the County advises with reference to items (iii), (x), and (xiv) that no debt service reserves secure payment of the Bonds, no property secures repayment of the Bonds, and there is no trustee for the Bonds.

EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12") are to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at *www.emma.msrb.org*, which website is not incorporated into this Official Statement by reference. All notices, financial information, and operating data required by the undertakings to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertakings must be accompanied by identifying information as prescribed by the MSRB.

Termination/Modification of Undertaking. The County's obligations to provide annual financial information and notices of specified events will terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. The undertaking, or any provision thereof, will be null and void if the County (i) obtains an opinion of nationally recognized bond counsel to the effect that those portions of Rule 15c2-12 which require the undertaking, or any such provision, are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the cancellation of the undertaking.

The County may amend the undertaking, and any provision of the undertaking may be waived, with an approving opinion of nationally recognized bond counsel and in accordance with Rule 15c2-12.

In the event of any amendment or waiver of a provision of the undertaking, the County will describe such amendment or waiver in the next annual report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a specified event under the caption "Specified Events" above, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Bond Owners' Remedies Under the Undertakings. The right of any Bond owner or beneficial owner of Bonds to enforce the provisions of the undertakings will be limited to a right to obtain specific enforcement of the County's obligations thereunder, and any failure by the County to comply with the provisions of the undertaking will not be an event of default with respect to the Bonds. For purposes of the undertaking, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Prior Compliance. The County has entered into written undertakings under Rule 15c2-12 with respect to all of its obligations subject thereto. The County believes that it has not failed to comply, in all material respects, with the obligations contained within such undertakings for the previous five years.

OTHER BOND INFORMATION

Ratings

The Bonds have been rated "Aa1," "AA+," and "AAA" by Moody's Investors Service, Fitch Ratings, and Standard & Poor's Ratings Services, respectively. The ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from each rating agency. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Financial Advisor

The County has retained Piper Jaffray & Co./Seattle-Northwest Division, Seattle, Washington, as financial advisor (the "Financial Advisor") in connection with the preparation of the County's financing plans and with respect to the authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make any independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is a full service investment banking firm that provides financial advisory and underwriting services to state and local governmental entities. While under contract to the County, the Financial Advisor may not participate in the underwriting of any County debt.

Purchaser of the Bonds

The Bonds are being purchased by Citigroup Global Markets Inc. at a price of $56,692,271.30, and will be reoffered at a price of $56,869,736.30. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices and yields set forth on page i of this Official Statement, and such initial offering prices and yields may be changed from time to time by the Purchaser. After the initial public offering, the public offering prices and yields may be varied from time to time.

Official Statement

At the time of the delivery of the Bonds, one or more officials of the County will furnish a certificate stating that to the best of his or her knowledge and belief at the time of delivery of the Bonds, this Official Statement did not and does not contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in any material respect.

The County has authorized the execution and delivery of this Official Statement.

KING COUNTY, WASHINGTON

By: /s/ Ken Guy

Ken Guy
Director of Finance and Business Operations Division
Department of Executive Services

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APPENDIX A

FORM OF BOND COUNSEL OPINION

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FOSTER PEPPER PLLC

[FORM OF BOND COUNSEL OPINION]

[Date]

King County, Washington

Re: King County, Washington, $50,595,000
Limited Tax General Obligation and Refunding Bonds, 2015, Series D

We have served as bond counsel to King County, Washington (the "County"), in connection with the issuance of the above referenced bonds (the "Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Bonds are issued by the County pursuant to Ordinance 17564, Ordinance 18089, and Motion 14438 (together, the "Bond Legislation") to (i) provide a portion of the financing for the County's Capital Improvement Program for Solid Waste Facilities and the Solid Waste Transfer and Waste Management Plan, (ii) advance refund certain of the County's outstanding bonds, and (iii) pay the costs of issuing the Bonds and refunding the refunded bonds, all as set forth in the Bond Legislation.

Reference is made to the Bonds and the Bond Legislation for the definitions of capitalized terms used and not otherwise defined herein.

We have not been engaged to review and thus express no opinion concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the County is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The County has covenanted in the Bond Legislation to comply with those requirements, but if the County fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the County's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The County is a duly organized and legally existing corporate body politic under the laws of the State of Washington.

2. The Bonds have been duly authorized and executed by the County and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the ordinances and motions of the County relating thereto.

3. The County has irrevocably covenanted to levy nonvoted property taxes in an amount sufficient, together with other legally available money, to pay the principal of and interest on the Bonds when due. The County has irrevocably pledged its full faith, credit, and resources for the annual levy and collection of such nonvoted property taxes and for the payment of the principal of and interest on the Bonds when due.

4. The Bonds constitute valid and binding general obligations of the County, enforceable in accordance with their terms, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases.

5. Assuming compliance by the County after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX B

EXCERPTS FROM KING COUNTY'S 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Financial Section

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANICAL STATEMENTS

June 22, 2015

Council and Executive
King County
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Mental Health and Public Health funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 18 and condition assessments and preservation of infrastructure eligible for modified approach on pages 119 through 121 and postemployment health care plan information on page 119 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as combining fund statements and schedules and supplementary information on pages 123 through 174 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Sincerely,

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

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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.
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> **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.

<u>Analysis of Changes in Net Position</u>

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.

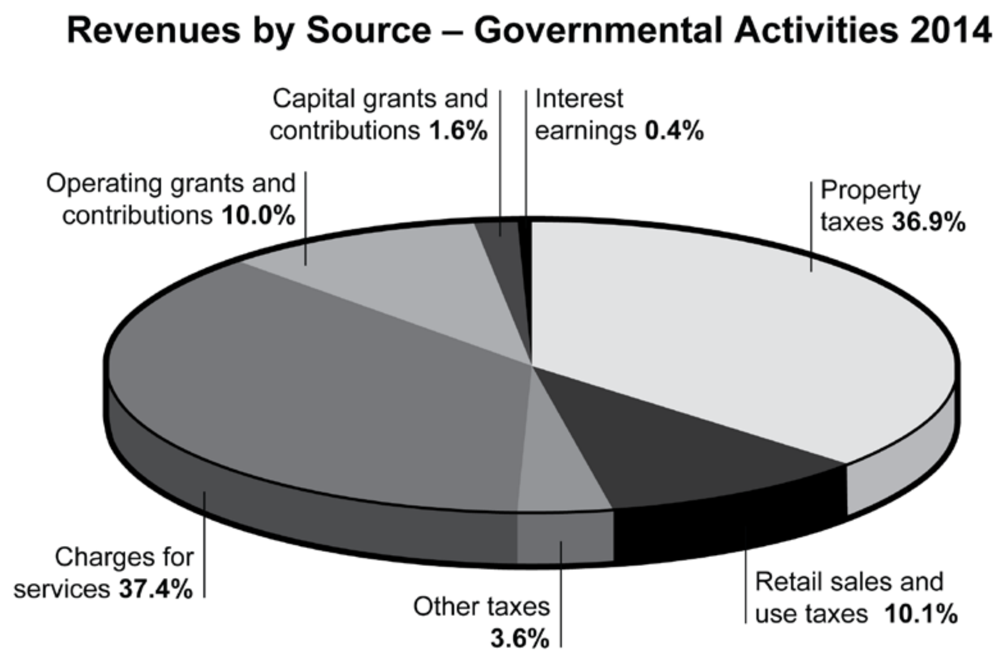
Changes in Net Position
(in thousands)

