



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

King County

For the period January 1, 2015 through December 31, 2015

Published September 30, 2016

Report No. 1017667





Washington State Auditor's Office

September 30, 2016

Council and Executive
King County
Seattle, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

King County January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of King County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.239	Home Investment Partnerships Program
17.259	WIA Cluster - WIA/WIOA Youth Activities
17.278	WIA Cluster - WIA/WIOA Dislocated Worker Formula Grants
20.205	Highway Planning and Construction
20.500	Federal Transit Cluster - Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster - Federal Transit Formula Grants
20.525	Federal Transit Cluster - State of Good Repair Grants Program
20.526	Federal Transit Cluster - Bus and Bus Facilities Formula Program
20.523	Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.331	Partnerships to Improve Community Health
93.914	HIV Emergency Relief Project Grants
97.067	Homeland Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$3,000,000.

The County did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2015-001 and 2015-002.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

King County January 1, 2015 through December 31, 2015

2015-001 The County did not have adequate internal controls to ensure compliance with federal equipment management requirements.

CFDA Number and Title:	97.067 Homeland Security Grant Program
Federal Grantor Name:	U.S. Department of Homeland Security
Federal Award/Contract Number:	EMW-2013-SS-00025-S01, EMW-2014-SS-00016-S01
Pass-through Entity Name:	Washington State Military Department
Pass-through Award/Contract Number:	E14-097, E14-144, E15-122, E15-093
Questioned Cost Amount:	\$0

Background

During the audit period, King County spent \$2,219,617 in federal grant funds for the Homeland Security Grant Program (HSGP). The purpose of the HSGP is to support State and local efforts to prevent acts of terrorism and other catastrophic events, and to prepare the Nation for the threats and hazards that pose the greatest risk to the security of the United States.

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

We reported a finding in the prior audit related to the concerns noted with the County's internal controls over equipment management.

Description of Condition

The County utilizes a manual spreadsheet to track equipment purchased with HSGP funding. The spreadsheet did not contain all required information about the equipment. The listed serial number of four assets selected for testing, totaling \$71,453, did not match the serial number attached to the asset. Additionally, the serial number for one asset selected for testing totaling, \$91,256, was missing from the spreadsheet. Finally, we noted several other instances where the serial number field was blank or inaccurate on the spreadsheet.

In addition, the County did not perform a complete reconciliation between the manual spreadsheet and the Fixed Asset System (FAS).

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

Cause of Condition

The County relied on individual County agencies to conduct the physical inventory and reconciliation of equipment in their possession. One agency did not properly conduct the physical inventory and reconciliation.

Effect of Condition and Questioned Costs

The County did not dedicate sufficient resources to resolve the prior audit recommendations and did not comply with the requirement to maintain adequate equipment management records. Without this information, the County risks noncompliance with requirements to compensate the awarding agency for the disposal of equipment with a fair market value above \$5,000.

Recommendation

We recommend the County establish internal controls to ensure equipment is accurately tracked and that a physical inspection is being performed. Additionally, we recommend the County agency responsible for compliance with equipment management perform the physical inventory.

County's Response

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

The County agrees with the finding and recommendation. The County's response to the condition is as follows:

Equipment Tracking

From January through September 2016, as the County's lead agency responsible for compliance with equipment management for this award, the Office of Emergency Management (OEM) has completed the following actions to enhance and improve the equipment tracking process:

- *Revised internal spreadsheet to include all federally required data elements.*
- *Created and implemented a new form for obtaining information on equipment purchases that includes all federally required data elements.*
- *Enhanced the working relationship with the Financial Accounting Fixed Asset Team (FAFAT).*
- *Updated the internal spreadsheet to allow for recording of disposition of assets and determine fair market value (FMV) on date of disposition.*
- *Completed comparisons of the internal spreadsheet to the County Fixed Asset System (FAS).*
- *Centralized the process of maintaining the internal spreadsheet.*
- *Established internal written policies and procedures for asset management.*
- *Began the process of establishing a photo library of the grant-funded assets.*
- *Revised the contractor/subrecipient reimbursement process.*

Physical Inventory

OEM has initiated and will complete the following actions related to physical inventory:

- *Conduct a physical inventory to reaffirm the baseline of grant-funded assets by end of 2016.*
- *Reconcile results of the physical inventory to the internal spreadsheet and make necessary changes by end of January 31, 2017.*
- *Reconcile results of the physical inventory to the County's FAS and work with the FAFAT and Department of Transportation Fleet teams to make necessary changes by January 31, 2017.*

Auditor's Remarks

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Title 2 Code of Federal Regulation Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

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

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

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency

in *design* exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

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

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

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

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

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

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

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds

title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

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

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

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

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

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

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

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

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

King County

January 1, 2015 through December 31, 2015

2015-002 The County did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.

CFDA Number and Title:	93.224 Consolidated Health Centers
Federal Grantor Name:	Department of Health and Human Services
Federal Award/Contract Number:	H80CS00056
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

During fiscal year 2015, the County reported total expenditures of \$11,103,407 in Consolidated Health Centers funds. The goal of this program is to improve the health of underserved communities and vulnerable populations by providing access to quality healthcare. The County passed on \$2,525,260 to nine subrecipients who performed the primary activities of this program.

Description of Condition

Federal regulations require the County to monitor subrecipients' activities to ensure that subwards are used for authorized purposes which can be accomplished by subrecipients submitting invoices containing supporting source documentation or reviewing supporting source documentation during on-site visits. That monitoring, particularly the on-site visits, is important to ensure that subrecipients' administration of programs are appropriate and in compliance with federal requirements, including those related to allowable costs and activities.

The County did not have a process to ensure during-the-award fiscal monitoring of its subrecipients was performed. The County did ensure other non-fiscal monitoring procedures were performed during the award period including reviewing subrecipients' records of health care services provided to eligible clients.

We consider this to be a significant deficiency in internal controls.

Cause of Condition

The County believed that post-award fiscal monitoring was sufficient to ensure the subrecipients were in compliance with contract terms.

Effect of Condition and Questioned Costs

Without adequate internal controls, the County cannot ensure its subrecipients spent federal dollars in accordance with grant and contract requirements.

Recommendation

We recommend the County strengthen internal controls to ensure subrecipients are monitored for compliance with federal requirements and contract terms.

County's Response

We thank the State Auditor's Office for its review of the Consolidated Health Centers Grant (CHCG). We appreciate the opportunity to improve overall grant management, as we strive for excellence in our stewardship of Health and Human Services' Consolidated Health Centers Grant Funds.

The County will take the following actions:

- The County has a fiscal monitoring process in place to review in depth documentation to support subrecipient invoices (this currently involves at least one invoice per contract period). Effective immediately, the County has updated the process to include an additional internal control of inserting another staff member into the review process to reasonably ensure that an adequate review is conducted during the award period.*
- By October 31, 2016, per the Consolidated Health Centers Grant fiscal monitoring process, the County will complete an in depth documentation review of all subrecipients for the 2015 grant year to have a reasonable assurance that there are no questionable subrecipient costs submitted to the County.*

Auditor's Remarks

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

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

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

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

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

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

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

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

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

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes reporting requirements for audit findings.

2 CFR 200.516 Audit Reporting, states in part:

(a) Audit findings reported. The auditor must report the following as audit findings in a schedule of findings and questioned costs:

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

(2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Title 2 Code of Federal Regulations Section 200.303 Internal controls.

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Title 2 Code of Federal Regulations Section 200.330 Subrecipient and contractor determinations.

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by 2 CFR 200.521 Management decision.

(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in 2 CFR 200.425 Audit services.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

King County January 1, 2015 through December 31, 2015

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

Audit Period: 2014	Report Ref. No.: 1014974	Finding Ref. No.: 2014-001	CFDA Number(s): 97.067
Federal Program Name and Granting Agency: Homeland Security Grant Program U.S. Department of Homeland Security		Pass-Through Agency Name: Military Department	
Finding Caption: The County did not have adequate internal controls to ensure compliance with federal equipment management requirements.			
Background: During the audit period, the County spent \$3,277,150 in federal grant funds for the Homeland Security Grant Program. The funding was used for various activities, including equipment purchases. Federal regulations require equipment records be maintained and include the following: the manufacturer's serial number or other identification number, use and condition of the equipment, disposition data including the date of disposal and sale price of the property. In addition, a physical inventory of the equipment should be taken at least every two years and results reconciled with equipment records. Equipment, with a current market value over \$5,000 at the time of disposal may be retained or sold and the federal-sponsoring agency compensated for its share.			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <u>Physical Inventory</u> <i>As the County's lead agency responsible for compliance with equipment management, the Office of Emergency Management has initiated and will complete the following actions related to physical inventory:</i> <ul style="list-style-type: none"> Conduct a physical inventory to reaffirm the baseline of grant-funded assets by end of 2016. Reconcile results of the physical inventory to the internal spreadsheet and make necessary changes by end of January 31, 2017. Reconcile results of the physical inventory to the County's FAS and work with the FAFAT and Department of Transportation Fleet teams to make necessary changes by January 31, 2017. <i>In 2015, countywide inventory training was co-conducted by the County's Financial Accounting Unit's (FAU) Fixed Asset and Fleet management staff where approximately 40 staff was trained. The Projects and Grants Unit (PGU) collaborated with the FAU Fixed Asset and</i>			

Fleet Services staff to conduct compliance training for County staff that has grant-funded real and personal property on August 17, 2016.

Serial Number and Federal Award Identification Numbers (FAIN)

The County's Office of Emergency Management (OEM) requests that other County agencies provide a serial number or other identification for equipment purchases as part of the reimbursement request package. A copy of the countywide fixed asset system input form (EBS Form) is now being requested with the reimbursement request package. OEM maintains a grant-funded equipment inventory spreadsheet in which all necessary data elements are maintained. The process for updating this spreadsheet has been centralized and a new form, the Grant Funded Equipment Information Form), was instituted with subrecipients and County agencies. OEM has completed a partial reconciliation of all elements (i.e. serial numbers or other identifiers) in the spreadsheet to the comparable elements in the County's Fixed Asset system (FAS) and is communicating with County agencies and FAU Fixed Asset and Fleet management staff. In addition, FAINs and other required information were added to the County's Fixed Asset system records.

Disposition

After reviewing 44 CFR 13.32 (d) (1) and the information maintained in OEM's spreadsheet, OEM identified additional data sets that are fully compliant with the federal disposition regulations. These additional elements, which will enhance and be complimentary in meeting the minimum requirements, were added in the fourth quarter of 2015 and all other action items were completed by June 30, 2016.

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

**King County
January 1, 2015 through December 31, 2015**

Council and Executive
King County
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

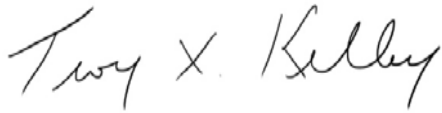
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 27, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**King County
January 1, 2015 through December 31, 2015**

Council and Executive
King County
Seattle, Washington

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

We have audited the compliance of King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of the Harborview Medical Center, which expended \$5,948,840 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2015. Our audit, described below, did not include the operations of the Harborview Medical Center because it has arranged for a separate audit of its federal awards in accordance with the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). .

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in

the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

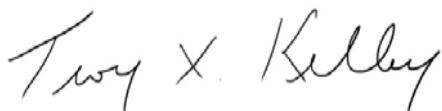
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2015-001 and 2015-002 that we consider to be significant deficiencies.

County's Response to Findings

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

Purpose of this Report

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



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 26, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

King County **January 1, 2015 through December 31, 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, each major fund and the aggregate discretely presented component units and remaining fund information of King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 28.

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 64 percent, 20 percent and 39 percent, or the Public Transportation Fund, a major fund, which represents 29 percent, 67 percent and 60 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 report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of King County, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

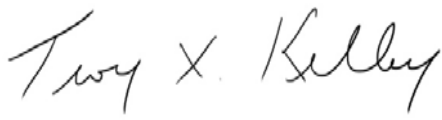
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 31 through 43, budgetary comparison information on pages 148 through 149, pension plan information on pages 150 through 153, information on postemployment benefits other than pensions on page 154 and infrastructure modified approach information on pages 154 through 156 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 27, 2016

FINANCIAL SECTION

King County January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2015

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Net Position – Component Units – 2015

Statement of Activities – Component Units - 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– General Fund - 2015

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– Health Fund - 2015

Schedules of the County's Proportionate Share of the Net Pension Liability – Pension
Plans – 2015

Schedules of Contributions – Pension Plans – 2015

Schedule of Funding Progress – Health Care Plan - Other Post-Employment Benefits
(OPEB) - 2015

Condition Assessments and Preservation of Infrastructure Eligible for Modified
Approach – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2015

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, 2015. 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

- At December 31, 2015, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$4,787.7 million (*net position*). Of this amount, \$380.4 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net position increased 6.9 percent or \$309.1 million due to increases in charges for services, grants and contributions, and property and sales taxes. The governmental net position increased by 5.1 percent or \$112.9 million, and the business-type net position increased by 8.6 percent or \$196.2 million.
- At December 31, 2015, the County's governmental funds reported combined fund balances of \$686.0 million, an increase of \$2.9 million in comparison with the prior year. Approximately 7.8 percent or \$53.4 million of this amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of 2015, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) for the General Fund was \$100.5 million, or approximately 14.8 percent of total General Fund expenditures. Total fund balance for the General Fund decreased 0.6 percent or \$0.6 million from the prior year.
- King County's total outstanding debt increased by 0.8 percent or \$42.2 million in 2015. It issued new general obligation bonds totaling \$524.1 million and revenue bonds totaling \$567.4 million and reduced principal and refunded bonds in the amount of \$1,159.1 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. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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.

The **statement of net position** presents all of the County's assets, deferred outflows of resources, 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*. Thus, revenues and expenses are reported 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 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 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 King County 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. The business-type activities include the County's public transportation system, wastewater treatment facilities, solid waste disposal facilities, airport, marine operations, and other services.

Discretely presented component units

The County's government-wide financial statements include the financial data of other legally separate entities that are reported as discrete component units, namely, 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 Financial 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 near-term financing requirements.

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). The government reports two governmental funds, General Fund and Health Fund, 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 biennial budgets for the General Fund, appropriated at the department or division level. The budget for the Health Fund is adopted at the legal budget level, which includes the Mental Health, Public Health and Environmental Health Funds. A budgetary comparison schedule has been provided for each of the major governmental funds and may be found in the Required Supplementary Information section.

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

Internal Service funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County uses internal service funds to account for its motor pool, information and telecommunications services, employee benefits, facilities management, risk management, building development and construction, and financial and various other administrative services. All 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 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 Financial 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) budget to actual comparisons for major funds, 2) the current funding progress for pensions, 3) the current funding progress for other post-employment benefits, and 4) condition assessments of infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements.

Combining statements

The combining statements of nonmajor funds are presented in separate sections immediately after the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of King County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,787.7 million at the close of the most recent fiscal year (see below).

By far, the largest portion of King County's net position, 79.0 percent, reflects its net investment in capital assets. King County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although King County's investment in

capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

King County's Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$1,269,825	\$ 1,159,321	\$1,967,071	\$1,728,496	\$3,236,896	\$2,887,817
Capital assets	<u>3,016,943</u>	<u>3,023,481</u>	<u>5,817,230</u>	<u>5,763,315</u>	<u>8,834,173</u>	<u>8,786,796</u>
Total Assets	<u>4,286,768</u>	<u>4,182,802</u>	<u>7,784,301</u>	<u>7,491,811</u>	<u>12,071,069</u>	<u>11,674,613</u>
Total Deferred Outflows of Resources	<u>90,967</u>	<u>22,508</u>	<u>225,970</u>	<u>107,388</u>	<u>316,937</u>	<u>129,896</u>
Liabilities						
Long-term liabilities	1,733,335	1,713,686	4,936,721	4,827,850	6,670,056	6,541,536
Other liabilities	<u>241,414</u>	<u>288,833</u>	<u>500,299</u>	<u>461,348</u>	<u>741,713</u>	<u>750,181</u>
Total Liabilities	<u>1,974,749</u>	<u>2,002,519</u>	<u>5,437,020</u>	<u>5,289,198</u>	<u>7,411,769</u>	<u>7,291,717</u>
Total Deferred Inflows of Resources	<u>87,306</u>	<u>-</u>	<u>101,275</u>	<u>34,250</u>	<u>188,581</u>	<u>34,250</u>
Net Position						
Net investment in capital assets	2,130,800	2,204,046	1,649,976	1,616,435	3,780,776	3,820,481
Restricted	382,843	576,224	243,658	216,803	626,501	793,027
Unrestricted	<u>(197,963)</u>	<u>(577,479)</u>	<u>578,342</u>	<u>442,513</u>	<u>380,379</u>	<u>(134,966)</u>
Total Net Position	<u>\$2,315,680</u>	<u>\$ 2,202,791</u>	<u>\$2,471,976</u>	<u>\$2,275,751</u>	<u>\$4,787,656</u>	<u>\$4,478,542</u>

An additional portion of the King County's net position, 13.1 percent or \$626.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$380.4 million is unrestricted. A negative unrestricted net position represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources. The main cause for the negative balance is the result of the implementation of the new accounting standard requiring reporting the government's share of net pension liability and related deferred inflows of resources.

King County's overall net position increased 6.9 percent or \$309.1 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$112.9 million, or 5.1 percent from the prior fiscal year for an ending balance of \$2,315.7 million. The increase in the overall net position of governmental activities is mainly the result of the increase in various revenues. Net position invested in capital assets comprises 92.0 percent of total net position, or \$2,130.8 million, a decrease from the prior year of \$73.2 million. The decrease is related to increased related debt issued to acquire or construct capital assets during the year. The other portion of net position of \$382.8 million is restricted for specific purposes, including \$125.2 million for capital projects, \$87.7 million for mental and physical health programs and \$74.8 million for law, safety and justice programs.

Governmental activities accounted for 36.5 percent of the total improvement in net position of the County. The total revenues for governmental activities were \$1,934.4 million, an increase of 4.7 percent or \$86.3 million from the prior year. Increases from charges for services contributed the largest portion, \$67.5 million, followed by property taxes with \$21.8 million and retail sales and uses taxes by \$15.6

million. Increases in charges for services were attributed to increases in interlocal contracts with other local governments for services such as public safety and public defense. The uptick in property taxes was due to increased assessed value for taxes payable in 2015 from 2014, up \$47,475.2 million. The increase in retail sales and uses taxes is from the continual improvement in the local economy and resulting consumer confidence.

The change in expenses greatly outpaced the change in revenues, decreasing by \$376.6 million, or 17.2 percent, in governmental activities. The largest decreases occurred in law, safety and justice by \$199.6 million. The large decrease in law, safety and justice corresponds to the implementation of GASB Statement No. 68, requiring reporting the net pension liability for the first time, resulting in recording related expenses in the prior year.

Business-type Activities. King County's business-type activities reported a net position of \$2,472.0 million, increasing by 8.6 percent or \$196.2 million from the prior year. Of the total net position for business-type activities, 66.7 percent or \$1,650.0 million was invested in capital assets net of the related debt to acquire or construct the assets. 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 used in operations and therefore are not planned to be liquidated. Another 9.9 percent or \$243.7 million of the total net position of business-type activities is restricted for capital projects, debt service, regulatory assets and environmental liabilities. The remaining 23.4 percent or \$578.3 million is unrestricted net position. The remaining balance in the unrestricted net position for business-type activities may be used to meet ongoing obligations to its customers and creditors.

Changes in Net Position (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 759,342	\$ 691,847	\$ 889,476	\$ 871,354	\$ 1,648,818	\$ 1,563,201
Operating grants and contributions	173,100	182,500	30,643	37,816	203,743	220,316
Capital grants and contributions	18,113	30,274	92,242	40,204	110,355	70,478
General revenues						
Property taxes	702,563	680,756	27,511	26,621	730,074	707,377
Retail sales and use taxes	203,118	187,500	526,895	479,579	730,013	667,079
Other taxes	69,755	67,273	-	-	69,755	67,273
Unrestricted interest earnings	8,414	7,994	5,757	8,654	14,171	16,648
Total revenues	<u>1,934,405</u>	<u>1,848,144</u>	<u>1,572,524</u>	<u>1,464,228</u>	<u>3,506,929</u>	<u>3,312,372</u>
Expenses^(a)						
General government ^(b)	251,147	215,569	-	-	251,147	215,569
Law, safety and justice ^(b)	667,361	866,983	-	-	667,361	866,983
Physical environment ^(b)	110,864	162,969	-	-	110,864	162,969
Transportation ^(b)	84,139	112,928	-	-	84,139	112,928
Economic environment ^(b)	101,942	118,868	-	-	101,942	118,868
Mental and physical health ^(b)	508,706	607,407	-	-	508,706	607,407
Culture and recreation ^(b)	50,699	64,876	-	-	50,699	64,876
Interest and other debt service costs	34,207	36,098	-	-	34,207	36,098
Airport ^(b)	-	-	21,392	32,786	21,392	32,786
Public transportation ^(b)	-	-	777,883	1,020,577	777,883	1,020,577
Solid waste ^(b)	-	-	113,751	149,906	113,751	149,906
Water quality ^(b)	-	-	448,832	571,966	448,832	571,966
Other enterprise activities ^(b)	-	-	14,136	19,075	14,136	19,075
Total expenses	<u>1,809,065</u>	<u>2,185,698</u>	<u>1,375,994</u>	<u>1,794,310</u>	<u>3,185,059</u>	<u>3,980,008</u>
Increase (decrease) in net position before transfers and special items	125,340	(337,554)	196,530	(330,082)	321,870	(667,636)
Transfers	305	(1,439)	(305)	1,439	-	-
Special items	<u>(12,756)</u>	<u>6,839</u>	<u>-</u>	<u>-</u>	<u>(12,756)</u>	<u>6,839</u>
Increase (decrease) in net position	112,889	(332,154)	196,225	(328,643)	309,114	(660,797)
Net position, beginning of year ^(b)	<u>2,202,791</u>	<u>2,534,945</u>	<u>2,275,751</u>	<u>2,604,394</u>	<u>4,478,542</u>	<u>5,139,339</u>
Net position, end of year	<u>\$2,315,680</u>	<u>\$2,202,791</u>	<u>\$2,471,976</u>	<u>\$2,275,751</u>	<u>\$4,787,656</u>	<u>\$4,478,542</u>

(a) Expenses for all 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 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 \$251.1 million general government expense above consists of \$308.3 million in direct program expenses reduced by indirect charges of \$57.2 million allocated to other functions.

(b) Net position, beginning of year has been restated. See Note 18 Restrictions, Components of Fund Balance, Changes in Equity, Restatements and Special Item.

Business-type activities contributed to the County's net position by \$2,472.0 million in 2015, accounting for 63.5 percent of the total improvement in net position of the County. The increase in net position was due to new contracts with and contributions from other local governments, and increased sales taxes.

The change in total revenues was handily outpaced by the change in total expenses for business-type activities, increasing by \$108.3 million compared to a decrease of \$418.3 million in expenses from the prior year. The majority of the increases occurred in capital grants and contributions with \$52.0 million,

retail sales and use taxes by \$47.3 million and charges for services by \$18.1 million. Nearly all of the increase in capital grants and contributions is attributed to the acquisition of new vehicles for the Public Transportation Enterprise with grant funds. The continuous improvement in the local economy and consumer confidence has contributed to the increase in sales tax since the prior year. Charges for services have increased from a combination of fare and ridership increases and a new service contract with the City of Seattle for \$12 million.

The overall large decrease in expenses was due to the implementation of the new reporting standards for pensions, affecting all business functions. The largest decreases were to Public Transportation, by \$242.7 million, and Water Quality, by \$123.1 million.

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 spendable resources. 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, the County itself or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County Council.

At December 31, 2015, the County's governmental funds reported a combined fund balance of \$686.0 million, an increase of 0.4 percent or \$2.9 million in comparison with the prior year. Approximately 7.8 percent or \$53.4 million constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is either *nonspendable*, *restricted*, *committed* or *assigned* to indicate that it is 1) not in spendable form or legally required to be maintained intact, \$14.7 million, 2) restricted for particular purposes, \$429.3 million, 3) committed for particular purposes, \$58.7 million, or assigned for particular purposes, \$129.9 million.

The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year, total fund balance for the General Fund was \$102.6 million. Unassigned fund balance totaled \$68.1 million, a decrease of 5.1 percent or \$3.6 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 \$680.9 million. Unassigned fund balance represents 10.0 percent of total General Fund expenditures, a modest decrease from the 11.0 percent for 2014.