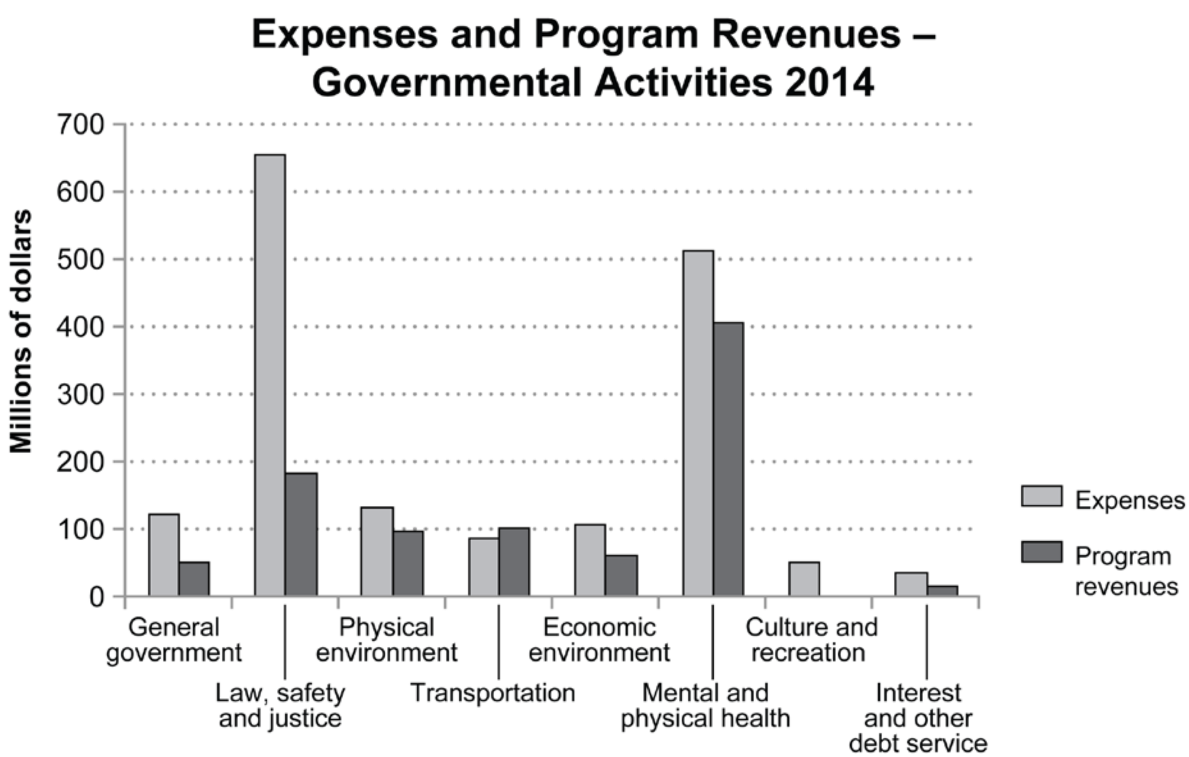
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	$ 691,220	$ 641,003 (b)	$ 871,354	$ 869,918	$ 1,562,574	$ 1,510,921
Operating grants and contributions	182,500	175,862	37,816	35,824	220,316	211,686
Capital 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	1,849,377	1,776,898	1,464,228	1,431,993	3,313,605	3,208,891
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	1,698,283	1,610,246	1,394,235	1,343,591	3,092,518	2,953,837
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	149,715	166,686	71,432	89,135	221,147	255,821
Net position, beginning of year	2,534,945 (b)	2,368,259 (b)	2,604,394	2,515,259	5,139,339 (b)	4,883,518
Net position, end of year	$ 2,684,660	$ 2,534,945	$ 2,675,826	$ 2,604,394	$ 5,360,486	$ 5,139,339

(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:





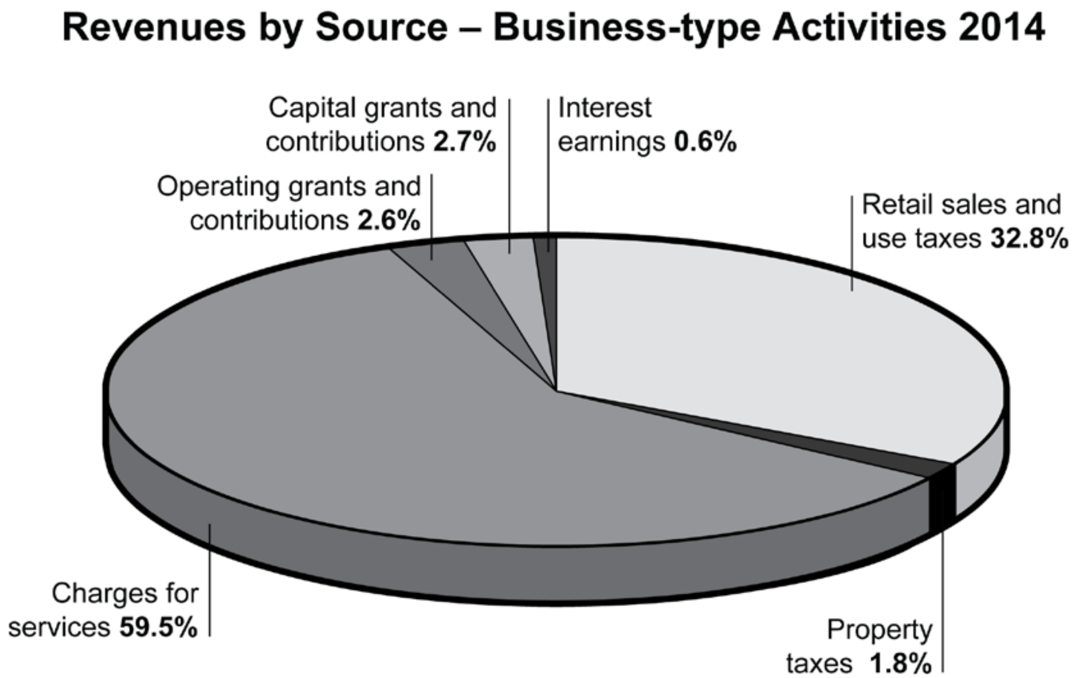
Charges for services provided 37.4 percent, and property taxes 36.9 percent of total revenues for governmental activities. The largest expense was for law, safety and justice, a function that required the greatest usage of general government revenues. The second largest expense was for mental and physical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

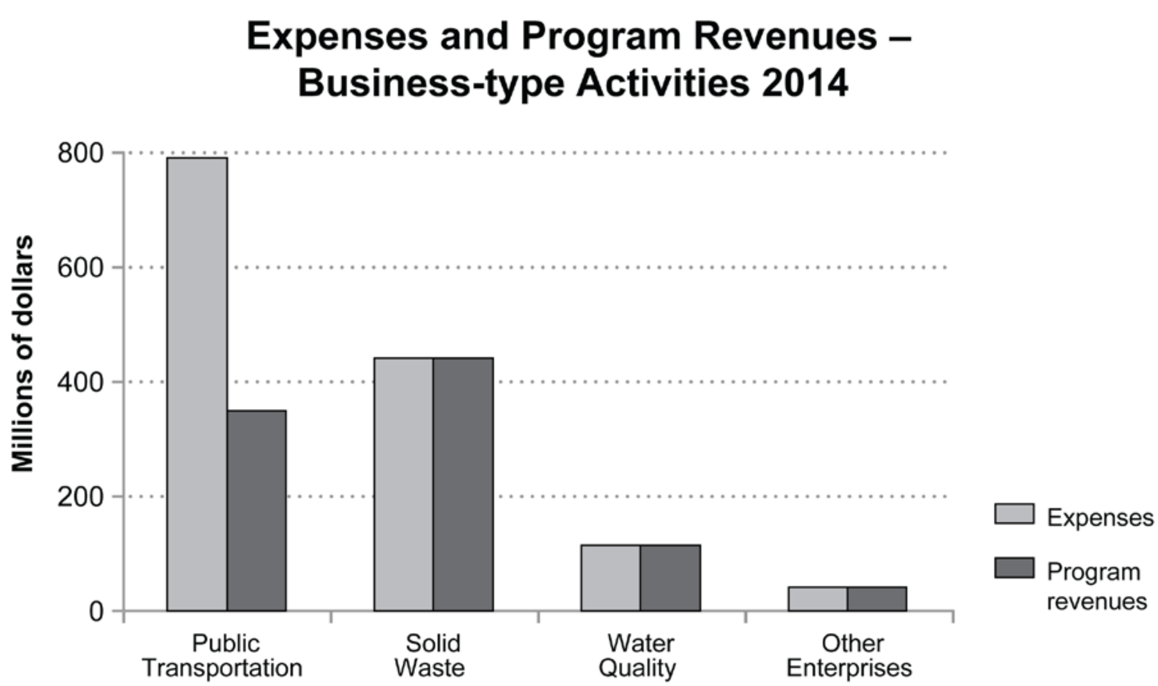
(Expenses) Net of Program Revenues	
General government	$ (71,904)
Law, safety and justice	(474,565)
Physical environment	(39,710)
Transportation	14,876
Economic environment	(42,899)
Mental and physical health	(109,423)
Culture and recreation	(49,563)
Interest and other debt service costs	(21,101)
Total expenses	(794,289)
General revenues	
Property taxes	682,616
Retail sales and use taxes	187,500
Other taxes	67,273
Unrestricted interest earnings	7,994
Transfers to Business-type	(1,439)
Special Item	60
Increase in net position	$ 149,715

Business-type activities. Business-type activities increased the County's net position by $71.4 million in 2014, accounting for 32.3 percent of the total growth in net position of the County. Total revenues for business-type activities were $1,464.2 million. The cost of all business-type activities for 2014 was $1,394.2 million. Of that amount, 68.1 percent or $949.4 million was funded from program revenues, including $871.4 million in charges for services, $37.8 million from other governments and organizations that subsidized certain programs with operating grants, and $40.2 million in capital grants and contributions. The Public Transportation operations are subsidized by retail sales and use tax revenues, which amounted to $479.6 million in 2014 and property taxes which amounted to $26.6 million.

Business-type revenues by source:



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	$ 935.5	$1,006.7	$ 3,827.4	$ 3,888.1	$ 4,762.9	$ 4,894.8

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

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

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

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

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

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

ECONOMIC OUTLOOK AND 2015 BUDGET

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

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

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

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

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

Taxable sales increased by 7.8 percent in King County in 2014 with construction sales a large contributor to that growth, up 11 percent. Retail, food service and accommodation sales continued to improve from the previous year. The annual inflation rate in the area remained tame at 1.9 percent for 2014 (CPI-W Seattle-Tacoma-Bremerton). Corrected for the rebounding home price appreciation, annual inflation was only 0.4 percent.

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

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

REQUESTS FOR INFORMATION

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

Basic Statements

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

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

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

			Program Revenues		
Functions/Programs	**Expenses**	**Indirect Expenses Allocation**	**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	1,718,793	100,271	691,220	182,500	30,274
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	1,373,725	20,510	871,354	37,816	40,204
Total primary government	$ 3,092,518	$ 120,781	$ 1,562,574	$ 220,316	$ 70,478
Component units	$ 831,414		$ 808,558	$ 8,620	$ 1,418

General revenues
Property taxes
Retail sales and use taxes
Business and other taxes
Penalties and interest - delinquent taxes
Interest earnings
Transfers
Special item
Total general revenues and transfers
Change in net position
Net position - January 1, 2014 (Restated)
Net position - December 31, 2014

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

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

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	$ 135,296	$ 63,454	$ 38,871	$ 654,587	$ 892,208
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	24,121	8,910	39,924	121,845	194,800
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	7,967	48	752	13,028	21,795
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)	103,208	54,496	(1,805)	519,714	675,613
Total liabilities, deferred inflows of resources, and fund balances (deficits)	$ 135,296	$ 63,454	$ 38,871	$ 654,587	$ 892,208

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	$ 2,684,660

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	$	149,715

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)

	BUDGETED AMOUNTS (ANNUAL)			
	ORIGINAL	**FINAL**	**ACTUAL**	**VARIANCE**
REVENUES				
Taxes				
Property taxes	$ 316,958	$ 316,958	$ 320,639	$ 3,681
Retail sales and use taxes	98,231	98,231	102,837	4,606
Business and other taxes	8,448	8,448	9,496	1,048
Penalties and interest - delinquent taxes	22,000	22,000	20,993	(1,007)
Licenses and permits	3,844	3,844	4,753	909
Intergovernmental revenues	105,181	115,058	118,774	3,716
Charges for services	119,527	119,560	113,270	(6,290)
Fines and forfeits	8,613	8,613	5,922	(2,691)
Interest earnings	2,365	2,365	1,412	(953)
Miscellaneous revenues	11,910	11,910	12,143	233
Sale of capital assets	30	30	155	125
Transfers in	345	345	81	(264)
TOTAL REVENUES	697,452	707,362	710,475	3,113
EXPENDITURES				
Current				
General government services	117,646	123,039	120,269	2,770
Law, safety and justice	503,512	516,480	501,121	15,359
Economic environment	615	624	408	216
Mental and physical health	27,044	27,581	26,392	1,189
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	68	(65)
Capital outlay	1,474	2,174	1,895	279
Transfers out	68,162	74,594	71,991	2,603
TOTAL EXPENDITURES	718,490	744,529	722,144	22,385
Deficiency of revenues under expenditures (budgetary basis)	$ (21,038)	$ (37,167)	(11,669)	$ 25,498
Adjustment from budgetary basis to GAAP basis			(943) [(a)]	
Net change in fund balance			(12,612)	
Fund balance - January 1, 2014 (Restated)			115,820	
Fund balance - December 31, 2014			$ 103,208	

(a) Elements of adjustment from budgetary basis to GAAP basis:

Adjustments to revenues	
Recognition of unrealized gains on investments on a GAAP basis	$ 220
Adjustments to expenditures	
Non-budgeted expenditures	(384)
Encumbrances, not included in GAAP basis expenditures	1,107
Adjustment from budgetary basis to GAAP basis	$ 943

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)

	BUDGETED AMOUNTS (BIENNIAL)			
	ORIGINAL	**FINAL**	**ACTUAL**	**VARIANCE**
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	338,366	381,088	373,680	(7,408)
EXPENDITURES				
Current				
Mental and physical health	341,848	381,848	354,428	27,420
Transfers out	-	-	425	(425)
TOTAL EXPENDITURES	341,848	381,848	354,853	26,995
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	$ (3,482)	$ (760)	18,827	$ 19,587
Adjustment from budgetary basis to GAAP basis - encumbrances			-	
Net change in fund balance			18,827	
Fund balance - January 1, 2013 (Restated)			35,669	
Fund balance - December 31, 2014			$ 54,496	

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)

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

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

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

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

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

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

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

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

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

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

	BUSINESS-TYPE ACTIVITIES				
	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	(401,947)	280,299	16,922	(104,726)	49,769
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	525,032	(125)	12	524,919	(7,339)
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	(95,445)	(362,847)	(8,187)	(466,479)	(36,007)
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	3,569	3,856	1,185	8,610	2,690
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	$ 545,413	$ 567,583	$ 161,361	$ 1,274,357	$ 361,475

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

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

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR-TATION	**WATER QUALITY**	**NONMAJOR ENTERPRISE FUNDS**	**TOTAL**	**INTERNAL SERVICE FUNDS**
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)

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

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	741,523	47,634	789,157
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	125,856	4,420	130,276
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	$ 615,667	$ 43,214	$ 658,881

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

Payments to King County for debt service interest
Interest earnings
Net general revenues
Change in net position
Net position - January 1, 2014
Net position - December 31, 2014

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

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

Notes to the Financial Section

For the Year Ended December 31, 2014

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 Plan 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 I50.105, 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.

<u>Inventories</u>

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.

<u>Prepayments</u>

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.

<u>Capital Assets (See Note 7 – "Capital Assets")</u>

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.

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. Capital assets and their components useful lives are as follows:

Description	Life (Years)
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 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	45,716
Net adjustment to reduce *fund balance - total* governmental funds to arrive at net position - governmental activities	$ 883,458

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)	(258,890)
Net adjustment to increase *fund balance - total* governmental funds to arrive at net position - governmental activities	$ 2,764,591

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	1,731
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$17,700

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		(13,945)
Net adjustment to increase fund balance - *total governmental funds* to arrive at *net position of governmental activities*	$	110,214

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		(43,824)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	34,757

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		19,652
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	10,894

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

Property tax accrual	$	3,922
Abatement fee accrual		164

Noxious weed assessment accrual		755
Surface Water Management service charge accrual		1,442
Fines and forfeits net accrual		(4,595)
Advance grant		(3,679)
Special Item		60
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(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 *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(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 *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	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		24,976
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$	9,451

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		13,556
Net adjustment to increase *net position - total enterprise funds* to arrive at *net position of business-type activities*	$	67,341

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		14,117
Net adjustment to increase *net position - total enterprise funds* to arrive at *net position of business-type activities*	$	16,752

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.

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.

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	$6,063

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

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

Budgeted Level of Expenditures

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

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

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

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

Funds with Annual or Biennial Budgets

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

Material Fund Balance Deficits

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

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

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

Public Health Fund – The deficit of $1.8 million resulted from similar challenges for funding that public health services in other counties are facing across the state. This budget shortfall in the Public Health Fund, at its root, is neither new nor unexpected, but the problem has been accelerated by cuts to state and federal funding - including changes in the federal reimbursement policy for Medicaid Administrative Claiming (MAC). While the expected resumption in MAC claims reimbursements in 2015 will provide an important source of funds to resolve the deficit, Public Health – Seattle and King County (PHSKC) is pursuing other strategies as well including the sale of three surplus properties held by the General Fund on behalf of PHSKC in Kent, Bothell/Northshore, and Renton which could, with the approval of the Metropolitan King County Council, generate in excess of $6 million of one-time funds for the Public Health Fund.

Material Net Position Deficits

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

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

I-Net Enterprise Fund – The current deficit of $42 thousand in unrestricted net position is due to the cost of constructing IT investments. $1.8 million was transferred in 2012 to the KCIT capital fund to plan and replace the aged I-Net infrastructure system. The negative unrestricted net position is expected to be reduced as the fund collects the revenue from customers in future years. I-Net service fees include a surcharge for system replacement.

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

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

Note 4

Deposits and Investments

Deposits

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

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

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

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

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 depositaries; and certificates, notes, or bonds of the United States.
- Other obligations of the United States, its agencies, or in any corporation wholly owned by the U.S. government.
- Bankers' acceptances purchased on the secondary market, Federal Home Loan bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.
- Obligations of any other government-sponsored corporation whose obligation is or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System.
- Commercial paper (within the policies established by the State Investment Board)
- Debt instruments of banking institutions, local and state general obligations.
- GO bonds issued by any states and Revenue bonds issued by Washington State governments that are rated at least "A" by a nationally recognized rating agency.