Fund balance of the General Fund decreased by only 0.6 percent or \$0.6 million during 2015. The modest decrease in fund balance was attributed to increases in revenues with corresponding increases in expenditures and transfers out. Total revenues increased by 6.2 percent or \$43.7 million, with retail sales and use taxes and charges for services contributing to the largest increases. Retail sales and use taxes increased by \$13.8 million due to the continual improvement of the local economy and consumer confidence. Charges for services contributed to the overall increase with \$13.6 million, due to increases in internal fund charges, general government road construction services and election services. Total expenditures and transfers out kept pace with revenues, increasing by 4.8 percent or \$31.0 million and 1.1 percent or \$0.8 million, respectively. Spending increased for law, safety and justice by \$18.7 million

and general government by \$11.3 million due to increases in salaries and benefits and interfund charges, respectively.

The **Health Fund**, a major special revenue fund, collectively reports the Mental Health, Public Health and Environmental Health Funds for the operations of programs for mental health, disease prevention and personal health promotion, and population and environmental safety. At the end of 2015, it had a total fund balance of \$70.3 million, an increase of 33.5 percent or \$17.6 million from the prior year.

The large increase in fund balance for the current year was caused mainly by resources exceeding program expenditures in the Mental Health Fund by \$17.9 million. The Mental Health Fund earned the majority of its revenues through charges for services, at 95.6 percent of its total revenue, or \$211.6 million. The charges for services, namely from interlocal contracts, are up \$208.5 million from the prior year, mainly due to increased state eligible reimbursements and the change in status from grant subrecipient to vendor. Like revenues, the majority of expenditures in the Health Fund is spent by the Mental Health Fund, at 52.4 percent. Mental Health Fund expenditures increased by \$10.5 million, though, it did not outpace the increase in revenues, resulting in the large increase in fund balance.

Proprietary Funds The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. At December 31, 2015, the County's proprietary funds reported a combined net position of \$2,396.8 million, a decrease of 8.1 percent or \$211.2 million in comparison with the prior year. The Public Transportation Enterprise net position decreased 7.8 percent or \$140.3 million while the net position of the Water Quality Enterprise declined by 9.4 percent or \$51.9 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance, and capital improvements of the County's public transportation system. At the end of 2015, the Public Transportation Enterprise had total net position of \$1,663.6 million of which 74.4 percent or \$1,237.1 million was invested in capital assets net of associated debt; 2.5 percent or \$42.0 million was restricted for capital projects and debt service; while 23.1 percent or \$384.4 million was unrestricted. Unrestricted net position decreased from the prior year by 35.9 percent or \$215.0 million. The large decrease is due to the implementation of the new accounting standard requiring recording the Fund's share of net pension liability of \$305.9 million and related deferred inflows of resources of \$43.1 million. The actual total expense related to pension liability in the current year was \$17.4 million.

The **Water Quality Enterprise** accounts for the operations, maintenance, capital improvements, and expansion of the County's water pollution control facilities. At the end of 2015, the Water Quality Enterprise reported total net position of \$503.2 million of which 38.0 percent or \$191.1 million was invested in capital assets net of the related debt; 40.1 percent or \$201.6 million was restricted for capital projects, debt service and regulatory assets and environmental liabilities; and the remaining 22.0 percent or \$110.5 million was unrestricted. Unrestricted net position decreased from the prior year by 20.7 percent or \$28.9 million, mainly due to reporting net pension liability of \$38.9 million and related deferred inflows of resources of \$7.0 million. The actual total pension expense related to the current year was \$4.2 million. In addition, the Enterprise issued new debt totaling \$247.8 million in general obligation bonds and \$567.4 million in revenue bonds to refund old debt.

General Fund Budgetary Highlights

King County budgets on a biennial basis with each budget period beginning in an odd-numbered year. This is the first year of the 2015-2016 biennium for all County operating funds. The biennial budget is a true twenty-four month budget, not two separate budgets enacted at the same time.

Original Budget Compared to Final Budget The General Fund's final budget differs from the original budget in that it reflects an increase of \$4.6 million in unexpected revenues and \$43.1 million in expenditures due to 2015 supplemental budget appropriations. The largest increases to estimated revenues occurred in intergovernmental revenues as a result of entering into additional contracts with other governments. Budget adjustments were made during the year to general government by \$2.2 million; law, safety and justice by \$34.0 million; mental and physical health by \$2.9 million; capital outlay by \$1.1 million; and transfers out by \$2.9 million. The majority of the significant increases to law, safety and justice were a result of increases in full-time equivalents for the adult and juvenile detention program and public defense services, and increases due to the collective bargaining agreement between the King County Police Officers' Guild and King County Sheriff's Office to include cost of living adjustments and contract ratification bonuses. The increase to general government appropriations were due to supplemental spending for various agencies, including Elections, Records and Licensing Services and Office of Performance Strategy and Budget.

Final Budget Compared to Actual Results Actual revenues in 2015 were lower than budgeted as expected, as Council adopted a biennial budget. Property taxes are by far the largest source, accounting for 43.8 percent. Charges for services, retail sales and use taxes and intergovernmental revenues are the other significant sources of revenues for the General Fund, with 18.4 percent, 15.3 percent and 14.9 percent of total estimated revenues, respectively. The amount received for charges for services and intergovernmental revenues are dependent on corresponding services provided, thus, would fluctuate with the applicable programs and services offered. Retail sales and use taxes provide the most opportunity for growth, as it is dependent on increased spending, which increases with consumer confidence.

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. The improved local economy and consumer confidence has the potential to boost General Fund revenues in future years, as these resources have fewer limitations on the amount that may be earned and on how they are spent.

The actual budgetary basis expenditures (including encumbrances) were \$786.6 million less than the final appropriation. Law, safety and justice and general government appropriations comprise the majority of total estimated expenditures at 68.9 percent and 17.6 percent respectively.

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, 2015, amounted to \$3,017.0 million for governmental activities and \$5,817.3 million for business-type activities totaling \$8,834.3 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 42.7 million, net of depreciation.

Major capital asset events during 2015 included the following:

- 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 2016, with the new center open anticipated in 2020.
- Retirement of right-of-way and roads of \$65.6 million were due primarily of the large Klahanie annexation to the city of Sammamish with over 26 miles of road.
- Public Transportation brought 147 new buses into service during the year at a cost of \$111 million. Water Quality brought new facilities into service during the year at a cost of \$49 million.
- Significant land acquisitions for Parks, Open Spaces and Flood control were also made in 2015.

A summary of the 2015 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	
	2015	2014	2015	2014	2015	2014
Land and land rights	\$ 1,028.6	\$ 993.2	\$ 498.4	\$ 491.2	\$1,527.0	\$ 1,484.4
Buildings*	591.6	619.3 **	1,898.6	1,935.1	2,490.2	2,554.4
Leasehold Improvements*	14.5	15.4	1.1	1.3 **	15.6	16.7
Improvements other than buildings*	43.9	45.8	147.7	135.5	191.6	181.3
Infrastructure - roads and bridges	1,100.5	1,114.0	-	-	1,100.5	1,114.0
Infrastructure - other*	13.9	11.1	1,707.4	1,776.0	1,721.3	1,787.1
Equipment, software and art collection*	101.4	110.7 **	1,100.7	1,024.0	1,202.1	1,134.7
Construction in progress	122.6	118.7	463.4	400.3 **	586.0	519.0
Total	\$ 3,017.0	\$ 3,028.2 **	\$ 5,817.3	\$ 5,763.4	\$8,834.3	\$8,791.6

* 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 2015, King County had a total of \$4,795.5 million in bonds outstanding. Of this amount, \$1,865.3 million comprises debt backed by the full faith and credit of the County. The other \$2,930.2 million represents bonds secured by revenues generated by the debt-financed capital assets. A summary of the County's debt by type and activity is shown below.

	Outstanding Debt (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 825.3	\$ 717.6	\$ 1,019.0	\$ 1,013.6	\$ 1,844.3	\$ 1,731.2
Lease revenue bonds	21.0	217.9	-	-	21.0	217.9
Revenue bonds	-	-	2,930.2	2,813.8	2,930.2	2,813.8
Total	<u>\$ 846.3</u>	<u>\$ 935.5</u>	<u>\$ 3,949.2</u>	<u>\$ 3,827.4</u>	<u>\$ 4,795.5</u>	<u>\$ 4,762.9</u>

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

Total debt increased over the previous year by 0.68 percent or \$32.6 million (a 9.5 percent or \$89.2 million decrease for governmental activities and a 3.2 percent or \$121.8 million increase for business-type activities). Governmental activities' outstanding debt decreased primarily due to \$76.6 million debt service payments and \$18.5 million of early bond defeasance offset by an increase of \$27.4 million in new limited general obligation bond issuances. Business-type activities' outstanding debt increased primarily due to the \$76.7 million debt service payment offset by an increase of \$50.6 million in new bonds to finance construction of solid waste facilities and \$100.0 million in sewer revenue bonds.

During 2015, the County refinanced some of its existing governmental activities debt taking advantage of favorable interest rates. The County refinanced \$234.5 million of general obligation bonds that is expected to decrease future aggregate debt service payments by \$31.3 million over the life of the bonds. The County also refinanced business-type debt in the amount of \$867.5 million (\$252.9 million of general obligation bonds and \$614.5 million of revenue bonds) that is expected to decrease future aggregate debt service payments by \$95.6 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 (Water Quality and Public Transportation funds). The current debt limitation of total general obligations for general county purposes is \$10.7 billion, significantly higher than the County’s outstanding net general obligation long-term liabilities of \$825.9 million. For metropolitan functions the debt limitation is \$10.7 billion and the County’s outstanding net general obligation debt for metropolitan functions is \$988.5 million.

Additional information on King County’s long-term debt can be found in Note 15 – “Debt.”

ECONOMIC OUTLOOK AND NEXT YEAR’S BUDGET

The following economic factors currently affect King County and were considered in developing the 2015-2016 biennial budget.

- The County’s unemployment rate continues to steadily decline and is now below 5 percent.
- The region’s two most prominent local employers, Boeing and Microsoft, retain strong demand for their products and homegrown online-retailer Amazon has continued its hiring frenzy.
- Assessed valuations and residential new construction are expected to continue their increase in 2016.

Commercial construction in select downtown areas should continue to flourish in 2016 as several major projects either break ground or continue their construction phase.

- Low inflation brought on by a period of plunging global oil prices.
- Contract settlements with all King County’s unions.

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

REQUESTS FOR INFORMATION

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

STATEMENT OF NET POSITION

DECEMBER 31, 2015

(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 1,061,081	\$ 1,504,596	\$ 2,565,677	\$ 344,397
Investments	-	-	-	17,209
Receivables, net	218,133	256,646	474,779	175,641
Internal balances	(59,330)	59,330	-	-
Inventories	2,240	29,299	31,539	8,604
Prepayments and other assets	10,607	6,351	16,958	14,724
Net pension asset	37,094	-	37,094	-
Capital assets				
Non-depreciable assets	2,262,823	958,704	3,221,527	16,446
Depreciable assets, net of depreciation	754,120	4,858,526	5,612,646	290,813
Deposits with other governments	-	-	-	600
Regulatory assets - environmental remediation	-	74,616	74,616	-
Other utility assets	-	31,816	31,816	-
Other assets	-	4,417	4,417	16,805
TOTAL ASSETS	4,286,768	7,784,301	12,071,069	885,239
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refunding	29,736	185,385	215,121	-
Deferred outflows on pensions	61,231	40,585	101,816	190
TOTAL DEFERRED OUTFLOWS OF RESOURCES	90,967	225,970	316,937	190
LIABILITIES				
Accounts payable and other current liabilities	169,755	388,201	557,956	105,971
Accrued liabilities	29,030	95,208	124,238	47,754
Notes payable	-	51	51	-
Unearned revenues	42,629	16,839	59,468	5,231
Noncurrent liabilities				
Due within one year	135,027	121,472	256,499	1,654
Due in more than one year	1,598,308	4,815,249	6,413,557	16,797
TOTAL LIABILITIES	1,974,749	5,437,020	7,411,769	177,407
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	87,306	55,025	142,331	200
Rate stabilization	-	46,250	46,250	-
TOTAL DEFERRED INFLOWS OF RESOURCES	87,306	101,275	188,581	200
NET POSITION				
Net investment in capital assets	2,130,800	1,649,976	3,780,776	305,653
Restricted for:				
Capital projects	125,161	30,285	155,446	-
Debt service	-	187,092	187,092	-
General government	224	-	224	-
Law, safety and justice	74,789	-	74,789	-
Physical environment	51,867	-	51,867	-
Transportation	26,504	-	26,504	-
Economic environment	2,350	-	2,350	-
Mental and physical health	87,691	-	87,691	-
Culture and recreation	14,257	-	14,257	-
Regulatory assets and environmental liabilities	-	26,281	26,281	-
Expendable	-	-	-	66,889
Nonexpendable	-	-	-	2,527
Unrestricted	(197,963)	578,342	380,379	332,753
TOTAL NET POSITION	\$ 2,315,680	\$ 2,471,976	\$ 4,787,656	\$ 707,822

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
 (IN THOUSANDS)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
						Governmental Activities	Business-type Activities
Primary government:							
Governmental activities:							
General government	\$ 308,348	\$ (57,201)	\$ 94,077	\$ 4,049	\$ -	\$ (153,021)	\$ -
Law, safety and justice	645,941	21,420	169,829	28,178	-	(469,354)	-
Physical environment	109,596	1,268	65,445	9,771	2,957	(32,691)	-
Transportation	81,968	2,171	12,233	11,736	15,156	(45,014)	-
Economic environment	100,896	1,046	35,963	42,090	-	(23,889)	-
Mental and physical health	502,430	6,276	357,367	76,387	-	(74,952)	-
Culture and recreation	49,876	823	8,684	887	-	(41,128)	-
Interest and other							
debt service costs	34,207	-	15,744	2	-	(18,461)	-
Total governmental activities	1,833,262	(24,197)	759,342	173,100	18,113	(858,510)	-
Business-type activities:							
Airport	21,031	361	19,081	-	2,967	-	656
Public Transportation	760,425	17,458	301,030	29,856	84,610	(362,387)	-
Solid Waste	111,325	2,426	121,858	-	-	8,107	-
Water Quality	445,190	3,642	438,440	787	1,033	(8,572)	-
Institutional Network	2,019	52	2,736	-	-	665	-
Marine	6,491	160	1,986	-	3,632	(1,033)	-
Radio Communications Services	5,316	98	4,345	-	-	(1,069)	-
Total business-type activities	1,351,797	24,197	889,476	30,643	92,242	(363,633)	-
Total primary government	\$ 3,185,059	\$ -	\$ 1,648,818	\$ 203,743	\$ 110,355	(858,510)	-
Component units	\$ 902,749		\$ 923,772	\$ 29,075	\$ (278)		\$ 49,820
General revenues							
Property taxes						702,563	-
Retail sales and use taxes						203,118	-
Business and other taxes						49,719	-
Penalties and interest - delinquent taxes						20,036	-
Interest earnings						8,414	141
Transfers						305	-
Special item						(12,756)	-
Total general revenues and transfers						971,399	141
Change in net position						112,889	49,961
Net position - January 1, 2015 (Restated)						2,202,791	657,861
Net position - December 31, 2015						\$ 2,315,680	\$ 707,822

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(IN THOUSANDS)**

	GENERAL FUND	HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 59,475	\$ 89,726	\$ 574,037	\$ 723,238
Taxes receivable - delinquent	7,686	206	7,572	15,464
Accounts receivable, net	9,364	4,825	45,231	59,420
Other receivables, net	-	-	270	270
Interest receivable	8,872	-	-	8,872
Due from other funds	790	673	5,445	6,908
Due from other governments, net	49,552	30,961	51,230	131,743
Inventory of supplies	-	433	141	574
Prepayments	-	29	7,219	7,248
Advances to other funds	300	-	4,475	4,775
Total assets	<u>\$ 136,039</u>	<u>\$ 126,853</u>	<u>\$ 695,620</u>	<u>\$ 958,512</u>
LIABILITIES				
Accounts payable	6,967	17,496	108,540	133,003
Due to other funds	1,554	1,407	6,483	9,444
Interfund short-term loans payable	-	-	929	929
Due to other governments	-	2,179	5,308	7,487
Wages payable	16,194	3,545	6,037	25,776
Taxes payable	108	2	37	147
Unearned revenues	970	3,725	37,985	42,680
Custodial accounts	51	-	6,414	6,465
Advances from other funds	-	27,969	4,775	32,744
Total liabilities	<u>25,844</u>	<u>56,323</u>	<u>176,508</u>	<u>258,675</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	6,228	45	6,110	12,383
Unavailable revenue-other receivables	1,338	148	-	1,486
Total deferred inflows of resources	<u>7,566</u>	<u>193</u>	<u>6,110</u>	<u>13,869</u>
FUND BALANCES				
Nonspendable	300	461	13,980	14,741
Restricted	1,781	71,369	356,101	429,251
Committed	20,310	9,500	28,873	58,683
Assigned	12,125	-	117,729	129,854
Unassigned	68,113	(10,993)	(3,681)	53,439
Total fund balances	<u>102,629</u>	<u>70,337</u>	<u>513,002</u>	<u>685,968</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 136,039</u>	<u>\$ 126,853</u>	<u>\$ 695,620</u>	<u>\$ 958,512</u>

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

Total fund balances - governmental funds	\$ 685,968
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	2,763,442
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	296,944
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	36,658
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,467,332)
Net position of governmental activities	<u>\$ 2,315,680</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(IN THOUSANDS)

	GENERAL FUND	HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property taxes	\$ 326,774	\$ 3,109	\$ 494,180	\$ 824,063
Retail sales and use taxes	116,616	-	-	116,616
Business and other taxes	12,363	-	-	12,363
Penalties and interest - delinquent taxes	20,036	-	-	20,036
Licenses and permits	4,971	16,417	3,176	24,564
Intergovernmental revenues	125,218	112,196	164,730	402,144
Charges for services	126,836	239,181	151,682	517,699
Fines and forfeits	6,906	280	148	7,334
Interest earnings	1,696	373	2,768	4,837
Miscellaneous revenues	11,301	5,326	58,496	75,123
TOTAL REVENUES	752,717	376,882	875,180	2,004,779
EXPENDITURES				
Current				
General government	131,034	-	135,900	266,934
Law, safety and justice	520,117	-	122,606	642,723
Physical environment	-	-	165,260	165,260
Transportation	-	-	83,810	83,810
Economic environment	453	-	102,465	102,918
Mental and physical health	27,394	388,143	107,113	522,650
Culture and recreation	-	-	48,003	48,003
Debt Service				
Principal	-	-	64,407	64,407
Interest and other debt service costs	64	68	28,690	28,822
Refunding bond issuance costs	-	-	978	978
Payment to escrow agent	-	-	19,467	19,467
Capital outlay	1,792	91	91,012	92,895
TOTAL EXPENDITURES	680,854	388,302	969,711	2,038,867
Excess (deficiency) of revenues over (under) expenditures	71,863	(11,420)	(94,531)	(34,088)
OTHER FINANCING SOURCES (USES)				
Transfers in	261	30,363	187,588	218,212
Transfers out	(72,784)	(1,299)	(130,903)	(204,986)
General government debt issued	-	-	27,355	27,355
Premium on bonds sold	-	-	33,799	33,799
Refunding bonds issued	-	-	198,290	198,290
Sale of capital assets	81	2	4,240	4,323
Payment to refunded bonds escrow agent	-	-	(227,200)	(227,200)
TOTAL OTHER FINANCING SOURCES (USES)	(72,442)	29,066	93,169	49,793
SPECIAL ITEM	-	-	(12,756)	(12,756)
Net change in fund balances	(579)	17,646	(14,118)	2,949
Fund balances - January 1, 2015 (Restated)	103,208	52,691	527,120	683,019
Fund balances - December 31, 2015	<u>\$ 102,629</u>	<u>\$ 70,337</u>	<u>\$ 513,002</u>	<u>\$ 685,968</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(IN THOUSANDS)**

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

Net change in fund balances - total governmental funds	\$ 2,949
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.	48,927
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations).	(50,066)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,902
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.	50,638
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.	58,082
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	457
Change in net position of governmental activities	<u>\$ 112,889</u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 643,880	\$ 230,349	\$ 103,968	\$ 978,197	\$ 344,909
Restricted cash and cash equivalents	8,515	149,403	2,390	160,308	2,889
Accounts receivable, net	31,851	37,018	10,295	79,164	2,345
Due from other funds	483	1,224	941	2,648	812
Interfund short-term loans receivable	-	-	305	305	929
Property tax receivable-delinquent	485	-	26	511	-
Due from other governments, net	169,066	5,014	2,866	176,946	86
Inventory of supplies	19,145	8,425	1,725	29,295	1,670
Prepayments and other assets	280	385	119	784	3,360
Total current assets	873,705	431,818	122,635	1,428,158	357,000
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	42,020	245,177	68,940	356,137	-
Due from other governments, net	25	-	-	25	-
Total restricted assets	42,045	245,177	68,940	356,162	-
Capital assets					
Non-depreciable assets	231,831	588,358	138,515	958,704	25,490
Depreciable assets, net of depreciation	1,107,974	3,518,161	224,582	4,850,717	235,822
Total capital assets	1,339,805	4,106,519	363,097	5,809,421	261,312
Other noncurrent					
Prepayments	5,486	81	-	5,567	-
Notes receivable	454	-	-	454	-
Advances to other funds	-	-	303	303	27,969
Regulatory assets - environmental remediation	-	74,616	-	74,616	-
Other utility assets, net of accumulated depreciation	-	31,816	-	31,816	-
Other assets	-	3,963	-	3,963	-
Total other noncurrent	5,940	110,476	303	116,719	27,969
Total noncurrent assets	1,387,790	4,462,172	432,340	6,282,302	289,281
TOTAL ASSETS	2,261,495	4,893,990	554,975	7,710,460	646,281
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on refunding	3,637	179,878	1,870	185,385	-
Deferred outflows on pension	32,153	4,987	3,445	40,585	8,156
TOTAL DEFERRED OUTFLOWS OF RESOURCES	35,790	184,865	5,315	225,970	8,156

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015
(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	\$ 83,551	\$ 37,599	\$ 9,917	\$ 131,067	\$ 12,991
Retainage payable	4,560	2,766	2,365	9,691	5
Estimated claim settlements	-	-	-	-	58,406
Due to other funds	44	111	540	695	227
Interest payable	353	76,438	700	77,491	218
Interfund short-term loans payable	-	-	305	305	-
Wages payable	12,603	3,222	1,887	17,712	4,059
Compensated absences payable	9,667	642	299	10,608	642
Taxes payable	239	12	544	795	10
Unearned revenues	11,017	2,067	3,755	16,839	192,901
Pollution remediation	-	8,477	-	8,477	-
Revenue bonds payable	-	156,910	-	156,910	8,200
General obligation bonds payable	11,300	9,520	5,470	26,290	5,970
Capital leases payable	120	-	-	120	-
State revolving loan payable	-	12,121	-	12,121	-
Notes payable	-	-	51	51	-
Landfill closure and post-closure care	-	-	6,337	6,337	-
Other liabilities	-	146,637	609	147,246	2,564
Total current liabilities	<u>133,454</u>	<u>456,522</u>	<u>32,779</u>	<u>622,755</u>	<u>286,193</u>
Noncurrent liabilities					
Compensated absences payable	45,672	10,623	5,970	62,265	15,908
Other postemployment benefits	10,087	1,467	1,218	12,772	2,298
Net pension liability	305,857	38,885	23,950	368,692	66,056
Advances from other funds	-	-	303	303	-
General obligation bonds payable	92,297	828,715	164,871	1,085,883	17,495
Revenue bonds payable	-	2,975,124	-	2,975,124	18,775
Capital leases payable	2,640	-	-	2,640	-
State revolving loans payable	-	167,267	-	167,267	-
Landfill closure and post-closure care	-	-	95,566	95,566	-
Estimated claim settlements	-	-	-	-	124,712
Pollution remediation	595	43,821	27	44,443	-
Other liabilities	-	-	597	597	-
Total noncurrent liabilities	<u>457,148</u>	<u>4,065,902</u>	<u>292,502</u>	<u>4,815,552</u>	<u>245,244</u>
TOTAL LIABILITIES	<u>590,602</u>	<u>4,522,424</u>	<u>325,281</u>	<u>5,438,307</u>	<u>531,437</u>
DEFERRED INFLOWS OF RESOURCES					
Rate stabilization	-	46,250	-	46,250	-
Deferred inflows on pension	43,119	6,984	4,922	55,025	11,214
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>43,119</u>	<u>53,234</u>	<u>4,922</u>	<u>101,275</u>	<u>11,214</u>
NET POSITION					
Net investment in capital assets	1,237,084	191,080	213,997	1,642,161	211,363
Restricted for:					
Capital projects	30,285	-	-	30,285	-
Debt service	11,760	175,332	-	187,092	-
Regulatory assets and environmental liabilities	-	26,281	-	26,281	-
Unrestricted	384,435	110,504	16,090	511,029	(99,577)
TOTAL NET POSITION	<u>\$ 1,663,564</u>	<u>\$ 503,197</u>	<u>\$ 230,087</u>	<u>2,396,848</u>	<u>\$ 111,786</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				75,128	
Net position of business-type activities				<u>\$ 2,471,976</u>	

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
OPERATING REVENUES					
I-Net fees	\$ -	\$ -	\$ 2,736	\$ 2,736	\$ -
Radio services	-	-	4,087	4,087	-
Solid waste disposal charges	-	-	111,021	111,021	-
Airfield fees	-	-	3,701	3,701	-
Hangar, building, and site rentals and leases	-	-	15,362	15,362	-
Passenger	172,531	-	1,986	174,517	-
Service contracts	102,954	-	-	102,954	-
Sewage disposal fees	-	359,253	-	359,253	-
Other operating revenues	22,511	74,153	4,715	101,379	530,905
Total operating revenues	297,996	433,406	143,608	875,010	530,905
OPERATING EXPENSES					
Personal services	433,716	47,565	56,826	538,107	133,606
Materials and supplies	64,095	15,351	8,874	88,320	12,859
Contract services and other charges	30,908	14,923	21,727	67,558	312,896
Utilities	4,942	14,976	3,174	23,092	-
Purchased transportation	56,621	-	-	56,621	-
Internal services	73,217	34,396	21,326	128,939	26,154
Environmental related amortization	-	2,954	-	2,954	-
Depreciation and amortization	126,599	170,787	17,578	314,964	15,308
Total operating expenses	790,098	300,952	129,505	1,220,555	500,823
OPERATING INCOME (LOSS)	(492,102)	132,454	14,103	(345,545)	30,082
NONOPERATING REVENUES					
Sales tax	526,895	-	-	526,895	-
Property tax	26,325	-	1,186	27,511	-
Intergovernmental	29,856	-	-	29,856	5
Interest earnings	2,840	2,231	643	5,714	1,709
DNRP administration	-	-	6,036	6,036	-
Other nonoperating revenues	3,034	1,458	1,149	5,641	471
Total nonoperating revenues	588,950	3,689	9,014	601,653	2,185
NONOPERATING EXPENSES					
Interest	2,395	139,980	3,362	145,737	10,926
DNRP administration	-	-	6,127	6,127	-
Loss (Gain) on disposal of capital assets	(16,385)	5,280	4,831	(6,274)	2,400
Landfill closure and post-closure care	-	-	7,394	7,394	-
Other nonoperating expenses	4,126	967	955	6,048	11
Total nonoperating expenses	(9,864)	146,227	22,669	159,032	13,337
Income (loss) before contributions and transfers	106,712	(10,084)	448	97,076	18,930
Capital grants and contributions	84,610	766	6,599	91,975	1,927
Transfers in	-	-	450	450	1,420
Transfers out	(434)	(115)	(125)	(674)	(14,422)
CHANGE IN NET POSITION	190,888	(9,433)	7,372	188,827	7,855
NET POSITION - JANUARY 1, 2015 (RESTATED)	1,472,676	512,630	222,715		103,931
NET POSITION - DECEMBER 31, 2015	\$ 1,663,564	\$ 503,197	\$ 230,087		\$ 111,786
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				7,398	
Change in net position of business-type activities				\$ 196,225	

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, 2015**
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 283,517	\$ 454,391	\$ 147,158	\$ 885,066	\$ 534,476
Cash payments to suppliers for goods and services	(214,882)	(83,417)	(49,677)	(347,976)	(341,816)
Cash payments for employee services	(443,265)	(49,017)	(57,091)	(549,373)	(135,449)
Other receipts	-	2,338	6,036	8,374	3,074
Other payments	-	(6,531)	(7,082)	(13,613)	-
Net cash provided (used) by operating activities	(374,630)	317,764	39,344	(17,522)	60,285
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	586,813	-	1,966	588,779	5
Interfund loan principal amounts loaned to other funds	-	-	-	-	(28,898)
Interfund loan principal repayments from other funds	20,779	-	304	21,083	-
Grants to others	(4,125)	(710)	-	(4,835)	-
Transfers in	-	-	450	450	1,420
Transfers out	(434)	(115)	(125)	(674)	(14,422)
Net cash provided (used) by noncapital financing activities	603,033	(825)	2,595	604,803	(41,895)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(158,560)	(137,674)	(59,947)	(356,181)	(11,142)
Proceeds from capital debt	-	108,086	40,072	148,158	-
Principal paid on capital debt	(10,944)	(71,843)	(5,235)	(88,022)	(12,160)
Interest paid on capital debt	(4,422)	(161,183)	(5,354)	(170,959)	(11,732)
Capital grants and contributions	71,811	766	8,317	80,894	-
Other capitalized payments	-	-	(304)	(304)	-
Proceeds from disposal of capital assets	19,874	24	480	20,378	1,265
Landfill closure and post-closure care	-	-	(6,674)	(6,674)	-
Net cash used by capital and related financing activities	(82,241)	(261,824)	(28,645)	(372,710)	(33,769)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	2,840	2,231	643	5,714	1,702
Net cash provided (used) by investing activities	2,840	2,231	643	5,714	1,702
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149,002	57,346	13,937	220,285	(13,677)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2015	545,413	567,583	161,361	1,274,357	361,475
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2015	<u>\$ 694,415</u>	<u>\$ 624,929</u>	<u>\$ 175,298</u>	<u>\$ 1,494,642</u>	<u>\$ 347,798</u>

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, 2015
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (492,102)	\$ 132,454	\$ 14,103	\$ (345,545)	\$ 30,082
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and amortization	126,599	170,787	17,578	314,964	15,308
Other nonoperating revenue/expense	71	1,458	(1,046)	483	-
Changes in assets - (increase) decrease					
Accounts receivable, net	18,169	7,063	(1,719)	23,513	(1,681)
Due from other funds	(46)	25	4,904	4,883	760
Due from other governments, net	(35,026)	-	(15)	(35,041)	(30)
Inventory of supplies	185	(753)	(103)	(671)	(185)
Prepayments	393	(316)	34	111	492
Other assets	47	(5,113)	-	(5,066)	-
Changes in deferred outflows of resources - (increase) decrease					
Deferred outflows on pension	(16,675)	(2,900)	(2,109)	(21,684)	(4,612)
Changes in liabilities - increase (decrease)					
Accounts payable	13,839	(2,820)	3,426	14,445	1,261
Retainage payable	72	12	1,897	1,981	(6)
Due to other funds	44	111	538	693	214
Wages payable	2,216	244	325	2,785	439
Taxes payable	151	(5)	385	531	(2)
Unearned revenues	2,307	440	116	2,863	(523)
Claims and judgments payable	-	-	-	-	16,105
Compensated absences	1,780	(220)	195	1,755	395
Other postemployment benefits	820	116	101	1,037	138
Net pension liability	54,310	9,691	7,121	71,122	15,272
Customer deposits and other liabilities	216	3,874	(489)	3,601	331
Changes in deferred inflows of resources - increase (decrease)					
Rate stabilization	-	12,000	-	12,000	-
Deferred inflows on pension	(52,000)	(8,384)	(5,898)	(66,282)	(13,473)
Total adjustments	117,472	185,310	25,241	328,023	30,203
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (374,630)</u>	<u>\$ 317,764</u>	<u>\$ 39,344</u>	<u>\$ (17,522)</u>	<u>\$ 60,285</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Public Transportation capital grants on account increased by \$12.0 million in 2015.

Water Quality issued bonds in 2015 to refund debt issued from 1995 to 2010. The \$851.1 million bond proceeds were placed in escrow for the defeasance of \$752.3 million of outstanding revenue and LTGO bond principal and \$124.3 million of interest. There were \$100.0 million of junior bonds issued to redeem the 1995 commercial paper program.

Nonmajor Enterprise Funds issued capital bonds in 2015 to refund debt issued in 2007. The \$16.5 million proceeds were deposited in escrow for the defeasance of \$15.1 million of outstanding bond principal and \$1.9 million of interest.

Internal Service Funds received \$1.9 million of capital assets from other funds and transferred \$11 thousand of capital assets to other funds.

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 165,744
Assets held in trust		
External investment pool participants	-	3,194,526
External impaired investment pool participants	-	4,636
Investments	3,197,511	5,107
Taxes receivable - delinquent	-	63,975
Accounts receivable	-	4,020
Interest receivable	1,651	-
Assessments receivable	-	5,161
Notes and contracts receivable	-	51
TOTAL ASSETS	<u>3,199,162</u>	<u>3,443,220</u>
LIABILITIES		
Warrants payable	-	97,723
Accounts payable	-	2,134
Wages payable	-	13,846
Custodial accounts - County agencies	-	99,619
Due to special districts/other governments	-	3,229,898
TOTAL LIABILITIES	<u>-</u>	<u>\$ 3,443,220</u>
NET POSITION		
Held in trust for pool participants	<u>\$ 3,199,162</u>	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(IN THOUSANDS)

	<u>INVESTMENT</u> <u>TRUST FUNDS</u>
ADDITIONS	
Contributions	\$ 7,278,194
Net investment earnings	
Interest	16,409
Decrease in the fair value of investments	<u>(2,328)</u>
TOTAL ADDITIONS	7,292,275
DEDUCTIONS	
Distributions	<u>6,709,444</u>
Change in net position	582,831
Net position - January 1, 2015	<u>2,616,331</u>
Net position - December 31, 2015	<u><u>\$ 3,199,162</u></u>

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

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2015
(IN THOUSANDS)

	Harborview Medical Center	Cultural Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 299,237	\$ 45,160	\$ 344,397
Investments	-	17,209	17,209
Receivables, net	173,453	2,188	175,641
Inventories	8,604	-	8,604
Prepayments	14,370	354	14,724
Non-depreciable assets	16,446	-	16,446
Depreciable assets, net of depreciation	290,813	-	290,813
Deposits with other governments	600	-	600
Other assets	16,743	62	16,805
Total assets	<u>820,266</u>	<u>64,973</u>	<u>885,239</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>190</u>	<u>190</u>
LIABILITIES			
Accounts payable and other current liabilities	105,588	383	105,971
Accrued liabilities	47,754	-	47,754
Unearned revenues	-	5,231	5,231
Noncurrent liabilities			
Due within one year	1,509	145	1,654
Due in more than one year	14,499	2,298	16,797
Total liabilities	<u>169,350</u>	<u>8,057</u>	<u>177,407</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>200</u>	<u>200</u>
NET POSITION			
Net investment in capital assets	305,653	-	305,653
Restricted for:			
Expendable	9,983	56,906	66,889
Nonexpendable	2,527	-	2,527
Unrestricted	332,753	-	332,753
Total net position	<u>\$ 650,916</u>	<u>\$ 56,906</u>	<u>\$ 707,822</u>

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

**STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2015**
(IN THOUSANDS)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Harborview Medical Center	Cultural Development Authority	Total
Component units:							
Harborview Medical Center	\$ 894,362	\$ 923,718	\$ 6,171	\$ (278)	\$ 35,249	\$ -	\$ 35,249
Cultural Development Authority	8,387	54	22,904	-	-	14,571	14,571
Total Component units	<u>\$ 902,749</u>	<u>\$ 923,772</u>	<u>\$ 29,075</u>	<u>\$ (278)</u>	<u>35,249</u>	<u>14,571</u>	<u>49,820</u>
	Payments to King County for debt service interest				-	180	180
	Interest earnings				-	(39)	(39)
	Net general revenues				-	141	141
	Change in net position				35,249	14,712	49,961
	Net position - January 1, 2015 (Restated)				615,667	42,194	657,861
	Net position - December 31, 2015				\$ 650,916	\$ 56,906	\$ 707,822

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

Note 1

Summary of Significant Accounting Policies

Description of Government-wide 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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

King County was founded in 1852 and operates under a Home Rule Charter that was adopted by a vote of County citizens in 1968 and which established an executive-council form of government. Citizens elect the County Executive to a four-year, full-time term and the nine-member council by district to staggered four-year terms. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Blended Component Units

King County Flood Control Zone District (FCZD)

King County 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 as a blended component unit because the two governing boards are substantively the same and the FCZD exclusively benefits the County even though it does not provide services directly to the government.

The FCZD 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. 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.

Component Units – Discretely Presented

Harborview Medical Center (HMC)

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

The HMC Board of Trustees is appointed by the County Executive. The County's director of Finance and Business Operations Division 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 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.

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, 2015, including bonds reported by HMC as of June 30, 2015.

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)

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.

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 in 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.

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 CDA. 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.

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's Office. 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

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 was reported as a blended component unit of the County. Effective January 1, 2015, under Ordinance 17935, King County assumed all rights, powers, functions and obligations of the KCFD. The KCFD is now reported as part of the primary government as part of the Marine enterprise fund in the Proprietary Funds section of this CAFR as a nonmajor enterprise fund. (See Note 18 – "Restrictions, Components of Fund Balance, and Changes in Equity – Restatements of Beginning Net Position and Fund Balances").

Joint Venture

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, 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 City of Seattle, each responsible for one-half of the disallowed amount. As of December 31, 2015, there are no outstanding program eligibility issues that might lead to a liability on the part of King County.

WDC contracts with King County to provide programs related to dislocated workers and workforce centers. For 2015, the WDC reimbursed King County approximately \$3.4 million for the Employment and Education Resource Program in eligible program costs. King County has a \$0.3 million equity interest in the WDC.

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 Public Facilities District (WSCC) 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 District's 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 the participant governments do not retain any ongoing financial interest nor any ongoing financial responsibility, the WSCC is a jointly governed organization.

Related Organizations

There are four separate entities for which the County is accountable, but is not financially accountable. These related organizations are King County Library System (KCLS), Library Capital Facility District (LCFD), King County Housing Authority (KCHA) and Washington State Major League Baseball Public Facilities District (PFD). The County Council appoints a majority of the board of KCLS, KCHA and PFD; and, selected Councilmembers make up the three-member board of LCFD. There is no evidence that the County Council can influence the programs and activities of these four organizations or that they create a significant financial benefit or burden to the County.

The County serves as the treasurer for KCLS, LCFD, and PFD 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.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds that benefit the governmental activities, while business-type activities incorporate data from the government's enterprise funds and internal service fund that benefit the business-type activities. 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.

As discussed earlier, the government has two discretely presented component units. While neither HMC nor CDA are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include payments for services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would misstate the direct costs of the purchasing function and the program revenues of the selling function.

HMC has a June 30 fiscal year end, differing from the County's December 31 fiscal year end. The County reports HMC's financial results as of June 30 in the financial statements. There is no material effect on the balances, transactions and interfund activity reported for the period, as a result of the disparity in reporting period.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate financial statements are provided for each fund category – governmental funds, proprietary funds and fiduciary funds. Governmental funds are reported by mission, which corresponds to the County's strategic plan. Proprietary funds are reported by individual funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Major Governmental Funds

The County reports the following 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 another fund.

The Health Fund is the government's summary fund that accounts for health-related activities for residents and the general public. It consists of three funds: Mental Health Fund, Public Health Fund and Environmental Health Fund. The Mental Health Fund is part of the King County Mental Health Regional Support Network and 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. Its main sources of funding are federal and state grants, charges for services and property taxes. The Public Health Fund accounts for public health programs. It supports clinical health services/primary care assurance, management and business practice and targeted community health services. Its main sources of funding are federal and state grants,

charges for services and private grant sources. The Environmental Health Fund accounts for activities related to population and environmental safety such as food and disease outbreak prevention. Its main sources of funding are license and permit fees and charges for services.

Major Enterprise Funds

The County reports the following major enterprise funds:

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

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

Nonmajor Governmental Funds

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

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

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

Nonmajor Proprietary Funds

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

Internal Service and Fiduciary Funds

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.

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 reports 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.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/due to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds that benefit the governmental activities) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and 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. For this purpose, the government considers revenues from property taxes to be available if they are collected within 60 days of the end of the current fiscal period. All other accrued revenue sources are determined to be available if collected within 12 months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales and use taxes, business and occupation taxes, federal grants-in-aid, and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collected 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.

The proprietary and investment trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting assets and liabilities.

New Accounting Standards

GASB Statement 68 – *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This was implemented by the County in 2015.

GASB Statement 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. This was implemented by the County in 2015.

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 receivable; and Due from other governments, net.
- The liability account *Accounts payable and other current liabilities* combines Accounts payable, Due to other governments, Retainage payable, 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, Other postemployment benefits, Net pension liability, Landfill closures and post-closure care, and Other liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and pooled equity invested in the King County Investment Pool.

All County funds and most component units and special districts participate in the King County Investment Pool ("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.

Inventories

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

Prepayments

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

Capital Assets (See Note 7 – "Capital Assets")

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

General capital assets, including those in internal service funds that support governmental funds, are reported in the governmental activities column of the government-wide Statement of Net Position.

Capital assets of enterprise funds, including those in internal service funds that exclusively support enterprise funds, are reported in the business-type column of the government-wide Statement of Net Position. Enterprise and internal service funds 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.

The County elects to use the modified approach for reporting infrastructure assets in lieu of the depreciation method because it is committed to maintaining the roads and bridges infrastructure indefinitely. 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 and capitalized were \$167.2 million and \$14.7 million, respectively.

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:

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans, fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions)

are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The government only has two items that qualifies for reporting in this category. They are the deferred charge on refunding and deferred outflow of resources for pensions reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources for pensions results from contributions subsequent to the measurement date, difference between projected and actual investment earnings, difference between expected and actual experience, changes in actuarial assumptions and changes in proportions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three types of items that qualify for reporting in this category. The *deferred inflows of resources* reported in the business-type activities and proprietary funds represent sewer revenues that are reserved annually to normalize future sewer rates (see Rate Stabilization, p. 49). The deferred inflows of resources – pensions are reported in the government-wide Statement of Net Position. The deferred inflows of resources for pensions results from contributions subsequent to the measurement date, difference between projected and actual investment earnings, difference between expected and actual experience, changes in actuarial assumptions and changes in proportions. The *deferred inflows of resources* – unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, district court receivables and abatement receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted

fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance or motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Council has by ordinance authorized the executive to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Allocating Indirect Expense to Functions

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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.

Detailed Notes on all Activities and Funds

Receivables (See Note 5 – "Receivables")

Receivables include charges for services rendered by the County or intergovernmental grants that have not been received by the end of the fiscal year. 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 collectability.

Taxes receivable – delinquent – This account includes receivables for property taxes levied for the current year and the allowance for uncollectible amounts. 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.

Accounts receivable, net – This account includes receivables for customer accounts, employee travel advances, abatement revenues from the Department of Permitting and Environmental Review, civil penalties, district court revenues and assessments on local improvement districts.

Other receivables, net – This account includes receivables for abatements and the allowance for uncollectible amounts. Abatements are revenues from violations reported by the Code Enforcement Section on property within the County.

Interfund Activity

Due to/from other funds – These accounts include any outstanding balances between funds on the governmental funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

Interfund short-term loan receivables/payables – These accounts include the short-term portion of lending or borrowing arrangements between funds that are outstanding at the end of the fiscal year.

Advances to/from other funds – Noncurrent portions of long-term interfund loans are reported as advances. In the governmental funds, Advances to other funds are included in nonspendable fund balance as they are long-term receivables and are not available for appropriation.

Accrued Liabilities

Accrued liabilities refer to Accounts payable, Due to other governments, Interest payable, Wages payable, and Taxes payable. Expenditures incurred during the year but paid in the subsequent year are recorded based on the following materiality thresholds according to when invoices were received:

February 4 – 14	\$1,000
February 15 – 19	\$50,000
February 20 – March 10	\$500,000
March 11 – 15	\$1,000,000
March 16 and beyond	\$5,000,000

Individual assessments for specific funds would be made for amounts not meeting the stated materiality thresholds. Grant-related items to be reported on the Schedule of Expenditures of Federal Awards will be assessed without considering the materiality thresholds.

Unearned Revenues

Unearned revenues are obligations of the County to perform services or provide goods. This account offsets reported assets for revenues that have not met recognition requirements. Reported assets include grants received in advance, mitigation fees received in lieu of developers performing mitigation projects, prepayment for parks programs and rental facilities and rent prepaid by tenants in internal service 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 by the Water Quality Enterprise 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 2015, interest earned on bond proceeds was insignificant.

Long-term Obligations (See Note 15 – "Debt")

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.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs in 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	\$ 801,833
Plus: Unamortized premiums on bonds sold	79,758
Accrued interest payable	6,123
Deferred outflows on refunding (to be amortized as interest expense)	(29,736)
Compensated absences	86,031
Net pension liability	397,045
Deferred inflows on pensions	76,092
Other postemployment benefits	50,186
	<u> </u>
Net adjustment to reduce <i>fund balance - total</i> governmental funds to arrive at net position - governmental activities	<u>\$ 1,467,332</u>

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

Capital assets reported for governmental activities:	
Nondepreciable	\$ 2,262,823
Depreciable	754,120
Less: Capital assets in governmental internal service funds (All ISFs except Wastewater Equipment Replacement)	<u>(253,501)</u>
Net adjustment to increase <i>fund balance - total</i> governmental funds to arrive at net position - governmental activities	<u>\$ 2,763,442</u>

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

Receivables from component units	\$ 1,095
Earned but unavailable taxes and assessments	14,248
Net pension asset	37,094
Bond refunding - component unit	189,115
Deferred outflows on pensions	53,075
Earned but unavailable court fines and penalties	2,317
	<u> </u>
Net adjustment to increase <i>net changes in fund</i> <i>balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 296,944</u>

Another element of that reconciliation states, Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position."

Net position of the governmental activities internal service funds	\$ 94,030
Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	(51,222)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	<u>(6,150)</u>
Net adjustment to increase fund balance - <i>total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 36,658</u>

Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (in thousands): The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds and changes in net positions of governmental activities* reported in the government-wide statement of activities.

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

Capital outlay	\$ 92,719
Depreciation expense	<u>(43,792)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 48,927</u>

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

In the statement of activities, only the gain on the sale of capital assets is reported in governmental activities while gross proceeds increase financial resources in the funds. The difference is the net book value of capital assets sold.	\$ (56,827)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds	<u>6,761</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (50,066)</u>

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

Property tax accrual	\$ (2,366)
Abatement fee accrual	80
Noxious weed assessment accrual	(16)
Fines and forfeits net accrual	392
Transfers out	<u>8</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (1,902)</u>

Another element of that reconciliation states, "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

Debt issued or incurred	
Issuance of general government debt	\$ 27,355
Issuance of refunding bonds	198,290
Premium on bonds sold	33,799
Principal repayments	(82,882)
Payment to escrow agent	<u>(227,200)</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (50,638)</u>

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

Compensated absences	\$ (3,811)
Other postemployment benefits	(4,472)
Interest on long-term debt	7,612
Direct subsidy bond reimbursement	(90)
Pension expense	27,622
LEOFF special funding	2,812
Retroactive retirement contribution settlement	<u>28,409</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 58,082</u>

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

Investment interest earnings	\$ 1,666
Intergovernmental revenues	5
Revenues related to services provided to outside parties	3,471
Expenses related to services provided to outside parties	(3,272)
Loss on disposal of capital assets	(2,802)
Interest on long-term debt	(10,926)
Capital contributions	2,120
Transfers in	1,420
Transfers out	(14,366)
Internal service fund gains allocated to governmental activities	<u>23,141</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 457</u>

Explanation of certain differences between the Proprietary Funds Statement of Net Position and the Government-wide Statement of Net Position (in thousands): The proprietary funds statement of *net position* includes reconciliation between *net position - total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of *net position*. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The assets and liabilities of one internal service fund, Wastewater Equipment Rental Fund, are included in the business-type activities in the statement of net position because the fund was established to serve the Water Quality Enterprise.

Net position of the business-type activities internal service fund	\$ 17,756
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	51,222
Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	<u>6,150</u>
Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position of business-type activities</i>	<u>\$ 75,128</u>

Explanation of certain differences between the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position and the Government-wide Statement of Activities (in thousands): The proprietary funds statement of revenues, expenses, and changes in fund net position includes a reconciliation between *change in net position - total enterprise funds* and *change in net position of business-type activities* as reported in the government-wide statement of activities. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds."