King County voluntarily invests in the Washington State Treasurer's Local Government Investment Pool (LGIP). The 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

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)
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	$ 5,240,898	$ 5,235,440	0.53%	1.261

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 depositaries, 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

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

N/A = Not applicable

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

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

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

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

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

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

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

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

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

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

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

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

When accounting for all four impaired investments, the fair value of the Impaired Pool at December 31, 2014, was $10 million and the book value was $16.5 million. The fair value at year-end was determined by a combination of the December 2014 value of Victoria based on a market quote from one dealer and, as stated earlier, the value of the cash retained by the receivers as of December 31, 2014. The majority of the amount remaining in the impaired investment pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. During 2014, VFNC Trust distributed a total of $3.7 million to the County. Including all the receipts to date brings the cash recovery rate on the original Victoria investment to 76 percent. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay. This monthly distribution is expected to continue for at least the next five years. Also, because of extremely low interest rates, the County chose not to discount these future cash flows.

King County Investment Pool and Impaired Investment Pool Condensed Statements

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

Condensed Statement of Net Position

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

Condensed Statement of Changes in Net Position

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

Individual Investment Accounts

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

Component Units

Harborview Medical Center (HMC)

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

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

$250 thousand per bank) totaling $4.5 million in bank balance and reports a carrying amount of $5.8 million. In addition, HMC has equity in the Investment Pool (reported as cash equivalents on June 30, 2014) totaling $229.6 million in bank balance and report a carrying amount of $230.1 million. As of June 30, 2014, all of the deposits were covered entirely by the FDIC or uninsured but fully collateralized under the PDPC collateral pool. Accordingly, the HMC has no custodial credit risk for its deposits as shown in the following table (in thousands):

Harborview Medical Center
Deposits and Investments

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

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 depositary that are not insured by the FDIC are fully collateralized by the PDPC. Accordingly, the CDA has no custodial credit risk for its deposits. Carrying amounts of deposits for book purposes are materially the same as bank balances.

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

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

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

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

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

Cultural Development Authority
Investments By Type

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)	Concentratior
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	$ 46,085	$ 45,167	1.54%	1.179	100.00%
Less State Treasurer's Investment Pool (Cash Equivalent)	(23,009)				
Total Investments per Statement of Net Position	$ 23,076				

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.

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.

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.

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	$ 14,282	$ -	$ 2,107	$ 34,649	$ 51,038
Other receivables					
Abatements receivable	$ -	$ -	$ 2,891	$ 398	$ 3,289
Estimated uncollectible abatements receivable	-	-	(2,139)	(84)	(2,223)
Net other receivables	$ -	$ -	$ 752	$ 314	$ 1,066
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	$ 34,531	$ 1,178	$ 34,688	$ 42,227	$ 112,624

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	$ 50,019	$ 44,081	$ 8,576	$ 102,676	$ 665
Due from other governments	$ 122,434	$ 3,782	$ 4,219	$ 130,435	$ 56
Net due from other governments	$ 122,434	$ 3,782	$ 4,219	$ 130,435	$ 56
Noncurrent					
Due from other governments	$ 24	$ -	$ -	$ 24	$ -
Net noncurrent due from other governments	$ 24	$ -	$ -	$ 24	$ -

Note 6

Property Taxation

Taxing Powers

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

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

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

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

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

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

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

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

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

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

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

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

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as "banked" levy capacity. The County currently has no such banked levy capacity.

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

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

Assessed Valuation Determination

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

For tax purposes, the assessed value of property is 100 percent of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the County Council receives the Assessor's final certificate of assessed value of property within the County.

Tax Collection Procedures

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

The methods for giving notice of payment of taxes due, collecting such taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed State statutes. Personal property taxes levied by the County Council are secured by a lien on the personal property assessed. A federal tax lien filed before the County Council levies the personal property taxes is senior to the County's personal property tax lien. In addition, a federal civil judgment lien is senior to a lien on real property taxes once the federal lien has been recorded. In all other respects, and subject to the possible "homestead exemption" described below, the lien of property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County may commence foreclosure on a tax lien on real property after three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first $125 thousand in proceeds of the forced sale of a family residency or other "homestead" property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

Property Tax Calendar

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

Accounting for Property Taxes Receivable

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

Allocation of Tax Levies

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

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

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

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

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

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

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

ALLOCATION OF 2014 AND 2013 TAX LEVIES

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

(a) Assessed valuation for taxes payable in 2014.

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

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

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

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

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

Note 7
Capital Assets

Primary Government

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

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

Governmental activities include capital assets of governmental internal service funds except for the Wastewater Equipment Rental Fund, which is reported under business-type activities because it provides services exclusively to the Water Quality Enterprise.

Depreciation Expense

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

		2014
Governmental Activities		
General government services	$	19,614
Law, safety and justice		18,647
Physical environment		211
Transportation		367
Economic environment		191
Mental and physical health		1,176
Culture and recreation		3,618
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets		16,224
Total depreciation - Governmental activities	$	60,048
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	$	298,426

Infrastructure

Roads and Bridges Infrastructure Valuation

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

Rights-of-Way

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

Construction Commitments

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

Enterprise Funds

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

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

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

Capital Projects Funds

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

Discretely Presented Component Units

Harborview Medical Center (HMC)

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

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

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		
Public Transportation - restricted for future construction projects, debt service and obligations.	$	20,447
Water Quality - restricted for future construction projects, debt service, and reserves and obligations.		363,519
King County International Airport - restricted for construction projects and obligations.		591
Radio Communications Services - restricted for construction projects and obligations.		5
Solid Waste - restricted for landfill closure and post-closure care costs.		56,338
Building Development & Management Corporations - restricted for construction projects and debt service.		3,588
Construction & Facilities Management - restricted for construction projects and obligations.		11
Total Proprietary Funds restricted assets	$	444,499
Component Unit - Harborview Medical Center (HMC)		
HMC Construction Fund - restricted for construction projects, seismic, public safety and other improvements, and furnishings of HMC buildings.	$	11,686
HMC Special Purpose Fund - restricted donations, gifts, and bequests from various sources for specific uses.		8,683
HMC Operating Fund - restricted resources that are board-designated for specific purposes, including planned capital and service components, self-insurance, commuter services, research and training.		54,927
HMC Plant Fund - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.		37,807
Total HMC restricted assets	$	113,103
Component Unit - Cultural Development Authority of King County (CDA)		
Public Arts Projects Fund - restricted for the one percent for public art programs operated for the benefit of King County.	$	2,931
Cultural Grant Awards Fund - restricted for arts and heritage cultural programs.		44,703
Total CDA restricted assets	$	47,634

Note 9

Pension Plans

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

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

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

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

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

Plan Descriptions

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

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

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

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

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

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

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

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

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

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

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the CPI), capped at 3 percent annually.

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

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

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

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

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

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

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

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

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

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

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

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

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

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

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

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

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

Judicial Benefit Multiplier

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

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

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

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

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:

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

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

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

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

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

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

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

Plan Descriptions

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

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

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

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

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

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

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

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

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

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

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

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

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

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

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

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

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

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

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

Funding Policy

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

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

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

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

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

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

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

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

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

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

<u>Public Safety Employees' Retirement System (PSERS) Plan 2</u>

<u>Plan Description</u>

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

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

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

- Employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources,
- Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and
- Washington State Patrol;

- Washington State counties;

- Washington State cities except for Seattle, Spokane and Tacoma; and

- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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

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

- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or

- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or

- Have primary responsibility to supervise eligible members who meet the above criteria.

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

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

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

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost of living allowance is granted (based on the CPI), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors. A one-time duty-related death benefit is provided to the beneficiary or the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

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

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

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:

	PSERS Plan 2
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):

	PSERS Plan 2
2012	$ 2,120
2013	$ 2,565
2014	$ 3,064

Seattle City Employees' Retirement System (SCERS)

SCERS is a cost-sharing, multiple-employer retirement plan administered in accordance with chapter 4.36 of the Seattle Municipal Code. County employees of the Department of Public Health who have established membership in SCERS remain covered by the City Retirement System. Employees of Public Transportation who are former employees of Seattle Transit are also covered by the system. SCERS provides retirement, death, and disability benefits.

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

The SCERS member contribution rate is 14.31 percent of compensation except for members qualifying for lower rates prior to June 1972. The County is required to contribute at an actuarially determined rate. The current rate is 12.89 percent of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the Board of Administration. Both the County and the employees made the required contributions. The County's required contributions for the years 2012, 2013 and 2014 ending December 31 were $540, $582, and $620 thousand, respectively.

Component Unit – Harborview Medical Center (HMC)

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

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

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

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

Note 10

Postemployment Health Care Plan

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

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

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

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

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

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

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

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

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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)	167,420
Funded ratio (actuarial value of plan assets ÷ AAL)	0.00%
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.

With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques. Nonincremental claim adjustment expenses are not included as part of the liability.

Changes in the Insurance Fund's estimated claims liability in 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):

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

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

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

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):

Year	Office Space	Other	Total
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):

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

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

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

Note 13
Landfill Closure and Post-Closure Care

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

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

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

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

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

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

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

Note 14

Pollution Remediation

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

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

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

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

There are no estimated recoveries at this time that will reduce the amount of these obligations. However, the State of Washington has indicated that it intends to fund grants in support of the Lower Duwamish Waterway cleanup. The total pollution remediation liability at December 31, 2014, stands at $44.8 million. This liability is an estimate and is subject to changes resulting from price increases or reductions, changes in technology, or changes in applicable laws or regulations.