Investment interest earnings	\$ 43
Revenues related to services provided to outside parties	340
Expenses related to services provided to outside parties	(321)
Gain on disposal of capital assets	402
Capital contributions	267
Transfers out	(56)
Internal service fund gains allocated to business-type activities	<u>6,723</u>
Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position of business-type activities</i>	<u>\$ 7,398</u>

Note 3

Stewardship, Compliance, and Accountability

Basis of Budgeting

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

The Special Revenue Funds have adopted biennial budgets for 2015–2016.

The Flood Control Zone District Fund is budgeted via a separate process under authority of the governing body of the King County Flood Control Zone District, a separate entity. The District's Board of Directors adopts an annual operating budget.

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 2015–2016.

The Road Improvement Districts Construction Fund is budgeted for 2015–2016.

All funds in the Capital Projects Fund type, except the Road Improvement Districts Construction Fund, are controlled by multi-year 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 2015–2016 except for Finance Management Services Fund and the Business Resources Center Fund. These budgets are on the modified accrual basis rather than the accrual basis. Appropriations are based on an estimate of expenditures expected to be incurred during the fiscal year or biennium. Estimated revenues are based on the amount estimated to be earned and available during the fiscal year or biennium.

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

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

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

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

Budgeted Level of Expenditures

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

- The General Fund is appropriated at the department/division level,
- Selected Special Revenue Funds are also appropriated at the department/ division level:
 - Community Development Block Grant
 - County Roads
 - 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 the end of the biennium. 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.

Encumbrances

Encumbrances outstanding as of December 31, 2015 (in thousands):

General Fund	\$ 2,673
Health Fund	7,410
Nonmajor Governmental Funds	14,517
Public Transportation Enterprise Fund	140,231
Water Quality Enterprise Fund	7,365
Nonmajor Enterprise Funds	3,401
Internal Service Funds	10,079
Total All Funds	<u>\$185,676</u>

Deficit Fund Equity**Nonmajor Governmental Funds****Justice and Safety – Capital Projects**

The Justice and Safety – Capital Projects fund reports a total fund balance deficit of \$1.1 million. The fund contains the Puget Sound Emergency Radio Network Capital Fund, which was newly created in the current fiscal year. The fund will be supported by levy and bonds which will not be collected until 2016.

Internal Service Funds

The County implemented GASB Statement Nos. 68 and 71 in the current fiscal year, which requires reporting its share of net pension liabilities. As a result, the following funds have deficit net positions at December 31, 2015 (in thousands):

Fund:	Total Net Position
Business Resource Center	(\$4,120)
Construction & Facilities Management	(20,915)
Financial Management Services	(14,588)
King County Geographic Information Systems	(2,189)
King County Information Technology Services	(13,968)

Building Development and Management Corporations Fund

The deficit of \$9.8 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.

Note 4

Deposits and Investments

Deposits

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

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositories in the State of Washington and total deposits cannot exceed the net worth of the financial institution. Those institutions not meeting 100% collateralization or the minimum credit rating requirements may receive deposits up to the FDIC or federally guaranteed amounts. 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 five percent from a single issuer.

As of December 31, 2015 the County's total deposits, excluding the equity in the component units, were \$36.6 million in carrying amount and \$33.6 million in bank balance, of which \$2.9 million was exposed to custodial credit risk as uninsured and uncollateralized as shown in the following schedule (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Uninsured and Uncollateralized</u>
Demand deposits	\$ 33,754	\$ 30,716	\$ -
Money Market accounts	2,884	2,884	2,884
Total deposits	<u>\$ 36,638</u>	<u>\$ 33,600</u>	<u>\$ 2,884</u>

The money market accounts in the schedule above are comprised of cash held with trustees for two Washington state nonprofit corporations reported as Building Development and Management Corporations, a blended component unit of King County. The cash held in the Bank of New York Mellon Trust Company (Trustee) is invested in United States Government Money Market accounts. All of the \$2.9 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) consists of 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 Pool operates in accordance with the King County Investment Policy which has been prepared in accordance with State law. This policy is reviewed annually and any modifications shall be approved 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. Non-pooled King County investments which do not meet the criteria of this policy require approval by the EFC.

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 has not been vested with decision-making authority for the Pool; it makes recommendations to the EFC on agenda items related to the Pool.

The King County Investment Policy is 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 portfolio should be managed in a manner that is responsive to the public trust and consistent with State Law. The Pool is guided by the following principles:

1. The primary objective of King County's investment of public funds is to safeguard investment principal.
2. The secondary objective is to maintain sufficient liquidity to ensure that funds are available to meet daily cash flow requirements.
3. The third consideration is to achieve a reasonable yield consistent with these objectives.

Investment Instruments – State statutes authorize King County to invest in:

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

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

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

Although the County is authorized to enter into reverse repurchase agreements, the County chose not to enter into this type of transaction since 2008. 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.

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 2015, 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 – The main Pool's total investment was \$6,174.1 million. Excluding \$314.8 million of equity in the component unit, the net total investment was \$5,860.0 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 \$7.4 million. 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, 2015 (in thousands):

KING COUNTY INVESTMENT POOL				
Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)
Repurchase Agreements	\$ 175,000	\$ 175,000	0.35%	0.011
Commercial Paper	221,744	221,871	0.23%	0.115
U.S. Agency Discount Notes	1,120,318	1,123,430	0.31%	0.495
Bank Notes	732,896	732,400	1.23%	1.516
Bank Notes Floating Rate	59,952	60,000	0.53%	0.189
U.S. Treasury Notes	2,274,494	2,275,000	0.79%	1.273
U.S. Agency Notes	1,250,334	1,250,234	0.65%	0.926
U.S. Agency Collateralized Mortgage Obligations	7,212	6,711	4.34%	2.674
State Treasurer's Investment Pool	332,121	332,121	0.25%	0.011
Totals	\$ 6,174,071	\$ 6,176,767	0.67%	0.936

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, 5.3 percent, Federal National Mortgage Association, 6.5 percent, Federal Home Loan Bank, 10.9 percent, and Federal Farm Credit Bank, 15.8 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 or less, 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, 2015, the effective duration of the main Pool was 0.936 years.

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

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

Credit Quality Distribution

Investment Type	AAA or A-1	AA	A	Not Rated	Total
Repurchase Agreements	\$ 175,000	\$ -	\$ -	\$ -	\$ 175,000
Commercial Paper	221,744	-	\$ -	-	221,744
U.S. Agency Discount Notes	1,120,318	-	-	-	1,120,318
Bank Notes	-	321,236	411,660	-	732,896
Bank Notes Floating Rate	-	59,952	-	-	59,952
U.S. Agency Notes	-	1,250,334	-	-	1,250,334
U.S. Agency Collateralized Mortgage Obligations	-	7,212	-	-	7,212
State Treasurer's Investment Pool	-	-	-	332,121	332,121
TOTAL	\$ 1,517,062	\$ 1,638,734	\$ 411,660	\$ 332,121	\$ 3,899,577

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, 3.6 percent, U.S. Agency Discount Notes, 18.2 percent, Bank Notes,

11.9 percent, Bank Notes Floating Rate, 1.0 percent, U.S. Treasury Notes, 36.8 percent, U.S. Agency Notes, 20.2 percent, U.S. Agency Collateralized Mortgage Obligations, 0.1 percent, and the State Treasurer's Investment Pool, 5.4 percent. The following table summarizes the Pool's diversification policy:

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

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Security Type Limit</u>	<u>Single Issuer Limit</u>	<u>Minimum Credit Rating</u>
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency ⁽¹⁾	5 Years	100%	35.0%	N/A
U.S. Federal Agency MBS ⁽²⁾	5 Year WAL	25%	25.0%	N/A
Certificates of Deposit ⁽³⁾	1 Year	25%	5.0%	N/A
Municipal Securities ⁽⁴⁾	5 Years	20%	5.0%	A
Bank Securities	5 Years	20%	5.0%	A ⁽⁵⁾
Repurchase Agreements ⁽⁶⁾	60 Days	100%	25.0%	A1 or P1 or F1
Commercial Paper	270 Days	25%	5.0%	A1/P1/F1 ⁽⁷⁾
Bankers' Acceptances	180 Days	25%	5.0%	A1/P1/F1 ⁽⁸⁾
State LGIP ⁽⁹⁾	N/A	25%	25.0%	N/A

N/A = Not applicable

(1) Senior debt only.

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

(3) Institution must be a Washington State depository and participate in the PDPC 100% collateralization program.

(4) County policy limits purchases to general obligation bonds, rated A or better by one rating agency.

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

(6) Tri-party repurchase agreements collateralized at 102% and for purposes of aggregating across sectors, overnight repos shall not be included.

(7) Must be rated in top credit category by at least two rating agencies. Maturities > 100 days must have a long-term rating of A or higher.

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

(9) 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. During 2015, the County received the "tail" payment of \$580 thousand as the final payment for Mainsail. At year-end, the amount reserved for the County totaled \$1.6 million for the Cheyne and Rhinebridge restructurings. The "estimated fair value" of \$1.6 million was based on the value of the cash retained by the receivers as of December 31, 2015.

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, 2015, was \$8 million and the book value was \$12.7 million. The fair value at year-end was determined by a combination of the December 2015 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, 2015. 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 2015, VFNC Trust distributed a total of \$2.8 million to the County. Including all the receipts to date brings the cash recovery rate on the original Victoria investment to 81 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, 2015 (in thousands):

Condensed Statement of Net Position

	Total	Main Pool	Impaired Pool
Assets	\$ 6,184,195	\$ 6,176,204	\$ 7,991
Net Position held in trust for pool participants	\$ 6,184,195	\$ 6,176,204	\$ 7,991
Equity of internal pool participants	\$ 2,985,033	\$ 2,981,678	\$ 3,355
Equity of external pool participants	3,199,162	3,194,526	4,636
Total equity	\$ 6,184,195	\$ 6,176,204	\$ 7,991

Condensed Statement of Changes in Net Position

Net Position - January 1, 2015	\$ 5,252,818	\$ 5,242,812	\$ 10,006
Net change in investments by pool participants	931,377	933,392	(2,015)
Net Position - December 31, 2015	\$ 6,184,195	\$ 6,176,204	\$ 7,991

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 \$2.9 million in both bank balance and carrying amount. In addition, HMC has equity in the Investment Pool (reported as cash equivalents on June 30, 2015) totaling \$299.2 million in bank balance and report a carrying amount of \$296.3 million. As of June 30, 2015, 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
As of June 30, 2015**

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash in other banks	\$ 2,959	\$ 2,879
Equity in Investment Pool	296,278	299,249
Total	<u>\$ 299,237</u>	<u>\$ 302,128</u>

Cultural Development Authority of King County (CDA)

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

Investments – The CDA has an investment policy to guide the management of its assets and help 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, 2015 (in thousands):

**Cultural Development Authority
Investments By Type**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>	<u>Concentration</u>
U.S. Treasury Notes	\$ 8,575	\$ 8,178	3.21%	2.429	14.02%
Federal Home Loan Mortgage Corp Debentures	901	866	4.59%	2.250	1.47%
Federal National Mortgage Association Notes	2,336	2,316	4.99%	0.907	3.82%
Federal Home Loan Bank Bonds	2,858	2,724	4.19%	3.564	4.67%
Federal Farm Credit Bank Bonds	669	631	4.36%	2.162	1.09%
State Treasurer's Investment Pool	43,939	43,939	0.25%	0.003	71.86%
Other/Money Market Fund	1,871	1,871	0.03%	0.003	3.06%
Subtotals	<u>\$ 61,149</u>	<u>\$ 60,525</u>	<u>1.13%</u>	<u>0.601</u>	<u>100.00%</u>
Less State Treasurer's Investment Pool (Cash Equivalent)	<u>(43,939)</u>				
Total Investments per Statement of Net Position	<u>\$ 17,210</u>				

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the CDA manages its exposure to interest rate risk by setting maturity and effective duration limits for its portfolio. As of December 31, 2015, the combined weighted average effective duration of the CDA's portfolio was 0.601 years.

Credit risk Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2015, all issuers of investments in the CDA portfolio had a Standard & Poor's rating of "AA+." The Washington State Local Government Investment Pool is not rated.

Concentration of credit risk – Investments Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of December 31, 2015, excluding U.S. Treasury obligations, all issuers of investments in the CDA portfolio had concentrations of less than 5 percent of its total portfolio.

Note 5

Receivables

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	Health Fund	Nonmajor Governmental Funds	Total Governmental Funds	
Accounts receivable					
Accounts receivable	\$ 68,650	\$ 6,999	\$ 46,335	\$ 121,984	
Estimated uncollectible accounts receivable	(59,286)	(2,174)	(1,104)	(62,564)	
Net accounts receivable	<u>\$ 9,364</u>	<u>\$ 4,825</u>	<u>\$ 45,231</u>	<u>\$ 59,420</u>	
Other receivables					
Abatements receivable	\$ -	\$ -	\$ 345	\$ 345	
Estimated uncollectible abatements receivable	-	-	(75)	(75)	
Net other receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270</u>	<u>\$ 270</u>	
Due from other governments	\$ 49,562	\$ 32,279	\$ 51,233	\$ 133,074	
Estimated uncollectible due from other governments	(10)	(1,318)	(3)	(1,331)	
Net due from other governments	<u>\$ 49,552</u>	<u>\$ 30,961</u>	<u>\$ 51,230</u>	<u>\$ 131,743</u>	
Proprietary	Public Transportation	Water Quality	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current assets					
Accounts receivable	\$ 31,938	\$ 43,434	\$ 11,063	\$ 86,435	\$ 2,345
Estimated uncollectible accounts receivable	(87)	(6,416)	(768)	(7,271)	-
Net accounts receivable	<u>\$ 31,851</u>	<u>\$ 37,018</u>	<u>\$ 10,295</u>	<u>\$ 79,164</u>	<u>\$ 2,345</u>
Due from other governments	\$ 169,066	\$ 5,014	\$ 2,866	\$ 176,946	\$ 86
Net due from other governments	<u>\$ 169,066</u>	<u>\$ 5,014</u>	<u>\$ 2,866</u>	<u>\$ 176,946</u>	<u>\$ 86</u>
Noncurrent assets					
Due from other governments	\$ 25	\$ -	\$ -	\$ 25	\$ -
Net noncurrent due from other governments	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ -</u>

Note 6

Property Taxation

Taxing Powers

King 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 taxing district. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

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 \$1,000 of assessed value, and the County levied \$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, for which the County currently is at its 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.

The County is authorized to increase its general 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 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 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 \$1,000 of assessed value (RCW 84.52.069),
2. A voted levy to finance affordable housing for very low income households, limited to \$0.50 per \$1,000 of assessed value (RCW 84.52.105), although, the County has not sought approval from voters for this levy,
3. A non-voted levy for conservation futures, limited to \$0.0625 per \$1,000 of assessed value (RCW 84.34.230), and
4. A non-voted levy for transit-related purposes, limited to \$0.075 per \$1,000 of assessed value (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 1% of the true and fair value of property (or \$10.00 per \$1,000 assessed value) 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 1% 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 \$1,000 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 acquiring conservation futures, for emergency medical services, affordable housing for very low

income households, for ferry districts, for transit-related purposes, for regional transit authorities, for criminal justice purposes, a portion 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.

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% or 100% plus inflation, but if the inflation rate is less than 1%, the limit factor can 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 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 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 limitations (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.

Excess Property Taxes. The County also may impose “excess” property taxes, which are not subject to limitation, when authorized by a 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 2015, the countywide flood control zone district levy rate was \$0.13860 and the countywide ferry district levy rate was \$0.00306 per \$1,000 of assessed value. 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 compares the allocation of the 2015 and 2014 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 2015 countywide assessed valuation was \$388.2 billion, an increase of \$47.5 billion from 2014; the assessed valuation for the unincorporated area levy was \$36.3 billion, an increase of \$4.2 billion from 2014.

The automatic fingerprint identification system (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 no more than \$0.0592 per \$1,000 assessed value. In 2014 and 2015, the tax rate was \$0.05588 and \$0.05069 per \$1,000 of assessed value, respectively.

In August 2013, the Park lid lift levy was renewed by voters for six years, for a rate of \$0.1877 per \$1,000 of assessed value. The 2014 and 2015 tax year rate for the Parks levy lid lift is \$0.18770 and \$0.17014 per \$1,000 of assessed value, respectively.

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 \$0.05 or less per \$1,000 of assessed value. The 2014 and 2015 tax rate is \$0.4948 and \$0.04488 per \$1,000 of assessed value, respectively.

The Children and Family Justice Center is a nine-year temporary levy lid lift approved by voters on August 7, 2012 at a rate of \$0.070000 per \$1,000 of assessed value for the first year (2013). The rate for 2014 and 2015 is \$0.06597 and \$0.05971 per \$1,000 assessed value.

A new regular property tax levy for the Puget Sound Emergency Radio Network replacement was approved by voters in April 2015, at a rate of \$0.07 per \$1,000 assessed value for nine years, beginning in 2016.

The Best Starts for Kids levy was approved by voters at the November 3, 2015, general election. This is a six-year levy at a rate of \$0.14 per \$1,000 of assessed value that will be used to invest in prevention and early intervention strategies for children and families.

The County's levy rate for transit-related purposes is \$0.06792 per \$1,000 of assessed value, and its levy rate for conservation futures is \$0.04757 per \$1,000 of assessed value in 2015.

The County's EMS levy was approved at a special election on November 5, 2013, for an additional six years, at a rate of \$0.335 or less per \$1,000 of assessed value, with collections beginning in 2014. The current second-year rate is 0.30217 per \$1,000 of assessed value.

ALLOCATION OF 2015 AND 2014 TAX LEVIES

	2015 Original Taxes Levied (in thousands)	2015 Levy Rate (per thousand)	2014 Original Taxes Levied (in thousands)	2014 Levy Rate (per thousand)
Countywide Levy				
Assessed Value:				
\$388,118,856 thousand ^(a)				
Items Within Operating Levy^(b)				
General Fund	\$ 327,699	\$ 0.84772	\$ 320,367	\$ 0.94477
Veterans' Relief	2,759	0.00714	2,706	0.00798
Human Services	6,196	0.01603	6,070	0.01790
Intercounty River Improvement	50	0.00013	51	0.00015
Limited GO Bonds Debt Service	6	0.00000	0	0.00000
Automated Fingerprint Identification System	19,594	0.05069	18,948	0.05588
Parks Levy	65,765	0.17014	63,643	0.18770
Veterans and Human Services	17,350	0.04488	16,778	0.04948
Children and Family Justice Center	23,081	0.05971	22,367	0.06597
Marine Operating (Ferry)	1,182	0.00306	0	0.00000
Total Operating Levy	463,682	1.19950	450,930	1.32983
 Public Transportation ^(c)	 26,255	 0.06792	 25,431	 0.07500
Conservation Futures Levy				
Conservation Futures Levy ^(d)	10,104	0.02614	9,380	0.02766
Farmland and Park Debt Service	8,284	0.02143	8,579	0.02530
Total Conservation Futures Levy	18,388	0.04757	17,959	0.05296
Unlimited Tax GO Bonds				
(Voter-approved Excess Levy)	11,618	0.03023	19,628	0.05826
Total Countywide Levy	519,943	1.34522	513,948	1.51605
EMS Levy				
Assessed Value:				
\$242,938,386 thousand ^(a)				
EMS Levy	73,111	0.30217	70,608	0.33500
Unincorporated County Levy				
Assessed Value:				
\$36,286,840 thousand ^(a)				
County Road Fund ^(e)	81,183	\$ 2.25000	71,721	\$ 2.25000
Total County Tax Levies^(f)	\$ 674,237		\$ 656,277	

(a) Assessed value for taxes payable in 2015.

(b) The operating levy tax rate is statutorily limited to \$1.80 per \$1,000 of assessed value.

(c) The Public Transportation Levy is limited statutorily to \$0.075 per \$1,000 of assessed value.

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

(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 \$1,000 of assessed value.

(f) 2015 and 2014 original tax levies excludes tax levy of the blended component units a) the Flood Control Zone District of \$53,576 thousand and \$52,112 thousand, respectively, and b) the Ferry District of \$145 and \$1,183 thousand, respectively.

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% 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.

Below are the key dates in the property taxation process.

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% of market value
October 31	Second installment due

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, calculated and fixed by the County Assessor (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 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 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 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 \$125,000 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.

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. Property taxes are recognized as revenue when collected in cash at which time the accounts taxes receivable and unavailable revenues – property taxes on the balance sheet are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end, all uncollected property taxes are reported on the balance sheet as taxes receivable – delinquent and deferred inflow of resources. 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.

Note 7

Capital Assets

Primary Government

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

	Balance 1/1/2015	Additions	Retirements	Transfers/ Re- classifications	Balance 12/31/2015
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 526,580	\$ 54,422	\$ (20,267)	\$ 29,274	\$ 590,009
Rights-of-way and easements	466,579	4,564	(32,500)	-	438,643
Infrastructure - road and bridges	1,114,048	19,566	(33,152)	-	1,100,462
Art collections	10,761	(26)	-	381	11,116
Work in progress	118,681	36,587	-	(32,675)	122,593
Total capital assets not being depreciated	2,236,649	115,113	(85,919)	(3,020)	2,262,823
Capital assets being depreciated					
Buildings	1,039,026	2,163	-	-	1,041,189
Leasehold Improvements	19,076	-	-	-	19,076
Improvements other than buildings	62,680	600	-	-	63,280
Infrastructure - levees	12,436	-	-	3,020	15,456
Furniture, machinery & equipment	146,405	12,668	(9,257)	215	150,031
Software	104,655	497	(402)	-	104,750
Total capital assets being depreciated	1,384,278	15,928	(9,659)	3,235	1,393,782
Less accumulated depreciation for:					
Buildings	(419,669)	(29,628)	(314)	-	(449,611)
Leasehold Improvements	(3,663)	(955)	-	-	(4,618)
Improvements other than buildings	(16,921)	(2,461)	-	-	(19,382)
Infrastructure - levees	(1,296)	(289)	-	-	(1,585)
Furniture, machinery & equipment	(105,670)	(13,531)	7,677	(179)	(111,703)
Software	(45,536)	(7,411)	184	-	(52,763)
Total capital assets being depreciated - net	791,523	(38,347)	(2,112)	3,056	754,120
Governmental activities capital assets - net	3,028,172	\$ 76,766	\$ (88,031)	\$ 36	\$ 3,016,943
Business-type Activities:					
Capital assets not being depreciated					
Land	\$ 456,594	\$ 2	\$ (6,342)	\$ 10,540	\$ 460,794
Rights-of-way and easements	27,709	-	-	3,143	30,852
Art collections	3,701	-	-	-	3,701
Work in progress	400,265	354,202	-	(291,110)	463,357
Total capital assets not being depreciated	888,269	354,204	(6,342)	(277,427)	958,704
Capital assets being depreciated					
Buildings	3,315,180	8,299	(19,315)	56,738	3,360,902
Leasehold Improvements	1,885	-	-	-	1,885
Improvements other than buildings	264,566	4,553	(2,562)	16,520	283,077
Rights-of-way - temporary easement	7,635	-	-	-	7,635
Infrastructure - water quality	2,259,362	-	(250)	(20,981)	2,238,131
Furniture, machinery & equipment	2,276,036	6,251	(68,953)	221,667	2,435,001
Software	148,764	-	-	3,268	152,032
Total capital assets being depreciated	8,273,428	19,103	(91,080)	277,212	8,478,663
Less accumulated depreciation for:					
Buildings	(1,380,118)	(101,093)	18,902	-	(1,462,309)
Leasehold Improvements	(610)	(188)	-	-	(798)
Improvements other than buildings	(129,126)	(9,103)	2,278	516	(135,435)
Rights-of-way - temporary easement	(709)	(218)	-	-	(927)
Infrastructure - water quality	(483,397)	(47,367)	114	-	(530,650)
Furniture, machinery & equipment	(1,330,384)	(139,170)	66,892	(325)	(1,402,987)
Software	(74,147)	(12,872)	-	(12)	(87,031)
Total capital assets being depreciated - net	4,874,937	(290,908)	(2,894)	277,391	4,858,526
Business-type activities capital assets - net	\$ 5,763,206	\$ 63,296	\$ (9,236)	\$ (36)	\$ 5,817,230

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):

Governmental Activities	
General government services	20,175
Law, safety and justice	15,409
Physical environment	227
Transportation	285
Economic environment	15
Mental and physical health	864
Culture and recreation	3,873
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	13,427
Total depreciation - Governmental activities	<u>\$ 54,275</u>

Business-type Activities	
Water Quality	170,787
Public Transportation	126,599
Solid Waste	10,298
King County International Airport	5,541
Institutional Network	301
Radio Communications	723
Marine Fund	715
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	1,880
Total depreciation and amortization expense - Business-type activities	316,844
Less Amortization - Water Quality Other Assets	(6,833)
Total depreciation - Business-type activities	<u>310,011</u>

Infrastructure

Roads and Bridges Infrastructure Valuation

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

Rights-of-Way

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

Construction Commitments

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

Enterprise Funds

Public Transportation Enterprise – \$186.8 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise – \$70.9 million is committed to ensuring the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises - \$80 million is committed to improving the County's solid waste regional landfill and transfer stations, \$5.5 million for Seattle Ferry Terminal improvements, \$3.6 million for Airport facility improvements, and \$1.9 million for maintaining the radio communications systems within the county.