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

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

Gasworks Park – In 2005, the City of Seattle and Puget Sound Energy (PSE) entered an agreed order with the DOE for investigating and identifying cleanup options for Lake Union sediments surrounding Gasworks Park. The City and PSE named Metro Transit and Chevron Corporation as additional potentially liable parties (PLP) related to the Gasworks sediment site. Subsequently, the DOE notified Metro Transit and Chevron Corporation that they might be PLPs under the Model Toxics Control Act. The DOE has not issued a final decision regarding Metro Transit's status as a PLP. No liability was recorded because outlays for the site cleanup were not reasonably estimable at December 31, 2014.

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

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

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

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

Note 15
Debt

Short-term Debt Instruments and Liquidity

The County has $100 million of commercial paper outstanding in the Water Quality Enterprise Fund at year-end. The commercial paper has remaining maturity dates ranging from 61 to 92 days as of year-end. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the Enterprise. The debt will be repaid from operating revenues.

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

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

Long-term Debt

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

For business-type activities, long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Institutional Network (I-NET), Solid Waste, Public Transportation, and Water Quality Enterprise Funds; capital leases accounted for in the Public Transportation Fund; and Sewer Revenue Bonds and State of Washington revolving loans accounted for in the Water Quality Enterprise Fund.

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 Refunding1993B 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 Refunding1993B 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				830,358	576,580
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				29,530	27,805
Total Limited Tax General Obligation Debt				859,888	604,385
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				139,145	113,255
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				252,120	217,900
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,251,153	935,540

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

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/14
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
2006 LTGO Refunding 1999A Bonds (Partial)	12/14/06	01/01/15	4.00-5.00%	$ 7,995	$ 675
2007E LTGO (Solid Waste) Bonds (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	20,575
2008 LTGO (WQ) Refunding 1998B Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	219,505
2009 LTGO (Transit) Refunding 1998A Bonds	02/18/09	12/01/19	2.00-4.00%	48,535	23,980
2009B LTGO (WQ) Capital Improvement Projects Bonds	04/08/09	07/01/39	5.00-5.25%	300,000	294,105
2010A LTGO Refunding 2001 (Airport) Bonds (Partial)	10/28/10	06/01/21	2.00-5.00%	5,110	3,680
2010B LTGO (BABs) (Transit) Taxable Bonds	12/01/10	12/01/30	2.85-6.05%	20,555	20,555
2010D LTGO (QECBs) (Transit) Taxable Bonds	12/01/10	12/01/20	4.33%	3,000	3,000
2010A Multi-Modal LTGO (WQ) Bonds	01/12/10	01/01/40	Variable (a)	50,000	50,000
2010B Multi-Modal LTGO (WQ) Bonds	01/12/10	01/01/40	Variable (a)	50,000	50,000
2012A LTGO (WQ) Refunding 2005A Bonds	04/18/12	01/01/25	2.00-5.00%	68,395	67,755
2012B LTGO (WQ) Refunding 2005A Bonds	08/02/12	01/01/29	5.00%	41,725	41,725
2012C LTGO (WQ) Refunding 2005A Bonds	09/19/12	01/01/34	5.00%	53,405	53,405
2012D LTGO (Transit) Refunding 2002 and 2004 Bonds	10/16/12	06/01/34	2.00-5.00%	71,670	62,405
2012F LTGO (WQ) (South Plant Pump) Bonds	12/19/12	12/01/22	2.20%	3,010	3,010
2013 LTGO (Solid Waste) Bonds	02/27/13	12/01/40	3.10-5.00%	77,100	74,070
2014C LTGO & Refunding 2007E (Solid Waste) Bonds	07/30/14	12/01/34	2.00-5.00%	25,515	25,170
Total Limited Tax GO Bonds Payable From Enterprise Funds				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.

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES

Year	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Total Principal	Total 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 Principal	General Obligation Bonds Interest	Revenue Bonds, Capital Leases and Loans Principal	Revenue Bonds, Capital Leases and Loans Interest	Total Principal	Total Interest	Debt Service Requirements to Maturity Total Principal	Debt Service Requirements to Maturity Total 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

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

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

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	$ 1,826,657
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	$ 3,766,092
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	$ 8,618,737
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	$ 8,625,408

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."

Receivable Fund	Payable Fund	Amount
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		$ 34,104

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)

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 300
Nonmajor Governmental Funds	Nonmajor Governmental Funds	5,475
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	607
Total		$ 6,382

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."

Transfers Out	Transfers In	Amount
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		$ 178,720

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.

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:					
Antiprofiteering Program	$ 69	$	$	$	$ 69
Rainy Day Reserve	20,143				20,143
Parks Capital Funding				35,673	35,673
Information and Telecommunication Capital				7,480	7,480
Farmland and Open Space Acquisitions				1,389	1,389
Building Repair and Replacement				1,038	1,038
CDBG Greenbridge Loan				634	634
Debt Service				42,488	42,488
Total Committed Fund Balance	$ 20,212	$ -	$ -	$ 88,702	$ 108,914
Assigned for:					
Inmate Welfare	$ 3,892	$	$	$	$ 3,892
County Roads				19,889	19,889
Capital Projects	2,548				2,548
Emergency Medical Services				39,516	39,516
Enhanced 911 Emergency Telephone System				27,619	27,619
Local Hazardous Waste				13,244	13,244
Major Maintenance Reserve				19,186	19,186
Risk Abatement				28,580	28,580
Road Improvement Districts Construction				5	5
Mental Illness and Drug Dependency				16,258	16,258

A summary of governmental fund balances at December 31, 2014, continues (in thousands) (page 2 of 2):

	General Fund	Public Health Fund	Mental Health Fund	Nonmajor Governmental Funds	Total
Assigned - continued:					
Mental Health	$	$	$ 15,405	$	$ 15,405
Youth Employment Programs				1,453	1,453
Youth Sports Facilities Grant				854	854
Long-term Leases				(763)	(763)
Surface Water Management				8,432	8,432
Noxious Weed Control				903	903
King County Flood Control contract				(32)	(32)
Intercounty River Improvement				6	6
SWM CIP Non-bond subfund				9,328	9,328
Recorder's Operations and Management				2,114	2,114
Treasurer's Operations and Management				81	81
Critical areas mitigation				1,002	1,002
Transfer of Development Credit Program				592	592
Green River flood mitigation				2,538	2,538
Parks and Recreation				11,461	11,461
King County Marine Division				1	1
Community Development Block Grant				32,352	32,352
Arts and Culture				(1,864)	(1,864)
Department of Permitting and Environmental Review				1,160	1,160
Historical Preservation and Programs				86	86
Urban Restore Habitat Restoration				681	681
Animal Services				1,075	1,075
Citizen Councilor Revolving				2	2
Automated Fingerprint ID System				16,683	16,683
Regional Justice Projects				1,065	1,065
Law Library				376	376
Veterans' Relief				399	399
Developmental Disabilities				7,432	7,432
Veterans and Human Services				4,007	4,007
Children and Families Services				1,651	1,651
Alcoholism and Substance Abuse Services				4,433	4,433
Miscellaneous Grants				(910)	(910)
Reappropriation	1,711				1,711
Total Assigned Fund Balance	$ 8,151	$ -	$ 15,405	$ 270,895	$ 294,451
Unassigned for:					
Renton Maintenance Facility	$	$	$	$ (3,141)	$ (3,141)
Open Space Acquisitions for Parks and Recreation				(1,075)	(1,075)
Parks Facility Rehabilitation				(192)	(192)
General Fund	71,742				71,742
Public Health Fund		(3,053)			(3,053)
Total Unassigned Fund Balance	$ 71,742	$ (3,053)	$ -	$ (4,409)	$ 64,280
Total Fund Balance	$ 103,208	$ (1,805)	$ 54,496	$ 527,214	$ 683,113

Reporting Entity Change

The King County Law Library had been reported by the County, prior to 2014, as a Special District Fund under Miscellaneous Special Districts. Because of a determination by the State Auditor's Office that county law libraries in the State of Washington are not legally separate from their counties of origin, the Law Library is now reported within the primary government under the Justice and Safety – Nonmajor Special Revenue Fund.

Entity Change – Special Item

In February 2014 the County exercised its option to refinance the lease revenue bonds held by Goat Hill Properties (GHP), a County blended component unit and lessor for the Chinook Building and the Goat Hill Parking Garage that is under lease to the County. Final defeasance of the bonds occurred in December 2014 when title to the property legally transferred to the County. GHP then ceased to be a component unit and its residual assets and liabilities were removed from the County's statements of net position with the resultant change of $3.3 million reported as a special item in the Internal Service Funds activity statements. A related special item is also reported in governmental activities.