Capital Projects Funds

\$360 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.

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

Capital assets activity for HMC during the fiscal year ended June 30, 2015 (in thousands):

	Balance 07/1/2014	Additions	Retirements	Transfers	Balance 06/30/15
Capital assets not being depreciated:					
Land	\$ 1,586	\$ -	\$ -	\$ -	\$ 1,586
Work in progress	14,860	7,440	-	(9,647)	12,653
Total capital assets not being depreciated	16,446	7,440	-	(9,647)	14,239
Capital assets being depreciated:					
Buildings	407,089	6,501	-	-	413,590
Improvements other than buildings	15,074	65	-	-	15,139
Equipment	417,889	11,485	(1,199)	-	428,175
Total capital assets being depreciated	840,052	18,051	(1,199)	-	856,904
Less accumulated depreciation for:					
Buildings	(174,899)	(13,501)	-	-	(188,400)
Improvements other than buildings	(5,926)	(867)	-	-	(6,793)
Equipment	(344,314)	(25,558)	1,181	-	(368,691)
Total accumulated depreciation	(525,139)	(39,926)	1,181	-	(563,884)
HMC capital assets, net	<u>\$ 331,359</u>	<u>\$ (14,435)</u>	<u>\$ (18)</u>	<u>\$ (9,647)</u>	<u>\$ 307,259</u>

HMC owns other properties (net book value of \$16.7 million) which are held for future use and are reported under "Other assets" in the component unit's statement of net position.

Note 8

Restricted Assets

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

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

Proprietary Funds

<u>Public Transportation</u> - restricted for future construction projects, debt service and obligations.	\$ 50,560
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	394,580
<u>King County International Airport</u> - restricted for construction projects and obligations.	622
<u>Radio Communications Services</u> - restricted for construction projects and obligations.	5
<u>Solid Waste</u> - restricted for construction projects, landfill closure and post-closure care costs.	70,703
<u>Building Development & Management Corporations</u> - restricted for construction projects and debt service.	2,884
<u>Construction & Facilities Management</u> - restricted for construction projects and obligations.	5
Total Proprietary Funds restricted assets	<u>\$ 519,359</u>

Component Unit - Harborview Medical Center (HMC)

<u>HMC Construction Fund</u> - restricted for construction projects, seismic, public safety and other improvements, and furnishings of HMC buildings.	\$ 5,590
<u>HMC Special Purpose Fund</u> - restricted donations, gifts, and bequests from various sources for specific uses.	6,753
<u>HMC Operating Fund</u> - restricted resources that are board-designated for specific purposes, including planned capital and service components, self-insurance, commuter services, research and training.	49,750
<u>HMC Plant Fund</u> - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.	34,010
Total HMC restricted assets	<u>\$ 96,103</u>

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

<u>Public Arts Projects Fund</u> - restricted for the one percent for public art programs operated for the benefit of King County.	\$ 5,231
<u>Cultural Grant Awards Fund</u> - restricted for arts and heritage cultural programs.	59,742
Total CDA restricted assets	<u>\$ 64,973</u>

Note 9

Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts - All Plans (in thousands)	
Pension liabilities	\$ 831,793
Pension assets	\$ (37,094)
Deferred outflows of resources	\$ 101,816
Deferred inflows of resources	\$ 142,331
Pension expense/expenditures	\$ 58,717

Substantially all of the County's full-time and qualifying part-time employees participate in one of the following retirement plans: Public Employees' Retirement System (PERS) Plan 1, 2 and 3; Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF); Public Safety Employees' Retirement System (PSERS) Plan 2; and Seattle City Employees' Retirement System (SCERS).

PERS, LEOFF and PSERS are administered by the Washington State Department of Retirement Systems under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all statewide public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, 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 obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

SCERS administered by the City of Seattle's Employees' Retirement System, under cost-sharing, multiple-employer public employee defined benefit retirement plans. The seven-member Board of Administration establishes and amends laws pertaining to the administration of SCERS.

The Employees' Retirement System issues an independent financial report. A copy of the report is available from the Seattle City Employees' Retirement System at 720 Third Avenue, Suite 900, Seattle, WA 98104; by telephone at 206-386-1293; or by accessing the website <http://www.seattle.gov/retirement>.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in the Judicial Benefit Multiplier Program (JBM), the contribution rate was 12.26%.

The County's actual contributions to the plan were \$2.1 million for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon

joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%
Employee PERS Plan 3	N/A	varies

* For employees participating in JBM, the contribution rate was 15.30%.

The County's actual contributions to the plan were \$95.1 million for the year ended December 31, 2015.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, 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 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.

PSERS covered employers include:

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

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (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. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. 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 three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The PSERS Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The County's actual contributions to the plan were \$3.7 million for the year ended December 31, 2015.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of Final Average Salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10 – 19 years of service – 1.5% of FAS
- 5 – 9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. 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 three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The County's actual contributions to the plan were \$4.5 million for the year ended December 31, 2015.

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 the state fiscal year ending June 30, 2015, the State contributed \$58.34 million to LEOFF Plan 2.

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.

Contributions

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. The SCERS Plan required contribution rates (expressed as a percentage of payroll) for 2015 were as follows:

SCERS		
Actual Contribution Rates:	Employer	Employee
January through December 2015	14.31%	10.03%

The County's actual contributions to the plan were \$0.5 million for the year ended December 31, 2015.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent. To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS and SCERS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the DRS pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
	100%	

Best estimates of geometric real rates of return for each major asset class included in the SCERS pension plan's target asset allocation as of December 31, 2014 are summarized in the chart that follows:

Asset Class	% Long-term Expected Real Rate of Return Arithmetic
Equity: Public	4.9%
Equity: Private	6.5%
Fixed Income: Broad	1.4%
Fixed Income: Inflation Linked	1.3%
Real Assets: Real Estate	3.3%
Diversifying Strategies	3.8%

Sensitivity of Net Pension Liability

The table below presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

Sensitivity of Net Pension Liability (in thousands)			
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 558,197	\$ 458,477	\$ 372,727
PERS 2/3	\$ 1,082,759	\$ 370,294	\$ (175,214)
PSERS 2	\$ 13,703	\$ 1,803	\$ (6,661)
LEOFF 1	\$ (4,654)	\$ (7,275)	\$ (9,509)
LEOFF 2	\$ 29,862	\$ (29,819)	\$ (74,731)
SCERS	\$ 1,682	\$ 1,219	\$ 829

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported a total pension liability of \$831.8 million and total pension asset of \$37.1 million for its proportionate share of the net pension liabilities as follows:

Total Pension Liability (Asset) (in thousands)	
PERS 1	\$ 458,477
PERS 2/3	\$ 370,294
PSERS 2	\$ 1,803
LEOFF 1	\$ (7,275)
LEOFF 2	\$ (29,819)
SCERS	\$ 1,219

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the County were as follows:

Net Pension Liability/(Asset) (in thousands)	
LEOFF 2 - employer's proportionate share	\$ (29,819)
LEOFF 2 - State's proportionate share of the net pension liability/(asset) associated with the employer	(19,716)
TOTAL	\$ (49,535)

At June 30, the County proportionate share of the collective net pension liabilities was as follows:

Collective Net Pension Liabilities			
	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	9.04%	8.76%	-0.28%
PERS 2/3	10.59%	10.36%	-0.22%
PSERS 2	10.18%	9.88%	-0.30%
LEOFF 1	0.61%	0.60%	-0.01%
LEOFF 2	2.95%	2.90%	-0.05%
SCERS	0.11%	0.11%	0.00%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the County recognized pension expense as follows:

Pension Expense (in thousands)	
PERS 1	\$ (30,657)
PERS 2/3	84,928
PSERS 2	3,660
LEOFF 1	(1,393)
LEOFF 2	1,929
SCERS	250
TOTAL	\$ 58,717

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	25,084
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	24,038	-
TOTAL	\$24,038	\$25,084

PERS 2/3	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	\$ 39,362	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	98,851
Changes of assumptions	597	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	7,219
Contributions subsequent to the measurement date	28,815	-
TOTAL	\$ 68,774	\$ 106,070

PSERS 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	\$ 1,690	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	895
Changes of assumptions	11	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	18
Contributions subsequent to the measurement date	1,238	-
TOTAL	\$ 2,939	\$ 913

LEOFF 1	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,228
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	\$ 1,228

LEOFF 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	\$ 2,611	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	9,035
Changes of assumptions	79	-
Changes in proportion and differences between contributions and proportionate share of contributions	240	-
Contributions subsequent to the measurement date	2,169	-
TOTAL	\$ 5,099	\$ 9,035

SCERS	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	28	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	433	-
Contributions subsequent to the measurement date	504	-
TOTAL	\$ 965	\$ -

Deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1 (in thousands)
2016	\$ (9,722)
2017	\$ (9,722)
2018	\$ (9,722)
2019	\$ 4,082
2020	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3 (in thousands)
2016	\$ (28,960)
2017	\$ (28,962)
2018	\$ (28,962)
2019	\$ 20,773
2020	\$ -
Thereafter	\$ -

Year ended December 31:	PSERS 2 (in thousands)
2016	\$ (76)
2017	\$ (76)
2018	\$ (76)
2019	\$ 456
2020	\$ 280
Thereafter	\$ 280

Year ended December 31:	LEOFF 2 (in thousands)
2016	\$ (2,969)
2017	\$ (2,969)
2018	\$ (2,969)
2019	\$ 2,125
2020	\$ 565
Thereafter	\$ 112

Year ended December 31:	LEOFF 1 (in thousands)
2016	\$ (477)
2017	\$ (477)
2018	\$ (476)
2019	\$ 202
2020	\$ -
Thereafter	\$ -

Year ended December 31:	SCERS (in thousands)
2016	\$ 9
2017	\$ 9
2018	\$ 10
2019	\$ -
2020	\$ -
Thereafter	\$ -

In accordance with Statement No. 68, the County has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

Component Unit – Harborview Medical Center (HMC)

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective for the fiscal year beginning July 1, 2014. It requires governments providing defined benefit pensions to their employees to recognize the net pension liability for pension benefits on their statements of net position. Net position liability is measured as total pension liability, less the amount of the plan's fiduciary net position. Management evaluated the impact of this statement and determined that it is not applicable to HMC as it does not directly fund the employer contribution to the Department of Retirement System (DRS), which is funded by the University. Harborview is not part of the financial reporting entity of the University.

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

All eligible CDA personnel participate in PERS, a statewide local government retirement system administered by the DRS under cost-sharing, multiple-employer defined benefit plans. The CDA implemented GASB 68 in 2015. The CDA's net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions at December 31, 2015 were \$1.4 million, \$0.2 million, and \$0.2 million, respectively.

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 \$65.3 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, 2015 by approximately \$5.6 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, 2015, the County contributed an estimated \$5.9 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, 2015 (in thousands):

	2015
Normal cost - Unit Credit Method	\$ 3,707
Amortization of unfunded actuarial accrued liability (UAAL)	<u>9,902</u>
Annual Required Contribution (ARC)	13,609
Interest on net OPEB obligation	1,489
Adjustment to annual required contribution	<u>(3,555)</u>
Annual OPEB cost (expense)	11,543
Contributions made	<u>(5,899)</u>
Increase in net OPEB obligation	5,644
Net OPEB obligation - beginning of year	<u>59,607</u>
Net OPEB obligation - end of year	<u>\$ 65,251</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2013	\$ 11,838	43.5%	\$ 52,917
12/31/2014	11,838	43.5%	59,607
12/31/2015	11,543	51.1%	65,251

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2015 (in thousands):

Actuarial accrued liability (AAL) – Unit Credit	\$ 167,417
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>167,417</u>
Funded ratio (actuarial value of plan assets ÷ AAL)	<u>0.00%</u>
Covered payroll	\$1,076,068
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, 2015 valuation used the projected unit credit actuarial cost method. The actuarial assumptions included a 2.50 percent investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 7.0 percent for KingCare medical, 9.0 percent for KingCare pharmacy, and 7.0 percent for HMO medical/pharmacy, each reduced by decrements to an ultimate rate of 3.8 percent after 59 years and 7 years for medical and pharmacy, respectively. The Medicare Premium trend rate is 6.0 percent, for all years. All trend rates include a 3.0 percent inflation assumption. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 22 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 \$42.7 million and \$46.7 million, for health care expenses for the years ended June 30, 2015, and 2014, 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, 2015, is \$88.6 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 Transit and \$7.5 million SIR for all other County agencies.

Effective July 1, 2015, 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 2015 the County purchased a cyber liability policy with a \$30 million coverage limit.

In addition to its excess liability policy and property insurance policies, the County has specific insurance policies to cover some of its other exposures. These are listed in the table which follows.

COVERAGE	COVERAGE AMOUNT	DEDUCTIBLE
Aircraft Liability & Physical Damage	\$50 million per occurrence & scheduled value	None for Liability, \$1 to \$85 thousand for Property Damage
Crime and Fidelity for Public Employee Dishonesty	\$2.5 million	\$50 thousand
Excess Workers' Compensation	Statutory	\$2 million per occurrence
Fiduciary Liability for Employees' Benefit	\$20 million	None
Foreign Liability in General and Automobile	\$1 million	None
King County International Airport General Liability	\$300 million per occurrence	\$50 thousand aggregate
King County International Airport Property Damage	\$160 million with sub-limits of \$100 million for Flood and \$50 million for Earthquake	\$100 thousand
Marine Policies	\$150 million	\$2.5 thousand
Cyber Liability	\$30 million	\$1 million per claim
Parks Swimming Pools General Liability	\$7.5 million	None

There was no occurrence that resulted in payment in excess of the \$7.5 million self-insured retention in 2014 or 2015.

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 2014 and 2015 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2014	\$ 68,430	\$ 14,888	\$ (10,545)	\$ 72,773
2015	72,773	27,430	(11,638)	88,565

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, 2015, the total claim liability is \$73.1 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 April 1, 2015, was \$2 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 2014 and 2015 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2014	\$ 77,382	\$ 14,819	\$ (16,502)	\$ 75,699
2015	75,699	12,605	(15,194)	73,110

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. Two medical plans and the pharmacy plan are 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, 2015, is \$21.4 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2014 and 2015 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2014	\$ 18,464	\$ 197,073	\$ (196,996)	\$ 18,541
2015	18,541	162,218	(159,316)	21,443

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 \$3.2 million in the period July 1, 2013 to June 30, 2014, and \$3.4 million in the period July 1, 2014 to June 30, 2015.

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, 2015 (in thousands):

	Business-type Activities	
	Capital Assets	Capital Leases Payable
Leasehold improvements	\$ 4,881	\$ 2,760
Less depreciation	(2,248)	-
Totals	<u>\$ 2,633</u>	<u>\$ 2,760</u>

Future minimum lease payments under capital lease agreements together with the present value of the net minimum lease payments as of December 31, 2015 (in thousands):

	Minimum Lease Payments
2016	\$ 255
2017	255
2018	255
2019	255
2020	255
2021-2025	1,275
2026-2030	1,275
2031-2035	<u>149</u>
Total minimum lease payments	3,974
Less: Amount representing interest	<u>(1,214)</u>
Present value of net minimum lease payments	<u>\$ 2,760</u>

Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year ended December 31, 2015 for

long-term operating expenses for office space, equipment, and other operating leases amount to \$20.6 million. The patterns of future lease payment requirements are systematic and rational.

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

<u>Year</u>	<u>Office Space</u>	<u>Other</u>	<u>Total</u>
2016	\$ 28,684	\$ 6,840	\$ 35,524
2017	27,863	6,277	34,140
2018	27,694	5,259	32,953
2019	27,487	5,197	32,684
2020	27,103	4,794	31,897
2021-2025	131,329	8,424	139,753
2026-2030	57,158	2,917	60,075
2031-2035	-	2,083	2,083

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, 2015 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
		<u>Airport</u>	<u>Other</u>
Land	\$ 64	\$ 14,960	\$ 3,745
Buildings	317	26,256	-
Less depreciation	(317)	(13,110)	-
Total cost of property under lease	<u>\$ 64</u>	<u>\$ 28,106</u>	<u>\$ 3,745</u>

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2015 (in thousands):

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Total</u>
		<u>Airport</u>	<u>Other</u>	
2016	\$ 2,884	\$ 12,968	\$ 70	\$ 15,992
2017	2,474	12,490	36	15,000
2018	2,196	12,220	36	14,452
2019	1,886	11,936	36	13,858
2020	1,602	11,300	36	12,938
2021-2025	4,481	53,934	35	58,450
2026-2030	4,002	50,532	27	54,561
2031-2035	403	18,236	27	18,666

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 complete closure activities at 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, Vashon, and Cedar Falls landfills have been closed. Duvall, Puyallup, Houghton, Bow Lake, and First Northeast are custodial landfills which were closed 30 or more years ago and are subject to less prescriptive 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 \$101.9 million reported as landfill closure and post-closure care liability as of December 31, 2015, 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	78.2%	\$ 82,233	\$ 35,850	2027
Closed	100%	13,792	-	Closed
Custodial	100%	5,878	-	Closed

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, 2015, cash and cash equivalents of \$42.0 million were held in the Landfill Reserve Fund and \$7.0 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.

Note 14

Pollution Remediation

Pollution remediation liabilities reported at the end of 2015 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 (PRP), 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 identified 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 in principle to pay one-fourth of the cleanup costs.

Both projects can result in additional cleanup efforts if future regulatory orders are declared. These potential cleanup liabilities, however, cannot be reasonably estimated at this time. 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. The total pollution remediation liability at December 31, 2015 stands at \$52.3 million although the actual amount will vary due 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 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 under the Water Quality enterprise 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 \$595 thousand at December 31, 2015. 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 Public Transportation 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, 2015.

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 DOE. An Agreed Order between DOE 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. The remediation will be completed in phases over a period of about five to ten years. As of December 31, 2015, the County is developing the first phase and an Interim Action Cleanup Plan will be completed in 2016 for a portion of the property south of SW 260th St. This Interim Action is pending approval by DOE. The remaining remediation requirements are being evaluated in coordination with DOE.

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 found in the soil and groundwater were gasoline and BTEX. A feasibility study was performed in March 2013 to determine remedial alternatives and expected costs. Remedial action was completed in 2015. Quarterly groundwater monitoring will be performed for a year after remediation. The Airport reported a pollution remediation liability of \$12 thousand at December 31, 2015.

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 DEC 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 completed in 2015. Quarterly groundwater monitoring will be performed for a year after remediation is completed. The Airport reported a pollution remediation liability of \$15 thousand at December 31, 2015.

Note 15

Debt

Short-term Debt Instruments and Liquidity

For business type activities, the County completed the sale of \$100 million of Junior Lien Sewer Revenue bonds on November 24, 2015, with a mandatory purchase date of November 16, 2016. The proceeds of the bond was used to pay off \$100 million of commercial paper that was outstanding in the Water Quality Enterprise fund. The County intends to issue a Sewer Revenue bonds when the Junior Lien Sewer Revenue bond is due.

**CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2015
(IN THOUSANDS)**

	Balance 01/01/15	Additions	Reductions	Balance 12/31/15
Business-type activities:				
Commercial paper	\$ 100,000	\$ 621,280	\$ (721,280)	\$ -
Junior Lien Sewer Revenue Bonds	-	100,000	-	100,000
Business-type activities short-term debt	<u>\$ 100,000</u>	<u>\$ 721,280</u>	<u>\$ (721,280)</u>	<u>\$ 100,000</u>

Long-term Debt

King County has long-term debt reported for both governmental activities and business-type activities.

For governmental activities, long-term debt consists of general obligation bonds and lease revenue bonds. The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds consist of limited and unlimited general obligation bonds and lease revenue bonds. The general obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as serial bonds with principal maturing each year and maturities that ranges from 5 to 30 years.

For business-type activities, long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Solid Waste, Public Transportation, and Water Quality Enterprise Funds. Capital leases are accounted for in the Public Transportation fund. Sewer Revenue Bonds and State of Washington revolving loans are accounted for in the Water Quality Enterprise Fund.

Sewer revenue bonds are accounted for in the Water Quality fund. These bonds are secured by the pledge of and lien on revenues of the Sewer System subject to the payment of all operating and maintenance expenses of the Sewer System. Payments from revenues of Water Quality are required to be made to the sewer revenue bond fund in the annual amounts sufficient to retire serial or term bonds on or before maturity. The amount required in the cash reserved and surety policies are based on the highest year of debt services over the life of all outstanding revenue bonds. The Sewer Revenue Bonds are special limited obligations of the County, and neither its full faith and credit nor any taxing power is pledged to the payment of the Sewer Revenue Bonds. These Sewer Revenue bonds have maturities that range from 20 to 35 years.

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

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/15
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	\$ 920
2005A LTGO Refunding 1993B Bonds	06/29/05	01/01/19	5.00%	22,510	2,460
2006 LTGO Refunding 1996B, 1997G and 1999A Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	38,330	11,105
2006 LTGO HUD Section 108 Bonds – Greenbridge Project	09/14/06	08/01/24	4.96-5.70%	6,783	1,998
2007C LTGO (Payoff BAN2006A) Bonds	11/01/07	01/01/28	4.00-4.50%	10,695	1,980
2007D LTGO (Payoff BAN2006B) Bonds	11/01/07	01/01/28	4.00-5.00%	34,630	4,665
2007E LTGO Peoplesoft/Oracle Upgrade Bonds (Partial)	11/27/07	12/01/27	4.00-5.00%	3,070	735
2009B2 LTGO Capital Facilities Project Bonds	05/12/09	06/01/29	2.00-5.13%	34,810	25,810
2009C LTGO Refunding 1993B Bonds	12/10/09	01/01/24	4.50%	17,150	16,975
2010A LTGO Refunding 2001 and 2002 Bonds (Partial)	10/28/10	06/01/21	2.00-5.00%	21,445	9,145
2010B LTGO (BABs) (Taxable) Bonds	12/01/10	12/01/30	2.85-6.05%	17,355	14,260
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	8,120
2011 LTGO Refunding 2002, 2003A, and 2003B Bonds	08/01/11	06/01/23	2.00-5.00%	25,700	18,470
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	4,750
2011D LTGO (Maury Island/Open Space Acquisition) Bonds	12/21/11	12/01/31	2.00-3.50%	21,895	16,220
2012A LTGO (ABT Project) Bonds	03/29/12	07/01/22	3.00-5.00%	65,935	55,520
2012B LTGO (S. Park Bridge) Bonds	05/08/12	09/01/32	3.00-5.00%	28,065	25,380
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	37,240
2012E LTGO SE District Court Relocation Bonds (Partial)	12/19/12	12/01/27	2.00-5.00%	3,000	2,515
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	37,340
2013B LTGO Refunding 2005 GHP Lease Bonds	12/19/13	12/01/26	3.00-5.00%	42,820	40,035
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	15,290
2015B LTGO (FED TAX-EXEMPT) Bonds	10/13/15	12/01/30	2.50-5.00%	27,355	27,355
2015C LTGO Refunding 2007C and 2007D Bonds	10/13/15	01/01/28	3.00-5.00%	25,970	25,970
2015E LTGO Refunding 2006A NJB and 2007 KSC Lease Bonds	12/17/15	12/01/36	4.00-5.00%	172,320	172,320
Total Payable From Limited Tax GO Redemption Fund				924,903	699,983
Payable From Internal Service Funds					
2010B LTGO (BABs) (Taxable) Bonds	12/01/10	12/01/30	4.58-6.05%	7,125	5,800
2012E LTGO (IT Business Empowerment) Bonds (Partial)	12/19/12	12/01/27	2.00-5.00%	22,405	17,665
Total Payable From Internal Service Funds				29,530	23,465
Total Limited Tax General Obligation Debt				954,433	723,448
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	10,065
2012 UTGO Refunding 2004 (HMC) and 2004B (HMC) Bonds	08/14/12	12/01/23	2.00-5.00%	94,610	86,055
2013 UTGO Refunding 2003 Bonds	07/02/13	06/01/19	3.00-5.00%	8,660	5,730
Total Payable From Unlimited Tax GO Bond Redemption Fund				122,840	101,850
IC. Lease Revenue Bonds^(b)					
Payable From Internal Service Funds					
2006A NJB Properties – HMC	12/05/06	12/01/36	5.00%	179,285	4,480
2006B NJB Properties – HMC (Taxable)	12/05/06	12/01/36	5.51%	10,435	9,375
2007 King Street Center Project Refunding 1997	03/08/07	06/01/25	4.00-5.00%	62,400	7,110
Total Lease Revenue Bonds Payable from Internal Service Funds				252,120	20,965
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,329,393	846,263

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

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/15
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
2007E LTGO (Solid Waste) Bonds (Partial)	11/27/07	12/01/27	4.00-5.00%	\$ 40,635	\$ 3,710
2008 LTGO (WQ) Refunding 1998B Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	216,540
2009 LTGO (Transit) Refunding 1998A Bonds	02/18/09	12/01/19	2.00-4.00%	48,535	19,500
2009B LTGO (WQ) Capital Improvement Projects Bonds	04/08/09	07/01/39	5.00-5.25%	300,000	35,135
2010A LTGO Refunding 2001 (Airport) Bonds (Partial)	10/28/10	06/01/21	2.00-5.00%	5,110	3,205
2010B LTGO (BABs) (Transit) Taxable Bonds	12/01/10	12/01/30	2.85-6.05%	20,555	19,475
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	57,135
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	72,255
2014C LTGO & Refunding 2007E (Solid Waste) Bonds	07/30/14	12/01/34	2.00-5.00%	25,515	24,625
2015A LTGO (WQ) Refunding 2009B2 Bonds	02/18/15	07/01/38	2.00-5.00%	247,825	247,825
2015B LTGO (FED Tax-Exempt) (Solid Waste) Bonds	10/13/15	12/01/25	5.00%	60	60
2015D LTGO & Ref2007E (Solid Waste) Bonds	11/05/15	12/01/40	3.00-5.00%	50,595	50,595
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>1,394,085</u>	<u>1,018,955</u>
IIB. Revenue Bonds, Capital Leases and Loans					
Payable From Enterprise Funds					
2001A WQ Revenue Junior Lien Variable Rate Demand Bonds	08/06/01	01/01/32	Variable ^(c)	\$ 50,000	\$ 50,000
2001B WQ Revenue Junior Lien Variable Rate Demand Bonds	08/06/01	01/01/32	Variable ^(c)	50,000	50,000
2006B2 WQ Revenue and Refg 1999-1, 02A & 96C WQ-LTGO Bonds	11/30/06	01/01/36	3.50-5.00%	193,435	127,035
2007 WQ Revenue (Capital Improvement Projects) Bonds	06/26/07	01/01/47	5.00%	250,000	3,585
2008 WQ Revenue (Capital Improvement Projects) Bonds	08/14/08	01/01/48	5.00-5.75%	350,000	5,550
2009 WQ Revenue (Capital Improvement Projects) Bonds	08/12/09	01/01/42	4.00-5.25%	250,000	215,480
2010 WQ Revenue & Refunding 2001 Bonds	07/19/10	01/01/50	2.00-5.00%	334,365	315,985
2011 WQ Revenue (Capital Improvement Projects) Bonds	01/25/11	01/01/41	5.00-5.125%	175,000	168,495
2011B WQ Revenue Refunding 2001, 2002A, 2002B, and 04A Bonds	10/05/11	01/01/41	1.00-5.00%	494,270	408,615
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	117,560
2013B WQ Revenue and Refunding 2004B Bonds	10/29/13	01/01/44	2.00-5.00%	74,930	68,135
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	190,790
2015A WQ Revenue Refunding 2007, 2008, and 2009 Bonds	02/18/15	07/01/47	3.00-5.00%	474,025	474,025
2015B WQ Revenue & Refunding 2006 Bonds	11/17/15	01/01/46	4.00-5.00%	93,345	93,345
2000-2015 State of Washington Revolving Loans	Various	Various	0.50-3.10%	195,906	179,388
2000 Public Transp. Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	2,760
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds ^(d)				<u>3,846,918</u>	<u>3,012,313</u>
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				<u>5,241,003</u>	<u>4,031,268</u>
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				<u>\$ 6,570,396</u>	<u>\$ 4,877,531</u>

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

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

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

(d) On November 24, 2015, the County issued \$100 million in junior lien sewer revenue bonds, Series A and B, maturing on January 1, 2046, to redeem all of its outstanding notes payable from its commercial paper program. The bonds bear interest at a rate of 2.0 percent through November 16, 2016, at which time they are subject to mandatory purchase by the County after which they may be remarketed in weekly or other interest rate modes. The bonds are classified as a short-term debt instrument as of December 31, 2015.

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES						
Year	General Obligation Bonds		Lease Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	63,341	34,877	8,200	992	71,541	35,869
2017	65,952	32,753	3,895	594	69,847	33,347
2018	67,383	29,913	275	489	67,658	30,402
2019	69,405	26,963	290	474	69,695	27,437
2020	61,767	23,944	310	458	62,077	24,402
2021-2025	267,920	77,647	1,810	2,013	269,730	79,660
2026-2030	147,545	34,516	2,365	1,457	149,910	35,973
2031-2035	71,565	9,435	3,090	730	74,655	10,165
2036-2040	10,420	417	730	40	11,150	457
TOTAL	\$ 825,298	\$ 270,465	\$ 20,965	\$ 7,247	\$ 846,263	\$ 277,712

BUSINESS-TYPE ACTIVITIES							DEBT SERVICE REQUIREMENTS TO MATURITY	
Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	26,290	47,500	69,152	132,730	95,442	180,230	166,983	216,099
2017	38,620	45,946	59,036	131,749	97,656	177,695	167,503	211,042
2018	40,280	44,084	65,077	129,329	105,357	173,413	173,015	203,815
2019	42,175	42,129	66,267	126,710	108,442	168,839	178,137	196,276
2020	44,460	40,222	68,304	123,963	112,764	164,185	174,841	188,587
2021-2025	195,000	172,984	362,079	574,686	557,079	747,670	826,809	827,330
2026-2030	231,370	120,877	422,952	483,802	654,322	604,679	804,232	640,652
2031-2035	215,130	65,681	627,957	355,640	843,087	421,321	917,742	431,486
2036-2040	185,630	30,164	448,849	231,279	634,479	261,443	645,629	261,900
2041-2045	-	-	588,235	109,894	588,235	109,894	588,235	109,894
2046-2050	-	-	215,145	26,331	215,145	26,331	215,145	26,331
2051-2055	-	-	19,260	975	19,260	975	19,260	975
TOTAL	\$ 1,018,955	\$ 609,587	\$ 3,012,313	\$ 2,427,088	\$ 4,031,268	\$ 3,036,675	\$ 4,877,531	\$ 3,314,387

Long-term liability activity is reported by King County within governmental activities and business-type activities, as applicable. Summary of changes in long-term liabilities for the year ended December 31, 2015 is as follows (in thousands):

	Balance 1/1/2015 ^(b)	Additions	Reductions	Balance 12/31/15	Due Within One Year
Governmental activities:					
Long-term Debt:					
GO Bonds payable:					
General obligation (GO) bonds	\$ 717,640	\$ 225,645	\$ (117,987)	\$ 825,298	\$ 63,341
Lease revenue bonds ^(a)	217,900	-	(196,935)	20,965	8,200
Less: Unamortized bonds premium and discount	63,326	33,799	(11,357)	85,768	-
Total bonds payable	<u>998,866</u>	<u>259,444</u>	<u>(326,279)</u>	<u>932,031</u>	<u>71,541</u>
Other Liabilities:					
Compensated absences liability	98,420	117,098	(112,918)	102,600	5,080
Net Pension liability	373,102	275,229	(185,229)	463,102	-
Other postemployment benefits	47,876	4,730	(127)	52,479	-
Estimated claims settlements and other liabilities	195,422	205,058	(217,362)	183,118	58,406
Total Other Liabilities	<u>714,820</u>	<u>602,115</u>	<u>(515,636)</u>	<u>801,299</u>	<u>63,486</u>
Total Governmental activities long-term liabilities	<u>\$ 1,713,686</u>	<u>\$ 861,559</u>	<u>\$ (841,915)</u>	<u>\$ 1,733,330</u>	<u>\$ 135,027</u>
Business-type activities:					
Long-term Debt:					
Bonds payable:					
General obligation (GO) bonds	\$ 1,013,615	\$ 298,480	\$ (293,140)	\$ 1,018,955	\$ 26,290
Revenue bonds	2,813,805	567,370	(551,010)	2,830,165	56,910
Less: Unamortized bonds premium and discount	207,705	109,522	(22,140)	295,087	-
Total bonds payable	<u>4,035,125</u>	<u>975,372</u>	<u>(866,290)</u>	<u>4,144,207</u>	<u>83,200</u>
Other Liabilities:					
Capital leases	2,874	-	(114)	2,760	120
State revolving loans	159,053	31,563	(11,228)	179,388	12,121
Compensated absences liability	71,117	85,493	(83,737)	72,873	10,608
Net Pension liability	297,569	202,514	(131,391)	368,692	-
Other postemployment benefits	11,735	1,704	(667)	12,772	-
Landfill closure and post-closure care liability	101,183	7,394	(6,674)	101,903	6,337
Pollution remediation	45,849	13,497	(6,426)	52,920	8,477
Customer deposits	942	989	(725)	1,206	609
Total Other Liabilities	<u>690,322</u>	<u>343,154</u>	<u>(240,962)</u>	<u>792,514</u>	<u>38,272</u>
Total Business-type activities long-term liabilities	<u>\$ 4,725,447</u>	<u>\$ 1,318,526</u>	<u>\$ (1,107,252)</u>	<u>\$ 4,936,721</u>	<u>\$ 121,472</u>

Governmental activities long-term liabilities' estimated claims settlements of \$183.1 million are liquidated by internal service fund. Governmental activities compensated absences and other postemployment benefits are liquidated by the 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 balances have been adjusted as follows: a \$357.8 million increase in governmental activities and \$390.5 million increase in business-type activity to net pension liability as a result of implementing GASB Statement No. 68; a \$6.5 million decrease in the governmental activities to properly reclassify wetlands mitigation to unearned revenues.

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 (Wastewater Treatment and Public Transportation), 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, 2015 (in thousands):

2015 ASSESSED VALUE (2016 TAX YEAR)	\$ 426,335,606
Debt limit of limited tax (LT) general obligations for metropolitan functions	
0.75 % of assessed value	\$ 3,197,517
Less: Net LT general obligation indebtedness for metropolitan functions	(988,515)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 2,209,002
Debt limit of limited tax general obligations for general county purposes and metropolitan functions - 1.5 % of assessed value	\$ 6,395,034
Less: Net limited tax general obligation indebtedness for general county purposes	(726,037)
Net limited tax general obligation indebtedness for metropolitan functions	(988,515)
Net total limited tax general obligation indebtedness for general county purposes and metropolitan functions	(1,714,552)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	\$ 4,680,482
Debt limit of total general obligations for metropolitan functions	
2.5 % of assessed value	\$ 10,658,390
Less: Net total general obligation indebtedness for metropolitan functions	(988,515)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 9,669,875
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	\$ 10,658,390
Less: Net unlimited tax general obligation indebtedness	
for general county purposes	(99,902)
Net limited tax general obligation indebtedness for general county purposes	(726,037)
Net total general obligation indebtedness for general county purposes	(825,939)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	\$ 9,832,451

Refunding and Defeasing General Obligation Bond Issues – 2015

Partial Defeasance of Limited Tax General Obligation (Harborview and Kingdome) Bonds, 2015 – On May 14, 2015, the County completed a defeasance of limited tax general obligation (Kingdome) bonds, 2007A for \$17.8 million using excess proceeds from hotel/motel revenues. The county also defeased \$804 thousand of limited tax general obligation 2006 and 2010A (Harborview) bonds.

Limited Tax General Obligation (GO) Refunding Bonds, 2015C (Federally Tax-Exempt) – On October 13, 2015, the County issued \$26.0 million in limited tax general obligation bonds, 2015C with an effective interest cost of 2.3 percent to advance refund \$26.9 million of outstanding limited tax GO bonds, 2007C and 2007D with an effective interest rate of 4.6 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 \$2.6 million. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2028, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$2.5 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 \$2.2 million.

Limited Tax General Obligation and Refunding (Solidwaste) Bonds, 2015D – On November 5, 2015, the County issued \$50.6 million in limited tax general obligation bonds, 2015D of which \$14.2 million with an effective interest cost of 2.2 percent was to advance refund \$15.1 million of outstanding limited tax general obligation bonds, 2007E (Solidwaste), 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 \$1.7 million. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2027, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$2 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 \$1.7 million.

Refunding and Defeasing Sewer Revenue Bond and Limited Tax General Obligation (GO) (Payable from Sewer Revenues) Bond Issues – 2015

Sewer Revenue Refunding Bonds, 2015A – On February 18, 2015, the County issued \$474.0 million in sewer revenue bonds and \$247.8 in limited tax GO refunding bonds (Payable from Sewer Revenues), 2015A with an effective interest cost of 3.6 percent to advance refund \$475.3 million of outstanding sewer revenue bonds, 2007A, 2008A and 2009A bonds and \$252.9 million of limited tax GO (Sewer Revenues) bonds, 2009A, with an effective interest rate of 5.2 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 assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$90.9 million. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2047, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt

service payments by \$159.6 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 \$87.1 million.

Sewer Revenue Refunding Bonds, 2015B – On November 17, 2015, the County issued \$21.5 million in sewer revenue refunding bonds, 2015B with an effective interest cost of 1.4 percent to advance refund \$24.1 million of outstanding sewer revenue bonds, 2006A, 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 \$409 thousand. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2022, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$3.8 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 \$3.4 million.

Refunded Bonds

King County has thirteen refunded and defeased bond issues consisting of eight limited tax general obligation bonds (\$494.7 million) and five sewer revenue bonds (\$716.1 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 National Association, and the liability for the defeased bonds has been removed from the statement of net position.

Note 16

Interfund Balances and Transfers

Interfund Balances

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 507
	All Others	283
Health Fund	All Others	673
Nonmajor Governmental Funds	Health Fund	1,017
	Nonmajor Governmental Funds	3,785
	All Others	643
Public Transportation Enterprise	All Others	483
Water Quality Enterprise	Nonmajor Governmental Funds	898
	All Others	326
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	848
	All Others	398
Internal Service Funds	Health Fund	74
	Nonmajor Governmental Funds	1,030
	All Others	637
Total		<u>\$ 11,602</u>

The interfund balances resulted from the time lag between the dates: (1) when interfund goods and services were provided or reimbursable expenditures incurred, and when interfund payments were made; and (2) when interfund short-term loans were made and when the loans were repaid.

Advances from/to other funds (in thousands)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 300
Nonmajor Governmental Funds	Nonmajor Governmental Funds	4,475
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	303
Internal Service Funds	Health Fund	27,969
Total		<u>\$ 33,047</u>

All of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2016.

Interfund Transfers (in thousands)

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Health Fund	\$ 29,534
	Nonmajor Governmental Funds	42,996
	All Others	254
Health Fund	Nonmajor Governmental Funds	1,106
	All Others	193
Nonmajor Governmental Funds	Health Fund	635
	Nonmajor Governmental Funds	129,146
	All Others	1,122
Public Transportation Enterprise	All Others	434
Water Quality Enterprise	All Others	115
Nonmajor Enterprise Funds	All Others	125
Internal Service Funds	Nonmajor Governmental Funds	13,667
	Internal Service Funds	755
Total transfers out		<u>\$ 220,082</u>

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

Note 17

Related Party Transactions

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly occupancy fee and rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth & Jefferson Building. The County became the legal owner of the Patricia Steel Memorial Building in December 2012 when it refinanced the original developer issued bonds. HMC will continue to use the building. Rent is also paid by HMC to the County for use of Ninth and Jefferson Building (NJB), owned by a nonprofit corporation that is a blended component unit of the County. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofit which funded construction of NJB. In both situations, HMC has agreed to include the annual rental payments in its operating budget for as long as it uses the buildings. In 2015, the primary government received \$17.7 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 2015, the King County primary government transferred \$2.7 million to the CDA. The CDA spent \$599 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. Transit reported lease revenue of \$43 thousand in 2015.

Note 18

Components of Fund Balance, Changes in Equity, Restrictions and Special Item

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, 2015, it had a committed fund balance of \$20.2 million.

A summary of governmental fund balances at December 31, 2015, is as follows (in thousands):

	General Fund	Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Advances to other funds	\$ 300	\$ -	\$ -	\$ 300
Inventory of supplies	-	433	141	574
Prepayments	-	28	7,219	7,247
Flood Control Zone District	-	-	4,000	4,000
Youth Sports Facilities Grant Endowment	-	-	2,620	2,620
Total Nonspendable Fund Balance	\$ 300	\$ 461	\$ 13,980	\$ 14,741
Restricted for:				
Crime Victim Compensation Program	\$ 83	\$ -	\$ -	\$ 83
Dispute Resolution	163	-	-	163
Drug Enforcement	1,510	-	-	1,510
Real Property Title Assurance	25	-	-	25
Environmental Health	-	13,536	-	13,536
Mental Health	-	57,833	-	57,833
Automated Fingerprint ID System	-	-	19,925	19,925
Building Construction and Improvements	-	-	503	503
Children & Family Justice Center Construction	-	-	46,363	46,363
Conservation Futures	-	-	23,227	23,227
County Roads	-	-	24,699	24,699
Emergency Medical Services	-	-	42,004	42,004
Enhanced 911 Emergency Telephone System	-	-	30,014	30,014
Farmland and Open Space Acquisitions	-	-	1,230	1,230
Flood Control Zone District	-	-	39,577	39,577
Information and Telecommunication Capital	-	-	14,828	14,828
Mental Illness and Drug Dependency	-	-	16,174	16,174
Miscellaneous Grants	-	-	199	199
Noxious Weed Control	-	-	1,087	1,087
Open Space Projects	-	-	630	630
Parks and Recreation	-	-	13,366	13,366
Parks Capital Funding	-	-	38,183	38,183
Real Estate Excise Tax Capital	-	-	19,396	19,396
Road Construction and Improvement	-	-	12,411	12,411
Surface Water Management	-	-	10,224	10,224
Veterans and Human Services	-	-	2,061	2,061
Total Restricted Fund Balance	\$ 1,781	\$ 71,369	\$ 356,101	\$ 429,251
Committed for:				
Antiprofitteering Program	\$ 69	\$ -	\$ -	\$ 69
Rainy Day Reserve	20,241	-	-	20,241
Mental Health	-	9,500	-	9,500
CDBG Greenbridge Loan	-	-	742	742
Information and Telecommunication Capital	-	-	28,131	28,131
Total Committed Fund Balance	\$ 20,310	\$ 9,500	\$ 28,873	\$ 58,683
Assigned for:				
Capital Projects	\$ 5,753	\$ -	\$ -	\$ 5,753
Inmate Welfare	3,699	-	-	3,699
Alcoholism and Substance Abuse Services	-	-	3,782	3,782
Animal Services	-	-	1,882	1,882
Arts and Culture	-	-	340	340
Children and Families Services	-	-	1,003	1,003
Community Development Block Grant	-	-	35,366	35,366
Community Service Operating	-	-	1,457	1,457
Critical areas mitigation	-	-	1,076	1,076

A summary of governmental fund balances at December 31, 2015, continues (in thousands) (page 2 of 2):

	General Fund	Health Fund	Nonmajor Governmental Funds	Total
Assigned - continued:				
Debt Service	\$ -	\$ -	\$ 13,382	\$ 13,382
Developmental Disabilities	-	-	8,555	8,555
Employment and Education Resources	-	-	2,834	2,834
Flood Control Zone District	-	-	7,500	7,500
Green River flood mitigation	-	-	1,943	1,943
Historical Preservation and Programs	-	-	126	126
Intercounty River Improvement	-	-	8	8
King County Flood Control contract	-	-	44	44
Law Library	-	-	297	297
Local Hazardous Waste	-	-	14,247	14,247
Long-term Leases	-	-	(2,182)	(2,182)
Major Maintenance Reserve	-	-	13,138	13,138
Permit and Environmental Review	-	-	(600)	(600)
Recorder's Operations and Management	-	-	1,553	1,553
Regional Justice Projects	-	-	450	450
Risk Abatement	-	-	(538)	(538)
Road Improvement Districts Construction	-	-	7	7
SWM CIP Non-bond subfund	-	-	8,276	8,276
Transfer of Development Credit Program	-	-	1,922	1,922
Treasurer's Operations and Management	-	-	80	80
Urban Restore Habitat Restoration	-	-	682	682
Veterans' Relief	-	-	240	240
Youth Sports Facilities Grant	-	-	859	859
Encumbrances	2,673	-	-	2,673
Total Assigned Fund Balance	\$ 12,125	\$ -	\$ 117,729	\$ 129,854
Unassigned for:				
General Fund	\$ 68,113	\$ -	\$ -	\$ 68,113
Health Fund	-	(10,993)	-	(10,993)
Building Repair and Replacement	-	-	(1,240)	(1,240)
Open Space Acquisitions for Parks and Recreation	-	-	(889)	(889)
Puget Sound Emergency Radio network Capital	-	-	(1,062)	(1,062)
Renton Maintenance Facility	-	-	(490)	(490)
Total Unassigned Fund Balance	\$ 68,113	\$ (10,993)	\$ (3,681)	\$ 53,439
Total Fund Balance	\$ 102,629	\$ 70,337	\$ 513,002	\$ 685,968

Reporting Entity Change

The King County Ferry District (KCFD) had been reported by the County prior to 2015, as a blended component unit under Nonmajor Enterprise Funds. Effective January 1, 2015, under Ordinance 17935, King County assumed all rights, powers, functions and obligations of the King County Ferry District as set forth in RCW chapter 36.54. As the result of the assumption, the Marine Fund was created in 2015 under Nonmajor Enterprise Funds to report the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the KCFD and to account for the operations of water taxi services.

Restatements of Beginning Balances

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

GOVERNMENTAL ACTIVITIES

		Total	Major Fund	Nonmajor	Internal
	Governmental	Governmental		Governmental	Service
Changes in Net Position or Fund Balance	Activities	Funds	Health	Funds	Funds
Net Position/Fund Balance - January 1, 2015	\$ 2,684,660	\$ 675,613	\$ -	\$ 519,714	\$ 177,944
Implementation of GASB Statement No. 68 & 71	(485,333)	-	-	-	(71,930)
Adjust prior year property taxes revenue	(1,860)	-	-	-	-
Transfer of Mental Health fund and Public Health fund to Health fund	(52,691)	(52,691)	-	-	-
Revenues recognition corrections	627	627	-	627	-
Flood Control Zone District	6,779	6,779	-	6,779	-
Effect of change in accounting method and calculation	(2,083)	-	-	-	(2,083)
Net Position/Fund Balance - January 1, 2015 (Restated)	<u>\$ 2,202,791</u>	<u>\$ 683,019</u>	<u>\$ 52,691</u>	<u>\$ 527,120</u>	<u>\$ 103,931</u>

BUSINESS-TYPE ACTIVITIES

		Total	Major Funds	Nonmajor
	Business-type	Enterprise	Public	Enterprise
Changes in Net Position	Activities	Funds	Transportation	Funds
Net Position - January 1, 2015	\$ 2,675,826	\$ 2,608,096	\$ 1,803,862	\$ 249,130
Implementation of GASB Statement No. 68 & 71	(399,972)	(399,972)	(331,186)	(26,312)
Dissolution of King County Ferry District	(30,476)	(30,476)	-	(30,476)
Assumption of King County Ferry District	30,373	30,373	-	30,373
Net Position - January 1, 2015 (Restated)	<u>\$ 2,275,751</u>	<u>\$ 2,208,021</u>	<u>\$ 1,472,676</u>	<u>\$ 222,715</u>

COMPONENT UNITS

		Cultural
	Component	Development
Changes in Net Position	Units	Authority
Net Position - January 1, 2015	\$ 658,881	\$ 43,214
Implementation of GASB Statement No. 68 & 71	(1,020)	(1,020)
Net Position - January 1, 2015 (Restated)	<u>\$ 657,861</u>	<u>\$ 42,194</u>

Governmental activities and Business-type activities - The County recorded a total reduction of \$485.3 million to the beginning net position of governmental activities, this included a \$71.9 million reduction for Internal Service Funds. The Enterprise Funds recorded a total reduction of \$400.0 million to the beginning net position of the enterprise funds. These occurred as a result of implementing two GASB statements in 2015: GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68."