Restatements of Beginning Balances

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

Changes in Net Position or Fund Balances	Governmental Activities	Total Governmental Funds	Major Funds: General	Major Funds: Mental Health	Nonmajor Governmental Funds	Internal Service Funds
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)	$ 2,533,788	$ 633,690	$115,820	$ 38,198	$ 479,672	$ 148,529

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 corporatons blended component units that comprise the Building Development and Management Corporations internal service fund revised the accounting for bond premiums, cost of issuance, and interest calculation resulting in a retroactive restatement of net position.

Component Unit – Harborview Medical Center (HMC)

Restricted Net Position

Restricted expendable net position – $16.6 million of expendable net position is restricted for either capital purposes use or through donor-restrictions. Restrictions are imposed by King County on the use of resources for designated capital projects. Other restrictions are placed by donors or external parties, such as creditors, through purpose or time restrictions on the use of the assets.

Restricted nonexpendable net position – The $3.7 million consists of permanent endowments provided by donors with restrictions requiring HMC to maintain the assets in perpetuity.

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

Restricted Net Position

Restricted nonexpendable net position – $44.3 million is restricted by RCW 67.28.180.3 and King County ordinance to be used only for the arts and heritage cultural program awards fund and special account, for which the amount is derived according to a specified formula.

Note 19

Legal Matters, Financial Guarantees, and Other Commitments

Pending Litigation and Other Claims

King County and its agencies are parties to routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits that could significantly impact expenditures and future budgets. The County's threshold for disclosure of loss contingencies is $500 thousand.

- King County was the defendant in a lawsuit by public defenders claiming that they should have been enrolled in the State's Public Employees Retirement System (PERS). The Supreme Court affirmed that claim and remanded the case to the Superior Court for further proceedings. A settlement agreement was approved by the Superior Court on June 7, 2013. The State Department of Retirement Systems successfully appealed the settlement with the Court of Appeals who remanded the case back to Superior Court.

- King County has negotiated an Agreed Order with the Washington State Department of Ecology under the Model Toxics Control Act regarding the known contamination at the Maury Island Gravel Mine site. Due to the high level of regulatory review, approval requirements, and environmental permitting associated with any remediation project, the eventual alternative to be required, the schedule of the required remediation and the cost of any such remediation are not determinable at this time. The County expects to obtain partial funding for the remediation costs from the former owners of the property, and through Department of Energy remediation grants.

King County is contesting or negotiating the following claims and lawsuits which have the potential to result in material damages against the County although the outcomes are uncertain at this time:

- An administrative order from the Environmental Protection Agency (EPA) required the County, the City of Seattle, the Boeing Company, and the Port of Seattle to conduct a feasibility study to determine the nature and extent of the contamination in the Lower Duwamish Waterway. The feasibility study has been issued in final form by the EPA. The EPA issued a Record of Decision in 2014 which contains the EPA's final plan for cleanup. If parties that participate in the allocation accept their allotted shares, they then expect to enter into a settlement agreement and to negotiate a consent decree with the EPA to implement the cleanup. Due to the fact that the parties do not yet know their respective shares of cleanup costs and no consent decree has been negotiated with the EPA, the County is unable to determine the schedule or cost of any required remediation. In addition, the County is unable to determine the extent to which it and the Wastewater Treatment Division will be responsible for the cost of such remediation.

- A potential requirement for additional cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The King County Wastewater Treatment Division (WTD) has already performed interim cleanup costing $3.6 million to comply with an agreed order issued by the Washington State Department of Ecology. There are no current plans underway for additional cleanup; however monitoring will be implemented at the site. The Department of Ecology has reserved the right to require additional or different remedial actions at the site. The County is unable to determine an amount, if any, for which the WTD may be responsible.

- Potential claims exist for past and future cleanup costs at the Harbor Island Superfund Site. Certain removal costs already incurred by the Port of Seattle are expected to be defrayed by the County and the City of Seattle. The City of Seattle, Port of Seattle and King County intend to negotiate the amount, if any, that the City and the County will contribute. This is an extremely complex negotiation for which the County is unable to determine an amount that the WTD may be responsible for, if any. The parties have also agreed to share the cost of a supplemental investigation and feasibility study required by the EPA. The agreement states that the WTD has only a one-third pro rata share of the study costs although that portion may still be reallocated among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the study has been completed.

- King County is pursuing insurance recovery for costs arising out of a design engineer's error in failing to provide sufficient surge protection to respond to an emergency power loss to pump motors. Insurers funded remedial installation of larger motors. In February 2015, King County filed suit against insurers in King County Superior Court. In March 2015, King County amended its filing to add the engineering firm to the complaint. The case has been removed to federal court. In April 2015, the firm formally admitted the design error, made no substantive claim against King County, and requested only its fees and costs.

- In a class action lawsuit alleging violations of State law regarding meal periods for transit operators, King County filed a motion for summary judgment regarding liability which was denied. The County's motion for discretionary review of this decision was granted. Briefing for the Court of Appeals is scheduled to be completed in the summer of 2015. If needed, class certification would be decided after a decision from the Court of Appeals. King County is vigorously defending the litigation.

- The County sued the prime contractor of the Brightwater Central Tunnel, including the contractor's sureties, and sought damages due for failure to complete the work within the contract time period. On December 21, 2012, the jury awarded the County $155.0 million and the contractor $26.2 million. In post-trial motions the court awarded the County an additional $14.7 million for attorney's fees and costs. While the contractor has paid the net judgment amount, it has also filed an appeal, as have the sureties, which is currently pending in Division I Court of Appeals.

- A potential lawsuit by a contractor who worked on the Brightwater Liquids GCCM contract. The contractor may seek $695 thousand for costs it incurred when the County directed it to remediate the damage to the 66-inch pipeline caused by its subcontractor's defective work. The contractor will likely abandon this claim if there is further insurance recovery.

- King County purchased property interests in the southern portion of the East Side Railroad Corridor (ESRC) from the Port of Seattle for use as a recreational trail. In 2014, over 80 adjacent property owners named King County and other public entities as defendants in a quiet title and declaratory judgment action. The owners contend that the Port of Seattle did not acquire railroad easement rights in portions of the ESRC and could not have conveyed those rights to King County or others because those rights were legally extinguished. No damages are sought but an adverse decision would presumably diminish the monetary value of the County's property interests in the ESRC and could potentially require the county to re-acquire certain property interests for its wastewater treatment system. The County, at this time, is not able to determine the likelihood of an adverse decision, nor the potential monetary diminution of the County's property interest.

- In a newly-filed case similar to the preceding one, seven property owners, in March 2015, filed a lawsuit against King County and other public entities as defendants, alleging that the Port of Seattle did not acquire railroad easement rights in portions of the ESRC and could not have conveyed those easement rights to King County or others because those rights were legally extinguished. Such a ruling could require the county to re-acquire certain property interests for its wastewater treatment system. The lawsuit seeks damages under diverse theories such as conspiracy to defraud, trespass, inverse condemnation, and slander of title. Plaintiffs' counsel has requested that the matter be certified as a class action, potentially involving hundreds of adjoining property owners. Because this lawsuit has just commenced, the County is not able to determine the likelihood of an adverse decision. The County has retained outside counsel with experience in defending class-action litigation relating to utilities and other corridors.

- A new $192-million South Park Bridge has been built over the Duwamish River. The contractor is seeking $6.8 million in additional compensation for what it asserts are differing soil conditions than what was represented in the plans and specifications. As the project neared completion, the contractor asserted several new bases claiming entitlement to receive additional compensation of $20.0 million. The County disputes this and has retained outside counsel to assist in its defense. In December 2014, the County sued the contractor for payment of liquidated damages in the amount of $4.4 million. In March 2015, the case was settled and the County agreed to pay $7.5 million. The lawsuit is expected to be dismissed after the contractor completes several closeout tasks.

- A recent federal audit of Public Health - Seattle and King County questioned approximately $6.8 million in costs under the Ryan White federal grant program for 2011 and 2012 due to alleged shortcomings in record-keeping and monitoring of grant sub-recipients. The actual value of this un-asserted assessment is unknown.

Financial Guarantees

King County has extended nonexchange financial guarantees in the form of contingent loan agreements with the King County Housing Authority (KCHA), a related organization to the County, and other owners/developers of affordable housing. The County will provide credit support, such as assumption of monthly payments, for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The County's credit enhancement program, managed by the Department of Community and Human Services, allows up to $200 million in total commitment. At the end of 2014, there are 13 contingent loan agreements outstanding totaling $110.7 million. These agreements have maturity dates ranging from 11 to 32 years. All projects are currently self-supporting and the County has not made any payments pursuant to these agreements. It is unlikely that the County will make any payments in relation to these guarantees based on available information at the end of December 31, 2014 and the standards prescribed under GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Other Commitments

The Solid Waste Enterprise paid the County General Fund $3.4 million for rent on the Cedar Hills landfill site in 2014. The Enterprise is committed to paying rent to the General Fund as long as the Cedar Hills site continues to accept waste.

Component Unit – Harborview Medical Center

Harborview Medical Center (HMC) is involved in litigation arising in the course of business. It is HMC management's opinion that these matters will be resolved without material adverse effect to HMC's future financial position or results of operations.