Governmental activities - Prior year property taxes revenue was restated for adjustments, write-offs and other corrections to the recorded revenue of that year. A reduction of \$1.9 million to the beginning net position was the result of the difference between 2015 levy amount which was recognized as revenue at the entity-wide level and the fund level amount recorded using the modified accrual basis.

Health Fund – The beginning fund balance of Health Fund, a new major governmental fund to account for all health-related activities for the general public was increased by \$52.7 million for the transfer of \$54.5 million and reduced by \$1.8 million of the beginning fund balance from Mental Health Fund and Public Health Fund, respectively.

Nonmajor Governmental Funds - Animal Services Fund and Community Block Grant Fund, nonmajor special revenue funds, posted adjustments of \$347 thousand and \$280 thousand to the beginning fund balance for revenues not recorded previously.

The beginning fund balance of the Flood Control Zone District, a blended component unit in nonmajor special revenue funds, was increased by \$6.8 million for a prior year adjustment in capital projects expenditures.

Internal Service Funds - The Building Development and Management Corporations fund, a blended component unit in internal service funds, recorded a reduction of \$2.1 million to the beginning net position for change in accounting method for unearned revenue and calculation for accumulated depreciation on capital assets.

Nonmajor Enterprise Funds - The beginning net position of the King County Ferry District (KCFD), a blended component unit in nonmajor enterprise funds, was decreased by \$30.5 million to recognize the assumption of the KCFD by King County on January 1, 2015.

The assumption of the KCFD meets the definition of a government merger under GASB Statement No. 69 "Government Combinations and Disposals of Government Operations." The value of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position the County recognized as of the merger date are the carrying value of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position reported in the financial statements of King County Ferry District as of December 31, 2014 as follows:

**KING COUNTY FERRY DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2014
(IN THOUSAND)**

ASSETS	
Current assets	\$ 11,481
Capital assets	18,937
TOTAL ASSETS	<u>30,418</u>
DEFERRED OUTFLOWS OF RESOURCES	
	-
LIABILITIES	
Current liabilities	45
TOTAL LIABILITIES	<u>45</u>
DEFERRED INFLOWS OF RESOURCES	
	-
NET POSITION	
Net investment in capital assets	18,937
Unrestricted	11,436
TOTAL NET POSITION	<u><u>\$ 30,373</u></u>

The beginning net position of Marine Fund, a new nonmajor enterprise fund, was increased by \$30.4 million to recognize the assumption of the KCFD on January 1, 2015.

Component Unit - Cultural Development Authority (CDA) - The Cultural Development Authority recorded a reduction of \$1.0 million to the beginning net position as a result of implementing GASB Statement No.

68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" in 2015.

Component Unit – Harborview Medical Center (HMC)

Restricted Net Position

Restricted expendable net position – \$10.0 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 \$2.5 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 expendable net position – \$56.9 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.

Special Item

In 2015, the County transferred \$12.8 million of the remaining balance of the special taxes collected for debt service payments on the Public Facilities District (PFD) bonds to the Washington State Major League Baseball Stadium – Public Facilities District Operating fund. The special item transfer was made due to higher than expected tax collections and the fact that all PFD bonds were paid off in 2012.

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 \$250 thousand.

The following litigation or claims are currently pending against King County in which the likelihood of an unfavorable outcome with material damages assessed against King County is "probable:"

- King County is the defendant in a lawsuit by public defenders claiming that they should have been enrolled in the state retirement system. A settlement agreement was approved by the Superior Court on June 7, 2013. The Washington State Department of Retirement Systems intervened to appeal the court's order approving the settlement agreement. The Court of Appeals overturned the settlement and remanded the matter back to Superior Court to determine remedies.
- 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 which the County acquired in December 2010. The County is required to complete a remedial investigation and a feasibility study, and to prepare a cleanup action plan. 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 via Department of Energy remediation grants.

The following litigation or potential litigation may involve claims for material damages that may be asserted against King County. However, the County can provide no opinion as to the ultimate outcome, or estimate the amount of damages that may be found, except as described below:

- The County sued the prime contractor of the Brightwater Central Tunnel, including the contractor's sureties, and sought damages for their 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 continued to appeal the judgment to the Court of Appeals who affirmed the superior court decision. On January 28, 2016, the contractor petitioned the Washington Supreme Court for review of the defective specification ruling, and the surety defendants petitioned for review of the attorney fees award. King County answered the petition advocating denial of review because the trial court rulings on both issues are consistent with Washington precedent.
- 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, under WAC 173-204, 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 parties or with other Potentially Responsible Parties ("PRP") who may agree to participate in the study. The parties may also seek contribution from other PRP's for the cost of the study. The EPA will not determine if, or the nature of, any additional remediation until the study is completed by the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the study has been completed.
- 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 motion was denied. The County's motion for discretionary review of this decision was granted. Oral argument on King County's appeal was held on January 19, 2016. The Court of Appeals has not yet issued its decision. If needed, class certification would be decided after a decision from the Court of Appeals. King County is vigorously defending the litigation and the parties have stipulated to a trial date of March 6, 2017.
- The Wastewater Treatment Division has undertaken a capital project to replace a major sewer pipe running under the Ship Canal between Fremont and Queen Anne. The contractor has submitted a claim to perform the south shaft excavation for the exit shaft for the tunnel boring machine that will bore under the Ship Canal from the Fremont across the canal to the Queen Anne, in the vicinity of Seattle Pacific University and the King County Laboratory. The amount the contractor claims for itself and the subcontractor is \$1.4 million.
- Plaintiffs own land adjacent to the portion of the Eastside Rail Corridor south of 1-90. They seek to quiet title and obtain declaratory relief to define King County's ownership interests and to invalidate Puget Sound Energy's easement in the corridor. Plaintiffs assert that the county only owns former railroad interests and not fee interests. They claim that the Port and King County do not have any subsurface or aerial rights, thus invalidating the Port's grant of a utility easement to Puget Sound Energy. The defendants removed this case to federal court. In early December 2014, the federal court denied the county's motion to dismiss, which cast doubt on the scope of King County's existing property rights in the corridor and suggested that BNSF's prior robust railroad easement may have been "replaced" by a federal Trails' Act easement. The plaintiffs filed a motion for declaratory judgment that sought a ruling on the scope of the county's property interests in the Eastside Rail Corridor. On April 23, 2015, the court denied the motion and plaintiffs request to have the county's property rights narrowly defined. Since then, the court has granted three partial summary judgment rulings in favor of the county and other defendants. The court has ruled that the Trails Act preserved existing railroad easements; that the railroad easements grant the holder of the rights exclusive control of the corridor; that the railroad easements also allow non-railroad incidental uses; and finally that Sound Transit's easement for light rail is authorized by the railroad easements. A recent ruling holds that an easement granted to Puget Sound Energy by the Port falls within the incidental uses allowed for a railroad easement. The case is likely to be resolved by legal rulings based on one or two additional summary judgment motions without trial. Final resolution will likely require an appellate decision.
- The Environmental Protection Agency ("EPA") issued an administrative order that required King County, the City of Seattle, Boeing, and the Port of Seattle to conduct studies to determine the nature and extent of contamination in the Lower Duwamish Waterway. The County and the other three parties recently agreed with EPA to amend the administrative order and to conduct additional

studies pursuant to the amendment. The Feasibility Study, which discusses the remediation alternatives, has been issued in final form by EPA. EPA issued a Record of Decision ("ROD") in the latter part of 2014. The ROD contains EPA's final plan for cleanup of the Lower Duwamish Waterway. King County and a number of other parties are participating in an alternative dispute resolution process, called an allocation, to determine shares of liability for the costs of the 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 EPA to implement the cleanup. Due to the fact that the parties do yet know their respective shares of cleanup costs and no consent decree has been negotiated with 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 King County and the Wastewater Treatment Division will be responsible for the cost of such remediation.

- In the 1970s King County acquired a former Chevron bulk fueling terminal on the north shore of Lake Union in the vicinity of Gasworks Park and used it as a maintenance base and fuel-storage facility. In the early 1990s the upland portion of the site was identified by the Washington State Department of Ecology ("DOE") as a potential source of environmental contamination under the Model Toxics Control Act. In 1999 Chevron and King County entered into an interim cost-sharing agreement, and also entered into a Consent Decree with DOE for final cleanup actions and over a period of years performed shallow soil remediation and groundwater remediation required under the Consent Decree. In 2009 King County sold a portion of the site to a developer (Touchstone) after the developer entered into a separate Prospective Purchaser Consent Decree ("PPCD") for its portion of the site in 2007. In 2014-2015 Touchstone performed the deep soil excavation required under its PPCD and in 2016 DOE declared Touchstone's cleanup complete and closed out the PPCD. However, under the 1999 Consent Decree Chevron and King County remain obligated to monitor groundwater on the site, and DOE has reserved the right to require additional or different remedial actions at the site if new or different information comes to light. The County presently is unable to determine an amount, if any, for which King County and the Metro Transit Division may be responsible.
- A lawsuit filed by a former County employee against the County and the Director of the Washington State Department of Licensing, seeking damages based on the suspension and subsequent termination of his contract with King County to handle vehicle licensing transactions, and based the termination of his appointment as a subagent. Discovery is ongoing and the County is unable to determine the potential loss. The defendants are vigorously defending the breach of contract and tort claims.
- In the 1920s, King County acquired title to property in the South Park area through tax-lien foreclosure and subsequently leased it to the City of Seattle, which used it and other adjoining property as a landfill, which was closed in the 1960s. In 2006, the County sold its portion of the landfill property to a developer. The terms of the transaction required the developer to insulate the County from most but not all cleanup costs associated with the landfill site. In 2007, the landfill site was identified by the Washington State Department of Ecology as a potential source of environmental contamination under the Model Toxics Control Act. Over a period of years, the developer and the City of Seattle entered into multiple Agreed Orders with DOE for interim cleanup actions and subsequently performed those actions. The City, the developer, and King County are presently negotiating with DOE and other parties regarding a final cleanup action plan and Consent Decree that would establish the final cleanup and monitoring obligations related to the site. Negotiations are ongoing and DOE typically reserves the right to require additional or different remedial actions at the site if new or different information comes to light. Therefore, we are presently unable to determine an amount, if any, for which King County and the Facilities Management Division may be responsible.
- A claim submitted by a contractor against King County Wastewater Treatment Division over the project to repair and replace two miles of pipeline serving the rapidly developing area in the vicinity

of Canyon Park. The project is subject to an agreement with the Washington State Department of Ecology that mandates a bypass system be constructed if this capital project is not completed by the onset of the 2016 wet season. The contractor has submitted a request for change order based on its assertion that the design of the rammed pipe alignment is defective. The amount claimed for costs for additional work at this time is approximately \$1.5 million.

- A federal audit of Public Health - Seattle and King County questioned \$5.1 million in costs under the Ryan White federal grant program for 2011 due to alleged shortcomings in recordkeeping and monitoring of grant subrecipients. The federal government is now looking into 2012 and 2013 subrecipient expenses. The actual value of these unasserted assessments is unknown.
- A lawsuit filed by homeowners who own land adjacent to the East Lake Sammamish Trail. Plaintiffs, who were combined from originally two separate lawsuits, seek to quiet title and obtain declaratory relief to define the County's ownership interests in the corridor. They assert that the county owns former railroad easement interests and not fee interests, and that those railroad easement interests have been reduced through federal *railbanking* to mere trail easements. They further allege that the County does not have any subsurface or aerial rights. The County has filed a summary motion which is currently pending.
- Several protests filed by a contractor for a revetment project in the Snoqualmie Valley trail. The dispute involves project delays that have resulted in the contractor not meeting the contract milestones and completion date. The contractor's unasserted claims have a total dollar value of approximately \$1.3 million (with \$800 thousand categorized as "office overhead costs"). While it is early in the claim process, the parties are in the process of scheduling an ownership meeting to see what issues can be resolved prior to the filing of a claim. If this matter were to evolve into litigation, there is a possibility that the County may have to pay some costs to the contractor (it is hard to give an estimate at this time), but even in that event there is the potential of an offset based on the liquidated damages the contractor owes the County for its failure to meet contract milestones.
- A potential action by the Department of Energy (DOE) to require clean-up of contaminated property that was owned by the County at one time. The County, the city of Seattle and a developer are likely to be potential responsible parties and are therefore negotiating with DOE and other parties regarding a final cleanup action plan and Consent Decree that would establish the final cleanup and monitoring obligations related to the site. Negotiations are ongoing and DOE typically reserves the right to require additional or different remedial actions at the site if new or different information comes to light. Therefore, the County is presently unable to determine an amount, if any, for which King County and the Facilities Management Division may be responsible.

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 2015, there are 11 contingent loan agreements outstanding totaling \$129.6 million. These agreements have maturity dates ranging from 10 to 30 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, 2015 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 \$2.9 million for rent on the Cedar Hills landfill site in 2015. 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 2016

In February 2016, the County issued \$281.5 million of sewer revenue refunding bonds. The proceeds from these bonds were used to refund \$278.8 million of sewer revenue bonds in series 2007, 2008, 2009 and 2010.

In March 2016, the County issued \$25.0 million of limited tax general obligation bonds to provide financing for the County's Building for Culture Program, payable from 4Culture, a component unit of King County.

Required Supplementary Information

I. Budget to Actual – Major Funds

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015
 (IN THOUSANDS)

2015-2016 BUDGETED AMOUNTS (BIENNIAL)

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes				
Property taxes	\$ 651,383	\$ 651,383	\$ 325,316	\$ (326,067)
Retail sales and use taxes	226,867	226,867	116,616	(110,251)
Business and other taxes	18,991	18,991	12,363	(6,628)
Penalties and interest - delinquent taxes	42,200	42,200	20,036	(22,164)
Licenses and permits	9,256	9,727	4,971	(4,756)
Intergovernmental revenues	221,583	225,140	125,218	(99,922)
Charges for services	273,119	273,734	126,836	(146,898)
Fines and forfeits	15,699	15,699	6,906	(8,793)
Interest earnings	-	-	1,962	1,962
Miscellaneous revenues	27,321	27,321	11,301	(16,020)
Sale of capital assets	60	60	81	21
Transfers in	337	337	259	(78)
TOTAL REVENUES	1,486,816	1,491,459	751,865	(739,594)
EXPENDITURES				
Current				
General government services	264,225	266,457	131,699	134,758
Law, safety and justice	1,033,956	1,067,991	522,105	545,886
Economic environment	1,103	1,103	453	650
Mental and physical health	56,909	59,761	27,394	32,367
Debt service				
Principal	68	68	-	68
Interest and other debt service costs	7	7	64	(57)
Capital outlay	1,676	2,745	1,792	953
Transfers out	141,801	144,730	72,784	71,946
TOTAL EXPENDITURES	1,499,745	1,542,862	756,291	786,571
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (12,929)</u>	<u>\$ (51,403)</u>	(4,426)	<u>\$ 46,977</u>
Adjustment from budgetary basis to GAAP basis			3,847 ^(a)	
Net change in fund balance			(579)	
Fund balance - January 1, 2015 (Restated)			103,208	
Fund balance - December 31, 2015			<u>\$ 102,629</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized loss on investments on a GAAP basis			\$ (266)	
Adjustments to expenditures				
Non-budgeted revenue			1,440	
Encumbrances, not included in GAAP basis expenditures			2,673	
Adjustment from budgetary basis to GAAP basis			<u>\$ 3,847</u>	

HEALTH FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(IN THOUSANDS)

2015 -2016 BUDGETED AMOUNTS (BIENNIAL)

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes	\$ 6,278	\$ 10,079	\$ 3,096	\$ (6,983)
Licenses and permits	32,264	32,032	16,417	(15,615)
Intergovernmental revenues	584,418	648,643	112,196	(536,447)
Charges for services	112,871	112,552	239,181	126,629
Fines and forfeits	75	75	280	205
Interest earnings	938	938	450	(488)
Miscellaneous revenues	20,270	20,462	5,328	(15,134)
Transfers in	58,237	58,413	30,363	(28,050)
TOTAL REVENUES	<u>815,351</u>	<u>883,194</u>	<u>407,311</u>	<u>(475,883)</u>
EXPENDITURES				
Current				
Mental and physical health	811,002	879,687	395,553	484,134
Debt service				
Interest and other debt service costs	-	80	68	12
Capital outlay	-	432	91	341
Transfers out	-	455	1,035	(580)
TOTAL EXPENDITURES	<u>811,002</u>	<u>880,654</u>	<u>396,747</u>	<u>483,907</u>
Excess of revenues over expenditures (budgetary basis)	<u>\$ 4,349</u>	<u>\$ 2,540</u>	10,564	<u>\$ 8,024</u>
Adjustment from budgetary basis to GAAP basis - encumbrances			7,082 ^(a)	
Net change in fund balance			17,646	
Fund balance - January 1, 2015 (Restated)			52,691	
Fund balance - December 31, 2015			<u>\$ 70,337</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized gains on investments on a GAAP basis			\$ (77)	
Adjustments to expenditures				
Nonbudgeted transfer out			(265)	
Nonbudgeted revenue			14	
Encumbrances not included in GAAP basis expenditures			7,410	
Adjustment from budgetary basis to GAAP basis			<u>\$ 7,082</u>	

II. Pension Funding

Schedule of the County's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30* (dollars in thousands)			2015
County's proportion of the net pension liability			8.76%
County's proportionate share of the net pension liability	\$		458,477
County's covered-employee payroll	\$		20,440
County's proportionate share of the net pension liability as a percentage of covered-employee payroll			2243.04%
Plan fiduciary net position as a percentage of the total pension liability			59.10%

Schedule of the County's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30* (dollars in thousands)			2015
County's proportion of the net pension liability			10.36%
County's proportionate share of the net pension liability	\$		370,294
County's covered-employee payroll	\$		933,304
County's proportionate share of the net pension liability as a percentage of covered-employee payroll			39.68%
Plan fiduciary net position as a percentage of the total pension liability			89.20%

*These schedules will be built prospectively until they contain ten years of data.

Schedule of the County's Proportionate Share of the Net Pension Liability Public Safety Employees' Retirement System (PSERS) Plan 2 Measurement Date of June 30* (dollars in thousands)	
	2015
County's proportion of the net pension liability	9.88%
County's proportionate share of the net pension liability	\$ 1,803
County's covered-employee payroll	\$ 33,102
County's proportionate share of the net pension liability as a percentage of covered-employee payroll	5.45%
Plan fiduciary net position as a percentage of the total pension liability	95.08%

Schedule of the County's Proportionate Share of the Net Pension Liability Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 Measurement Date of June 30* (dollars in thousands)	
	2015
County's proportion of the net pension (asset)	0.60%
County's proportionate share of the net pension (asset)	\$ (7,275)
County's covered-employee payroll	\$ 260
County's proportionate share of the net pension (asset) as a percentage of covered-employee payroll	-2798.11%
Plan fiduciary net position as a percentage of the total pension liability	127.36%

*These schedules will be built prospectively until they contain ten years of data.

Schedule of the County's Proportionate Share of the Net Pension Liability Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Measurement Date of June 30* (dollars in thousands)	
	2015
County's proportion of the net pension (asset)	2.90%
County's proportionate share of the net pension (asset)	\$ (29,819)
State's proportionate share of the net pension (asset) associated with King County	(19,716)
Total	<u>\$ (49,535)</u>
County's covered-employee payroll	\$ 86,131
County's proportionate share of the net pension (asset) as a percentage of covered-employee payroll	-34.62%
Plan fiduciary net position as a percentage of the total pension liability	111.67%

Schedule of the County's Proportionate Share of the Net Pension Liability Seattle City Employees' Retirement System (SCERS) Measurement Date of December 31* (dollars in thousands)	
	2014
County's proportion of the net pension liability	0.11%
County's proportionate share of the net pension liability	\$ 1,219
County's covered-employee payroll	\$ 3,305
County's proportionate share of the net pension liability as a percentage of covered-employee payroll	36.88%
Plan fiduciary net position as a percentage of the total pension liability	67.70%

*These schedules will be built prospectively until they contain ten years of data.

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended December 31, 2015 (dollars in thousands)	
Contractually required contribution	\$ 2,076
Contributions in relation to the contractually required contribution	2,076
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 20,440
Contributions as a percentage of covered-employee payroll	10.16%

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended December 31, 2015 (dollars in thousands)	
Contractually required contribution	\$ 95,176
Contributions in relation to the contractually required contribution	95,176
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 933,304
Contributions as a percentage of covered-employee payroll	10.20%

Schedule of Contributions Public Safety Employees' Retirement System (PSERS) Plan 2 Fiscal Year Ended December 31, 2015 (dollars in thousands)	
Contractually required contribution	\$ 3,677
Contributions in relation to the contractually required contribution	3,677
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 33,102
Contributions as a percentage of covered-employee payroll	11.11%

Schedule of Contributions Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Fiscal Year Ended December 31, 2015 (dollars in thousands)	
Contractually required contribution	\$ 4,505
Contributions in relation to the contractually required contribution	4,505
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 86,131
Contributions as a percentage of covered-employee payroll	5.23%

Schedule of Contributions Seattle City Employees' Retirement System (SCERS) Fiscal Year Ended December 31, 2015 (dollars in thousands)	
Contractually required contribution	\$ 520
Contributions in relation to the contractually required contribution	520
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 3,305
Contributions as a percentage of covered-employee payroll	15.73%

Notes:

These schedules will be built prospectively until they contain ten years of data.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 currently has no active members; therefore, no contributions are required or paid.

III. 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)
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%
2015	12/31/2015	\$ -	\$ 167,417	\$ 167,417	0.0%	\$ 1,076,068	15.6%

IV. 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.

Condition ratings	2013-2011		2010-2008		2007-2005	
	(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	<u>458.7</u>	<u>100.0</u>	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>
Local access roads						
Excellent to good	742.0	70.7	867.0	75.6	1,094.5	83.4
Fair	91.4	8.7	74.2	6.5	127.3	9.7
Poor to substandard	216.5	20.6	205.8	17.9	91.2	6.9
Total	<u>1,049.9</u>	<u>100.0</u>	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>

The following table (derived from the table of condition ratings) shows the number and percentage of miles of roads that meet the 40 PCI level.

PCI score interval	2013-2011		2010-2008		2007-2005	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	315.7	68.8	360.0	74.2	493.4	91.1
PCI 0 - 39	143.0	31.2	125.2	25.8	48.1	8.9
Total	<u>458.7</u>	<u>100.0</u>	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>
Local access roads						
PCI 40 - 100	786.5	74.9	900.0	78.5	1,170.3	89.1
PCI 0 - 39	263.4	25.1	247.0	21.5	142.7	10.9
Total	<u>1,049.9</u>	<u>100.0</u>	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>

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

It is the policy of the King County Road Services Division to maintain at least 50 percent of the road system at a PCI of 40 or better. This is a change from prior years where it was set at 80 percent at a PCI of 40 or better. The roads condition assessments have shown a declining trend over the past three maintenance cycles. The accelerated condition deterioration observed between the 2008-2010, and continuing in 2011-2015, 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 has 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 2015 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 2011 to 2015. 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).

	2015	2014	2013	2012	2011
Budgeted	\$ 56,599	\$ 50,453	\$ 59,110	\$ 52,658	\$ 62,947
Expended	37,003	36,269	46,782	45,082	52,080

The amount budgeted in 2015 for road preservation and maintenance was \$56.6 million. The amount actually expended was \$37.0 million.