The current regulatory environment in the healthcare industry is one of increasing governmental activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers that could result in the imposition of significant fines and penalties, including significant repayments of patient services previously billed. HMC believes that it complies with the fraud and abuse regulations, as well as other laws and regulations. Compliance with such laws and regulations can be subject to future governmental review and interpretation and regulatory actions unknown or unasserted at this time.

HMC is operated by the University of Washington under a management and operations contract with King County. In this contract, the University of Washington agrees to defend, indemnify, and save harmless King County's elected and appointed officials, employees, and agents, from and against any damage, cost, claim, or liability arising out of the negligent acts or omissions of the University, its employees or agents, or arising out of the activities or operations of the medical center.

Note 20

Subsequent Events

Debt Issuances in 2015

In February 2015, the County issued $721.9 million of Sewer Revenue Refunding and Limited Tax General Obligation (payable from sewer revenues) Refunding Bonds. The proceeds from these bonds were used to refund all of the Sewer Revenue Bonds, Series 2007; a portion of Sewer Revenue Bonds, Series 2008 and Series 2009; and a portion of the outstanding Limited Tax General Obligation Bonds (payable from sewer revenues), 2009.

In May 2015, the County completed the defeasance of limited tax general obligation (Kingdome stadium) refunding bonds, 2007A for $18.7 million using the excess proceeds from hotel/motel tax revenues; and, the partial defeasance of the Harborview portion of limited tax general obligation bonds, 2006 and 2010A at a total amount of $804 thousand.

Change in Reporting Entity in 2015

King County Ferry District

Effective January 1, 2015, under Ordinance 17935, King County assumed all rights, powers, functions and obligations of the King County Ferry District (KCFD) as set forth in RCW chapter 36.54. The KCFD will subsequently be reported as part of the primary government under the Marine Operations Enterprise Fund in the Proprietary Funds section of the CAFR. In prior years, it was reported as a blended component unit of the County.

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

I. Postemployment Health Care Plan

Schedule of Funding Progress for the Plan
(in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) ÷ c)
2012	12/31/2012	$ -	$ 178,502	$ 178,502	0.0%	$ 961,982	18.6%
2013	12/31/2013	$ -	$ 167,420	$ 167,420	0.0%	$ 1,000,353	16.7%
2014	12/31/2014	$ -	$ 167,420	$ 167,420	0.0%	$ 1,073,511	15.6%

II. Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Roads

The County performs condition assessments on its network of roads through the King County Pavement Management System. This system generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index from zero to one hundred (0–100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as pavement cracking. Based on the PCI score, condition ratings are assigned as follows: a PCI of less than 30 is defined as "poor to substandard" (heavy pavement cracking and potholes); a PCI of 30 or more but less than 50 is defined to be in "fair" condition (noticeable cracks and/or utility cuts); and a PCI of 50 and higher is defined to be in "excellent to good" condition (relatively smooth roadway). Condition assessments are undertaken every three years.

The condition assessments of the County's roads are shown below for the last three completed cycles.

	2013-2011		2010-2008		2007-2005	
Condition ratings	**(miles)**	**%**	**(miles)**	**%**	**(miles)**	**%**
Arterial roads						
Excellent to good	297.7	64.9	348.2	71.8	485.4	89.6
Fair	32.0	7.0	20.3	4.2	14.5	2.7
Poor to substandard	129.0	28.1	116.7	24.0	41.6	7.7
Total	458.7	100.0	485.2	100.0	541.5	100.0
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	1,049.9	100.0	1,147.0	100.0	1,313.0	100.0

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.

	2013-2011		2010-2008		2007-2005	
PCI score interval	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	315.7	68.8	360.0	74.2	493.4	91.1
PCI 0 - 39	143.0	31.2	125.2	25.8	48.1	8.9
Total	458.7	100.0	485.2	100.0	541.5	100.0
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	1,049.9	100.0	1,147.0	100.0	1,313.0	100.0

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

It is the policy of the King County Road Services Division to maintain at least 50 percent of the road system at a PCI of 40 or better. This is a change from prior years where it was set at 80 percent at a PCI of 40 or better. The roads condition assessments have shown a declining trend over the past three maintenance cycles. The accelerated condition deterioration observed between the 2008-2010, and continuing in 2011-2013, are primarily the result of weather and system age. Many of the arterial roadways are beyond their cost-effective life cycles, resulting in roadway deterioration earlier than what was estimated or budgeted. In the meantime, resources allocated to maintenance and preservation have declined due to the impact of low property valuations and annexations on taxes and the reduction in gas tax revenues. Because of the uncertainty in future funding for roads, the County formally lowered its established condition level to 50 percent of the roads at a PCI of 40 or better. The 2014 budgeted amounts below already account for the change in the established condition level.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network from 2010 to 2014. The budgeted amount is equivalent to the anticipated amount needed to maintain roads at the 50/40 required condition level for the Modified Approach (in thousands). The amount budgeted in 2014 for road preservation and maintenance was $50.4 million. The amount actually expended was $36.2 million.

	2014	2013	2012	2011	2010
Budgeted	$50,453	$59,110	$52,658	$62,947	$78,844
Expended	36,269	46,782	45,082	52,080	52,701

Bridges

King County currently maintains 181 bridges including co-owned and pedestrian bridges. Physical inspections to determine the condition of bridges and the degree of wear and deterioration are carried out at least every two years. Inspections reveal deficiencies in bridges such as steel corrosion, damaged guardrails, rotted timbers, deteriorated bridge decks, bank erosion, and cracked concrete. These are documented in an inspection report along with recommended repairs. Three pedestrian bridges are included in the list of bridges being maintained by the County. These are also subject to condition assessments, but are subject to different standards than the more heavily used vehicular bridges.

Each year the County undergoes a bridge prioritization process to determine potential candidates for replacement or rehabilitation. A weighted 10-point priority scale (sufficiency rating, seismic rating, geometrics, hydraulics, load limits, traffic safety, serviceability, importance, useful life, and structural concern) ranks the bridges in order; the results are considered in the planning and programming of major bridge studies and construction projects in the Roads Capital Improvement Program.

A key element in the priority score is the sufficiency rating, the measure considered by state and federal governments as the basis for establishing eligibility and priority for bridge replacement or rehabilitation funding.

The sufficiency rating is a numerical rating of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The formula used to calculate the sufficiency rating for a particular bridge is dictated by the Federal Highway Administration. The sufficiency rating may vary from 100 (a bridge in new condition) to 0 (a bridge incapable of carrying traffic). A sufficiency rating of 50 or over indicates a bridge with a good deal of service life remaining. A bridge that scores between 0 and 49 could be considered for replacement or rehabilitation funding, though typically only bridges that score less than 30 are selected for funding.

The three most recent bridge sufficiency ratings:

Bridge Sufficiency Rating	Number of Bridges 2014	2013	2012
0-20	5	5	8
21-30	2	1	1
31-49	17	17	17
50-100	150	150	146
Totals	174	173	172

Note: Co-owned and pedestrian bridges are not included in the table.

It is the policy of the King County Road Services Division to maintain bridges in such a manner that no more than 12 will have a sufficiency rating of 20 or less. A rating of 20 or less is usually indicative of a bridge with a structural deficiency. The most common remedy is full replacement, rehabilitation or closure of the bridge.

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

	2014	2013	2012	2011	2010
Budgeted	$4,727	$5,544	$9,337	$10,635	$19,866
Expended	3,345	5,411	6,375	5,499	9,760

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level. Backlogs in maintenance work orders greatly affect the trend in maintenance costs. Factors contributing to these backlogs include increased bridge traffic, higher weight loads, labor shortages, stringent environmental restrictions, and an aging infrastructure system.

APPENDIX C

SUMMARY OF KING COUNTY'S INVESTMENT POLICY

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SUMMARY OF KING COUNTY'S INVESTMENT POLICY

Additional discussion of recent developments pertaining to the King County Investment Pool can be found under "King County—King County Investment Pool" in the body of this Official Statement.

The Treasury Operations Section of the King County Finance and Business Operations Division administers the County's investments. Under Section 4.10 of the County Code, the Executive Finance Committee (the "Committee") oversees the County's investment practices. The Committee consists of the Chair of the County Council or his or her designee, the County Executive or his or her designee, the Chief Budget Officer, and the County Director of the Finance and Business Operations Division.

The County's own funds are invested in the County's Residual Investment Pool (the "Investment Pool"). All investments of County funds are subject to written policies and procedures adopted by the Committee. The Committee reviews the performance of the Investment Pool on a monthly basis.

In addition to investing the County's own funds, the Treasury Operations Section also invests the funds of approximately 100 special purpose districts within the County for which the Treasury Operations Section serves as treasurer, including all school districts, fire protection districts, water districts, sewer districts, and hospital districts. Each district has the option either to invest in the Investment Pool or to direct the term and amount of each of its investments. To participate in the Investment Pool, a district must sign an inter-local agreement that governs their participation in the Investment Pool, and, to exit the Investment Pool, a district must provide the required notice prior to their anniversary date. The Treasury Operations Section selects the particular investment instruments.

The Investment Pool must maintain an effective duration of 1.5 years or less and 40% of its total value must be held in securities that mature in 12 months or less. As of September 30, 2015, the Investment Pool had a balance of $5.6 billion and an effective duration of 0.99 years, and 56% of the portfolio had a maturity of 12 months or less.

Under State law and the County's current investment policy, subject to certain minimum credit and maximum maturity limitations as described therein, the County may invest in the following instruments:

(i) up to 100% of the portfolio in U.S. Treasury or U.S. Agency securities;

(ii) up to 25% of the portfolio in certificates of deposit ("CDs") with institutions that are public depositaries in the State of Washington with a maximum of 5% per issuer across investment types;

(iii) up to 25% of the portfolio in bankers' acceptances with a maximum of 5% per issuer across investment types;

(iv) up to 100% of the portfolio in repurchase agreements, with a maximum of 25% exposure to any one repo counterparty, provided that the underlying security must be a U.S. Treasury or U.S. Agency and all underlying securities are held by a third party;

(v) up to 25% in commercial paper with a maximum of 5% per issuer across investment types;

(vi) up to 20% in general obligation municipal bonds with a maximum of 5% per issuer;

(vii) up to 25% in mortgage-backed securities issued by agencies of the U.S. Government which pass the Federal Financial Institutions Examination Council ("FFIEC") suitability test that banks use to determine lowest risk securities;

(viii) up to 20% in bank corporate notes with a maximum of 5% per issuer across investment types; and

(ix) up to 25% in the State's Local Government Investment Pool.

The combined total of repurchase agreements greater than overnight, bankers' acceptances, CDs, commercial paper, and bank corporate notes must not exceed 50% of Investment Pool assets.

The County currently does not purchase structured notes or inverse floating rate notes, and has no intention of doing so in the near future.

The County's entire investment policy is located on the County's website at the following link:

http://www.kingcounty.gov/operations/Finance/Treasury/InvestmentPool.aspx

APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

King County is the largest county in the State of Washington (the "State") in population, number of cities and employment, and the fourteenth most populated county in the United States. Of the State's population, nearly 30% reside in King County, and of the County's population, 32% live in the City of Seattle ("Seattle"). Seattle is the largest city in the Pacific Northwest, the County seat, and the center of the County's economic activity. Bellevue is the State's fifth largest city and the second largest in the County, and is the center of the County's eastside business and residential area.

Population

Historical and current population figures for the State of Washington, the County, the two largest cities in the County, and the unincorporated areas of the County are given below.

POPULATION

Year	Washington	King County	Seattle	Bellevue	Unincorporated King County
1980 (1)	4,130,163	1,269,749	493,846	73,903	503,100
1990 (1)	4,866,692	1,507,319	516,259	86,874	NA
2000 (1)	5,894,121	1,737,034	563,374	109,827	349,773
2007 (2)	6,488,800	1,861,300	586,200	118,100	368,255
2008 (2)	6,587,600	1,884,200	592,800	119,200	341,150
2009 (2)	6,668,200	1,909,300	602,000	120,600	343,180
2010 (1)	6,724,540	1,931,249	608,660	122,363	325,000
2011 (2)	6,767,900	1,942,600	612,100	123,400	285,265
2012 (2)	6,817,770	1,957,000	616,500	124,600	255,720
2013 (2)	6,882,400	1,981,900	626,600	132,100	253,100
2014 (2)	6,968,170	2,017,250	640,500	134,400	252,050
2015(2)	7,061,410	2,052,800	662,400	135,000	253,280

(1) Source: U.S. Department of Commerce, Bureau of Census

(2) Source: State of Washington, Office of Financial Management

Per Capita Income

The following table presents per capita personal income for the Seattle Metropolitan Division ("MD") (the cities of Seattle, Bellevue, and Everett), the County, the State, and the United States.

PER CAPITA INCOME

	2008	2009	2010	2011	2012	2013
Seattle MD	$ 54,621	$ 50,644	$51,370	$53,391	$56,267	$58,483
King County	58,628	53,933	54,927	57,837	60,090	62,770
State of Washington	44,106	41,504	42,024	43,878	46,045	47,717
United States	40,947	38,637	39,791	41,560	43,735	44,765

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

Construction

The table below lists the value of housing construction for which building permits have been issued by entities within King County. The value of public construction is not included in this table.

RESIDENTIAL BUILDING PERMIT VALUES

	New Single Family Units		New Multi-Family Units		
Year	**Number**	**Value**	**Number**	**Value**	**Total Value**
2010	2,532	$ 694,969,240	3,425	$ 325,068,029	$ 1,020,037,269
2011	2,765	785,840,283	3,378	431,699,572	1,217,539,855
2012	3,864	1,133,343,731	7,750	1,118,023,021	2,251,366,752
2013	4,419	1,419,065,243	7,858	1,053,237,846	2,472,303,089
2014	4,215	1,478,116,875	10,488	1,478,117,263	2,880,006,794
2014(1)	2,589	873,770,267	5,469	710,454,836	1,584,225,103
2015(1)	2,374	913,911,487	9,061	1,317,288,406	2,231,199,893

(1) Estimated through July.

Source: U.S. Bureau of the Census

Retail Activity

The following table presents taxable retail sales in King County and Seattle.

KING COUNTY AND SEATTLE
TAXABLE RETAIL SALES

Year	King County	Seattle
2008	$ 45,711,920,389	$ 17,096,581,492
2009	39,594,903,520	15,101,407,742
2010	39,275,353,182	14,783,168,934
2011	40,846,119,020	15,751,585,858
2012	43,506,804,227	17,162,539,275
2013	46,601,198,766	18,258,200,683
2014	49,638,174,066	19,995,171,842
2014(1)	10,943,895,794	4,375,037,017
2015(1)	12,088,335,636	5,009,892,962

(1) Through first quarter.

Source: State Department of Revenue

Industry and Employment

The following table presents major Puget Sound-area employers and their State-wide employment data in 2014.

PUGET SOUND AREA
MAJOR EMPLOYERS

Employer	Employees[1]
The Boeing Company	81,900
Joint Base Lewis-McChord	56,000
Navy Region Northwest	43,000
Microsoft	43,000
University of Washington	30,200
Providence Health and Services	19,500
Wal-Mart Stores	19,400
Fred Meyer Stores	15,500
King County Government	14,400[2]
City of Seattle	12,400[3]
Franciscan Health System	12,400
U.S. Postal Service	11,700
Starbucks	11,200
MultiCare Health System	10,800
Swedish Health Services	10,700

(1) Does not include part-time or seasonal employment figures. Amazon.com Inc. did not participate in the survey that produced the table, but if it had, it is likely that it would have been ranked in this list of major employers.

(2) Source: King County. Figure includes temporary workers.

(3) Source: City of Seattle. Figure includes temporary workers.

Source: Puget Sound Business Journal Book of Lists, 2015 (rounded)

KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT[(1)]

	Annual Average				
	2010	**2011**	**2012**	**2013**	**2014**
Civilian Labor Force	1,111,000	1,114,310	1,118,930	1,139,610	1,158,230
Total Employment	1,009,510	1,023,300	1,042,540	1,079,950	1,104,930
Total Unemployment	101,490	91,010	76,390	59,660	53,300
Percent of Labor Force	9.1%	8.2%	6.8%	5.2%	4.6%

NAICS INDUSTRY	**2010**	**2011**	**2012**	**2013**	**2014**
Total Nonfarm	1,134,767	1,153,692	1,181,900	1,232,500	1,278,033
Total Private	967,808	988,767	1,016,467	1,065,150	1,108,425
Goods Producing	148,158	148,942	154,375	159,483	168,283
Natural Resources and Mining	467	525	425	450	425
Construction	49,675	48,258	50,625	53,217	60,792
Manufacturing	98,017	100,192	103,308	105,800	107,025
Services Providing	986,608	1,004,750	1,027,525	1,073,017	1,109,750
Trade, Transportation, and Utilities	206,350	211,158	216,975	225,133	235,758
Information	79,408	80,183	81,058	82,258	85,583
Financial Activities	69,233	68,717	68,458	70,683	72,000
Professional and Business Services	176,675	184,567	192,408	200,217	207,933
Educational and Health Services	138,142	141,750	144,867	163,283	167,983
Leisure and Hospitality	108,700	111,075	114,933	119,858	124,883
Other Services	41,142	42,375	43,392	44,233	46,000
Government	166,958	164,925	165,433	167,350	169,608
Workers in Labor/Management Disputes	-	-	-	-	-

	Aug. 2015
Civilian Labor Force	1,185,860
Total Employment	1,143,485
Total Unemployment	42,375
Percent of Labor Force	3.6%

(1) Columns may not add to totals due to rounding.
Source: State Employment Security Department

APPENDIX E

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The County makes no representation as to the accuracy or completeness thereof. Beneficial Owners should confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered obligations, registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.