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		
	2015	2014	2013
0 - 20	5	5	5
21 - 30	2	2	1
31 - 49	20	17	17
50 - 100	150	150	150
Totals	177	174	173

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):

	2015	2014	2013	2012	2011
Budgeted	\$ 5,607	\$ 4,727	\$ 5,544	\$ 9,337	\$ 10,635
Expended	3,184	3,345	5,411	6,375	5,499

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

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Department of Agriculture	Washington Office of Superintendent of Public Instruction	Child Nutrition Cluster							
			10.553	15157WAWA3N1099	\$ 41,810.75	\$ 0	\$ 41,810.75		
			Indirect Total		\$ 41,810.75	\$ 0	\$ 41,810.75		
			10.553 Total		\$ 41,810.75	\$ 0	\$ 41,810.75		
			10.555	15157WAWA3N1099	\$ 92,233.56	\$ 0	\$ 92,233.56		
			Indirect Total		\$ 92,233.56	\$ 0	\$ 92,233.56		
			10.555 Total		\$ 92,233.56	\$ 0	\$ 92,233.56		
			Total Child Nutrition Cluster		\$ 134,044.31	\$ 0.00	\$ 134,044.31		
			10.557	7WA700WA7	\$ 1,412,006.61	\$ 300,612.80	\$ 1,712,619.41		
			10.557	15157WAWA7W1003	\$ 4,370,389.92	\$ 883,301.08	\$ 5,253,691.00		
			10.557	15157WAWA1W5003	\$ 273,018.06	\$ 0	\$ 273,018.06		
			Indirect Total		\$ 6,055,414.59	\$ 1,185,913.88	\$ 7,239,328.47		
			10.557 Total		\$ 6,055,414.59	\$ 1,185,913.88	\$ 7,239,328.47		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
SNAP Cluster Washington State Department of Health	Washington State Department of Social and Health Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	14147WAWA5S7503 \$	600,314.95 \$	0 \$	600,314.95		
		State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16167WAWA4S2519 \$	114,354.45 \$	0 \$	114,354.45		
		State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15147WAWA4Q2519 \$	421,932.34 \$	100 \$	422,032.34		
		State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1413-24598/1513-48007 \$	102,078.00 \$	0 \$	102,078.00		
	Within Reach								
			Indirect Total	\$	1,238,679.74 \$	100 \$	1,238,779.74		
Total SNAP Cluster			10.561 Total	\$	1,238,679.74 \$	100 \$	1,238,779.74		
Washington State Department of Health		WIC Farmers' Market Nutrition Program (FMNP)	10.572	2015W860447 \$	4,505.46 \$	0 \$	4,505.46		
		Indirect Total	\$	4,505.46 \$	0 \$	4,505.46			
			10.572 Total	\$	4,505.46 \$	0 \$	4,505.46		
Forest Service Schools and Roads Cluster Secretary of State		Schools and Roads - Grants to States	10.665	PW 1629 \$	155,708.96 \$	0 \$	155,708.96		
		Indirect Total	\$	155,708.96 \$	0 \$	155,708.96			
Total Forest Service Schools and Roads Cluster			10.665 Total	\$	155,708.96 \$	0 \$	155,708.96		
Department of Agriculture				\$	7,588,353.06 \$	1,184,013.88 \$	8,772,366.94		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Department of Commerce	Puget Sound Partnership	Pacific Coast Salmon Recovery, Pacific Salmon Treaty Program	11.438	13-15 DFW from NEP \$	508,386.27 \$	0 \$	508,386.27		
	Washington State Recreation and Conservation Office	Pacific Coast Salmon Recovery, Pacific Salmon Treaty Program	11.438	NA15NMF4380226 \$	4,493.16 \$	0 \$	4,493.16		
	Washington State Recreation and Conservation Office	Pacific Coast Salmon Recovery, Pacific Salmon Treaty Program	11.438	NA13NMF4380251 \$	74,472.84 \$	0 \$	74,472.84		
	Washington State Recreation and Conservation Office	Pacific Coast Salmon Recovery, Pacific Salmon Treaty Program	11.438	NA14NMF4380297 \$	88,873.98 \$	0 \$	88,873.98		
			Indirect Total	\$	676,226.25 \$	0 \$	676,226.25		
			11.438 Total	\$	676,226.25 \$	0 \$	676,226.25		
	Nature Conservancy	Habitat Conservation	11.463	NA13NMF4630139 \$	48,180.44 \$	0 \$	48,180.44		
			Indirect Total	\$	48,180.44 \$	0 \$	48,180.44		
			11.463 Total	\$	48,180.44 \$	0 \$	48,180.44		
				\$	724,406.69 \$	0 \$	724,406.69		
Department of Defense		Department of Commerce							Y
		Electronic Absentee Systems for Elections	12.217	H982101210005 \$	12,000.00 \$	0 \$	12,000.00		
			Direct Total	\$	12,000.00 \$	0 \$	12,000.00		
			12.217 Total	\$	12,000.00 \$	0 \$	12,000.00		
Department of Defense		Effective Absentee Systems for Elections 2.0	12.219	H982101310011 \$	187,000.00 \$	0 \$	187,000.00		Y
			Direct Total	\$	187,000.00 \$	0 \$	187,000.00		
			12.219 Total	\$	187,000.00 \$	0 \$	187,000.00		
				\$	199,000.00 \$	0 \$	199,000.00		
Department of Housing and Urban Development		Department of Defense							
		Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-53-0001 \$	93,541.69 \$	563,643.87 \$	657,185.56	(3)	
		Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-53-0001 \$	1,871,804.22 \$	1,318,539.10 \$	3,190,343.32	(3)	

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
		Community Development Block Grants/Entitlement Grants	14.218	B-12-UC-53-0001 \$	13,719.19 \$	195,612.00 \$	209,331.19	(3)	
		Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-53-0001 \$	57,062.70 \$	1,399,118.66 \$	1,456,181.36	(3)	
			Direct Total	\$	2,036,127.80 \$	3,476,913.63 \$	5,513,041.43		
			14.218 Total	\$	2,036,127.80 \$	3,476,913.63 \$	5,513,041.43		
		Emergency Solutions Grant Program	14.231	E14-UC-53-0002 \$	4,874.76 \$	48,017.39 \$	52,892.15	(3)	
		Emergency Solutions Grant Program	14.231	E13-UC-53-0002 \$	4,504.49 \$	0 \$	4,504.49	(3)	
		Emergency Solutions Grant Program	14.231	E15-UC-53-0002 \$	5,777.03 \$	242,216.00 \$	247,993.03	(3)	
		Emergency Solutions Grant Program	14.231	E12-UC-53-0002 \$	0 \$	16,691.00 \$	16,691.00	(3)	
			Direct Total	\$	15,156.28 \$	306,924.39 \$	322,080.67		
	Washington State Department of Commerce	Emergency Solutions Grant Program	14.231	E14-DC-53-0001 \$	6,085.06 \$	18,335.45 \$	24,420.51	(3)	
	Washington State Department of Commerce	Emergency Solutions Grant Program	14.231	E15-DC-53-0001 \$	18,581.57 \$	136,119.34 \$	154,700.91	(3)	
			Indirect Total	\$	24,666.63 \$	154,454.79 \$	179,121.42		
			14.231 Total	\$	39,822.91 \$	461,379.18 \$	501,202.09		
		Home Investment Partnerships Program	14.239	M-13-DC-530200 \$	0 \$	963,721.93 \$	963,721.93	(3)	
		Home Investment Partnerships Program	14.239	M-15-DC-530200 \$	287,685.18 \$	263,479.92 \$	551,165.10	(3)	
		Home Investment Partnerships Program	14.239	M-14-DC-530200 \$	0 \$	2,160,065.27 \$	2,160,065.27	(3)	
			Direct Total	\$	287,685.18 \$	3,387,267.12 \$	3,674,952.30		
			14.239 Total	\$	287,685.18 \$	3,387,267.12 \$	3,674,952.30		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
		Continuum of Care Program	14.267	WA0297L0T001400 \$	22,210.45 \$	264,691.27 \$	286,901.72 \$		
		Continuum of Care Program	14.267	WA0262L0T001200 \$	1,094.56 \$	385,430.55 \$	386,525.11 \$		
		Continuum of Care Program	14.267	WA0004L0T001407 \$	3,039.56 \$	160,773.80 \$	163,813.36 \$		
		Continuum of Care Program	14.267	WA0004L0T001407 \$	429.94 \$	19,068.88 \$	19,498.82 \$		
		Continuum of Care Program	14.267	WA0034L0T001205 \$	90,245.64 \$	109,754.36 \$	200,000.00 \$		
		Continuum of Care Program	14.267	WA0034L0T001306 \$	482,185.12 \$	1,327,787.83 \$	1,809,972.95 \$		
		Continuum of Care Program	14.267	WA0064L0T001306 \$	1,205.00 \$	58,211.07 \$	59,416.07 \$		
		Continuum of Care Program	14.267	WA0004L0T001306 \$	1,776.00 \$	47,472.28 \$	49,248.28 \$		
		Continuum of Care Program	14.267	WA0223L0T001304 \$	4,511.37 \$	118,435.92 \$	122,947.29 \$		
		Continuum of Care Program	14.267	WA0004L0T001306 \$	5,128.55 \$	80,436.43 \$	85,564.98 \$		
		Continuum of Care Program	14.267	WA0030L0T001306 \$	1,312.82 \$	27,240.69 \$	28,553.51 \$		
		Continuum of Care Program	14.267	WA0001L0T001304 \$	2,989.48 \$	77,963.03 \$	80,952.51 \$		
		Continuum of Care Program	14.267	WA0033L0T001306 \$	11,940.09 \$	451,204.10 \$	463,144.19 \$		
		Continuum of Care Program	14.267	WA0001L0T001405 \$	587.93 \$	75,388.82 \$	75,976.75 \$		
		Continuum of Care Program	14.267	WA0064L0T001407 \$	0 \$	6,000.00 \$	6,000.00 \$		
		Continuum of Care Program	14.267	WA0034L0T001407 \$	68,854.81 \$	3,843,960.55 \$	3,912,815.36 \$		
		Continuum of Care Program	14.267	WA0033L0T001407 \$	8,043.76 \$	430,421.73 \$	438,465.49 \$		
		Continuum of Care Program	14.267	WA0030L0T001407 \$	2,903.00 \$	102,835.42 \$	105,738.42 \$		
			Direct Total	\$	708,458.08 \$	7,587,076.73 \$	8,295,534.81 \$		
City of Seattle		Continuum of Care Program	14.267	WA0039L0T001205 \$	185,935.85 \$	0 \$	185,935.85 \$		
City of Seattle		Continuum of Care Program	14.267	WA0040L0T001205 \$	15,565.08 \$	594,325.94 \$	609,891.02 \$		
City of Seattle		Continuum of Care Program	14.267	WA0040L0T001202 \$	2,694.11 \$	54,297.58 \$	56,991.69 \$		
City of Seattle		Continuum of Care Program	14.267	WA0039L0T001306 \$	249,132.82 \$	0 \$	249,132.82 \$		
			Indirect Total	\$	453,327.86 \$	648,623.52 \$	1,101,951.38 \$		
			14.267 Total	\$	1,161,785.94 \$	8,235,700.25 \$	9,397,486.19 \$		
Fair Housing Assistance Program_State and Local			14.401	FF210K121005 \$	14,731.67 \$	0 \$	14,731.67 \$	(6)	
			Direct Total	\$	14,731.67 \$	0 \$	14,731.67 \$		
			14.401 Total	\$	14,731.67 \$	0 \$	14,731.67 \$		
Department of Housing and Urban Development				\$	3,540,153.50 \$	15,561,260.18 \$	19,101,413.68 \$		

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Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Department of the Interior		Fish and Wildlife Management Assistance	15.608	F13AC00319 \$	59,295.02 \$	0 \$	59,295.02		
			Direct Total	\$	59,295.02 \$	0 \$	59,295.02		
			15.608 Total	\$	59,295.02 \$	0 \$	59,295.02		
		Endangered Species Conservation & Recovery Implementation Funds	15.657	F14AC00643 \$	27,807.74 \$	0 \$	27,807.74		
			Direct Total	\$	27,807.74 \$	0 \$	27,807.74		
Department of Justice			15.657 Total	\$	27,807.74 \$	0 \$	27,807.74		
		Department of the Interior		\$	87,102.76 \$	0 \$	87,102.76		
		Juvenile Accountability Block Grants	16.523	2013IBFX0050 \$	74,549.04 \$	0 \$	74,549.04		
			Indirect Total	\$	74,549.04 \$	0 \$	74,549.04		
			16.523 Total	\$	74,549.04 \$	0 \$	74,549.04		
City of Seattle		Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	2009WEAX0008 \$	60,000.00 \$	0 \$	60,000.00		
			Indirect Total	\$	60,000.00 \$	0 \$	60,000.00		
			16.528 Total	\$	60,000.00 \$	0 \$	60,000.00		
		Drug Court Discretionary Grant Program	16.585	2014DCBX0093 \$	7,716.60 \$	124,260.70 \$	131,977.30		
			Direct Total	\$	7,716.60 \$	124,260.70 \$	131,977.30		
Washington State Department of Social and Health Services			16.585 Total	\$	7,716.60 \$	124,260.70 \$	131,977.30		
		Violence Against Women Formula Grants	16.588	2014WFAW0053 \$	217,088.32 \$	0 \$	217,088.32		
		Violence Against Women Formula Grants	16.588	F14-31103-106 \$	62,124.28 \$	0 \$	62,124.28		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
			Indirect Total	\$	279,212.60 \$	0 \$	279,212.60		
			16.588 Total	\$	279,212.60 \$	0 \$	279,212.60		
		State Criminal Alien Assistance Program	16.606	2015APBX0444 \$	759,705.00 \$	0 \$	759,705.00		
			Direct Total	\$	759,705.00 \$	0 \$	759,705.00		
			16.606 Total	\$	759,705.00 \$	0 \$	759,705.00		
		Public Safety Partnership and Community Policing Grants	16.710	2009CKWX0386 \$	12,490.48 \$	0 \$	12,490.48		
		Public Safety Partnership and Community Policing Grants	16.710	2011CKWXK007 \$	45,754.84 \$	0 \$	45,754.84		
			Direct Total	\$	58,245.32 \$	0 \$	58,245.32		
			16.710 Total	\$	58,245.32 \$	0 \$	58,245.32		
City of Seattle		Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014DJBX1034 \$	109,832.49 \$	0 \$	109,832.49		
City of Seattle		Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013DJBX0715 \$	99,579.72 \$	0 \$	99,579.72		
City of Seattle		Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012DJBX0526 \$	10,020.89 \$	0 \$	10,020.89		
			Indirect Total	\$	219,433.10 \$	0 \$	219,433.10		
			16.738 Total	\$	219,433.10 \$	0 \$	219,433.10		

KING COUNTY, WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Department of Labor	Child Advocacy Center	Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	160-A-KING-CAP-13	9,000.00 \$	0 \$	9,000.00		
			<div>Indirect Total</div>						
			<div>16.758 Total</div>						
			Department of Justice						
			17.259	AA253871455A53	1,108,594.50 \$	208,971.46 \$	1,317,565.96		
			17.259	AA268131555A53	836,530.56 \$	103,490.23 \$	940,020.79		
			<div>Indirect Total</div>						
			<div>17.259 Total</div>						
			17.278	AA253871455A53	212,960.01 \$	0 \$	212,960.01		
			17.278	AA241261355A53	749,794.65 \$	0 \$	749,794.65		
<div>Indirect Total</div>									
<div>17.278 Total</div>									
Total WIA Cluster									
Department of Labor	Workforce Development Council	Reintegration of Ex-Offenders	17.270	YF259561460A53	386,163.25 \$	130,000.00 \$	516,163.25		
			<div>Direct Total</div>						
			<div>17.270 Total</div>						

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
	Workforce Development Council	Workforce Investment Act (WIA) National Emergency Grants	17.277	EM258811460A53	167,182.50 \$	0 \$	167,182.50		
	Workforce Development Council	Workforce Investment Act (WIA) National Emergency Grants	17.277	EM2447211360A53	55,954.54 \$	0 \$	55,954.54		
	Workforce Development Council	Workforce Investment Act (WIA) National Emergency Grants	17.277	EM251041360A53	2,178.63 \$	0 \$	2,178.63		
Indirect Total					225,315.67 \$	0 \$	225,315.67		
17.277 Total					225,315.67 \$	0 \$	225,315.67		
Department of Labor					3,519,358.64 \$	442,461.69 \$	3,961,820.33		
Department of Transportation									
		Airport Improvement Program	20.106	3 53 0058 051 \$	1,502,038.00 \$	0 \$	1,502,038.00		
		Airport Improvement Program	20.106	3 53 0058 050 \$	330,607.00 \$	0 \$	330,607.00		
		Airport Improvement Program	20.106	3 53 0058 049 \$	152,975.00 \$	0 \$	152,975.00		
		Airport Improvement Program	20.106	3 53 0058 047 \$	56,171.00 \$	0 \$	56,171.00		
		Airport Improvement Program	20.106	3 53 0058 052 \$	45,770.00 \$	0 \$	45,770.00		
Direct Total					2,087,561.00 \$	0 \$	2,087,561.00		
20.106 Total					2,087,561.00 \$	0 \$	2,087,561.00		
Highway Planning and Construction Cluster									
		Highway Planning and Construction	20.205	WA-70-X012 \$	28,877.19 \$	0 \$	28,877.19		
		Highway Planning and Construction	20.205	WA-70-X017 \$	176,558.15 \$	0 \$	176,558.15		
Direct Total					205,435.34 \$	0 \$	205,435.34		
	Washington State Department of Transportation	Highway Planning and Construction	20.205	STPE-EN10(017) \$	15,593.36 \$	0 \$	15,593.36		
	Washington State Department of Transportation	Highway Planning and Construction	20.205	VPPP-9917(017) \$	18,899.92 \$	0 \$	18,899.92		
	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA HSIP-0005 (413) \$	61,612.93 \$	0 \$	61,612.93		
	Washington State Department of Transportation	Highway Planning and Construction	20.205	VPP9917 017 \$	271,771.87 \$	0 \$	271,771.87		
	Washington State Department of Transportation	Highway Planning and Construction	20.205	NHPP 9917(020) \$	131,942.05 \$	0 \$	131,942.05		
	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA ER-1403 (007) \$	733,278.26 \$	0 \$	733,278.26		
	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA TAP-2017 (132) \$	40,176.45 \$	0 \$	40,176.45		
	Washington State Department of Transportation	Highway Planning and Construction	20.205	FHWA ER-1403(009) \$	590,383.97 \$	0 \$	590,383.97	(7)	

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	CM - 2085(005) \$	424,585.41 \$	0 \$	424,585.41		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	CM-1412 (005) \$	46,391.90 \$	0 \$	46,391.90		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	ER-1403(012) \$	65,654.86 \$	0 \$	65,654.86	(6)	
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	CM-1147(012) \$	1,730.02 \$	0 \$	1,730.02		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	CM-2017(123) \$	790,834.35 \$	0 \$	790,834.35		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	STPE-2017(093) \$	456.94 \$	0 \$	456.94		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	BHOS-172C(001) \$	184,856.87 \$	0 \$	184,856.87		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	STPE 2094(001) \$	3,838.09 \$	0 \$	3,838.09		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	BHOS-2017(130) \$	50,275.61 \$	0 \$	50,275.61	(6)	
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	BHOS-2017(131) \$	50,513.90 \$	0 \$	50,513.90		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	BHS-T174(001) \$	1,716.02 \$	0 \$	1,716.02	(6)	
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	STPUL-9917(019) \$	134,834.92 \$	0 \$	134,834.92		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	FHWA ER-1403 (010) \$	9,384.00 \$	0 \$	9,384.00	(7)	
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	STPR-T175(001) \$	20,205.93 \$	0 \$	20,205.93		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	CM - 2017(128) \$	34,986.12 \$	0 \$	34,986.12		
Washington State Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	FHWA ER-1403(008) \$	79,320.00 \$	0 \$	79,320.00	(6)	
Indirect Total					3,763,243.75 \$	0 \$	3,763,243.75		
Total Highway Planning and Construction Cluster					3,968,679.09 \$	0 \$	3,968,679.09		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name <i>Federal Transit Cluster</i>	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
		Federal Transit_Capital Investment Grants	20.500	WA-04-0080 \$	545,277.46 \$	691,696.94 \$	1,236,974.40		
		Federal Transit_Capital Investment Grants	20.500	WA-04-0089 \$	244,610.63 \$	11,040.86 \$	255,651.49		
		Federal Transit_Capital Investment Grants	20.500	WA-05-0064 \$	823,251.25 \$	242,265.66 \$	1,065,516.91		
		Federal Transit_Capital Investment Grants	20.500	WA-05-0065 \$	253,762.00 \$	0 \$	253,762.00		
		Federal Transit_Capital Investment Grants	20.500	WA-04-0078 \$	629,412.93 \$	0 \$	629,412.93	(6)	
		Federal Transit_Capital Investment Grants	20.500	WA-03-0236 \$	1,127.99 \$	0 \$	1,127.99	(6)	
		Federal Transit_Capital Investment Grants	20.500	WA-04-0061 \$	143,524.83 \$	0 \$	143,524.83		
		Federal Transit_Capital Investment Grants	20.500	WA-04-0021 \$	895,186.76 \$	0 \$	895,186.76	(6)	
		Federal Transit_Capital Investment Grants	20.500	WA-04-0032 \$	926.15 \$	0 \$	926.15		
		Federal Transit_Capital Investment Grants	20.500	WA-03-0245 \$	36,312.54 \$	0 \$	36,312.54		
		Federal Transit_Capital Investment Grants	20.500	WA-04-0081 \$	628,574.69 \$	470,488.26 \$	1,099,062.95		
Direct Total				\$	4,201,967.23 \$	1,415,491.72 \$	5,617,458.95		
20.500 Total				\$	4,201,967.23 \$	1,415,491.72 \$	5,617,458.95		
		Federal Transit_Formula Grants	20.507	WA-90-X522 \$	646,127.10 \$	918,655.38 \$	1,564,782.48		
		Federal Transit_Formula Grants	20.507	WA-90-X582 \$	1,188,155.73 \$	0 \$	1,188,155.73		
		Federal Transit_Formula Grants	20.507	WA-90-X524 \$	33,340,640.10 \$	0 \$	33,340,640.10		
		Federal Transit_Formula Grants	20.507	WA-90-X525 \$	1,079,080.00 \$	0 \$	1,079,080.00		
		Federal Transit_Formula Grants	20.507	WA-90-X578 \$	1,166,749.39 \$	0 \$	1,166,749.39		
		Federal Transit_Formula Grants	20.507	WA-90-X455 \$	573,322.09 \$	0 \$	573,322.09		
		Federal Transit_Formula Grants	20.507	WA-90-X583 \$	280,488.41 \$	0 \$	280,488.41		
		Federal Transit_Formula Grants	20.507	WA-95-X027 \$	566,759.72 \$	0 \$	566,759.72		
		Federal Transit_Formula Grants	20.507	WA-95-X043 \$	46,348.90 \$	0 \$	46,348.90		
		Federal Transit_Formula Grants	20.507	WA-90-X209 \$	119,274.91 \$	0 \$	119,274.91		
		Federal Transit_Formula Grants	20.507	WA-90-X254 \$	19,451.89 \$	0 \$	19,451.89		
		Federal Transit_Formula Grants	20.507	WA-90-X321 \$	42,333.77 \$	0 \$	42,333.77		
		Federal Transit_Formula Grants	20.507	WA-95-X005 \$	640,159.80 \$	103,254.00 \$	743,413.80		
		Federal Transit_Formula Grants	20.507	WA-90-X363 \$	21,257.19 \$	0 \$	21,257.19		
		Federal Transit_Formula Grants	20.507	WA-95-X047 \$	404,327.97 \$	0 \$	404,327.97		
		Federal Transit_Formula Grants	20.507	WA-90-X513 \$	240,900.00 \$	0 \$	240,900.00		
		Federal Transit_Formula Grants	20.507	WA-95-X069 \$	1,267,803.36 \$	0 \$	1,267,803.36		
		Federal Transit_Formula Grants	20.507	WA-90-X526 \$	0 \$	13,328.00 \$	13,328.00		
Direct Total				\$	41,643,180.33 \$	1,035,237.38 \$	42,678,417.71		
20.507 Total				\$	41,643,180.33 \$	1,035,237.38 \$	42,678,417.71		
		State of Good Repair Grants Program	20.525	WA-54-0010 \$	50,917,941.67 \$	0 \$	50,917,941.67		
		State of Good Repair Grants Program	20.525	WA-54-0001 \$	461,041.90 \$	0 \$	461,041.90		
Direct Total				\$	51,378,983.57 \$	0 \$	51,378,983.57		
20.525 Total				\$	51,378,983.57 \$	0 \$	51,378,983.57		
		Bus and Bus Facilities Formula Program	20.526	WA-34-0001 \$	8,921,989.97 \$	0 \$	8,921,989.97		
Direct Total				\$	8,921,989.97 \$	0 \$	8,921,989.97		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
			20.526 Total		\$ 8,921,989.97 \$	0 \$	8,921,989.97		
		Total Federal Transit Cluster			\$ 106,146,121.10 \$	2,450,729.10 \$	108,596,850.20		
		Public Transportation Research	20.514	WA-26-7008 \$	13,499.31 \$	0 \$	13,499.31		
		Direct Total			\$ 13,499.31 \$	0 \$	13,499.31		
		20.514 Total			\$ 13,499.31 \$	0 \$	13,499.31		
		Job Access And Reverse Commute Program	20.516	WA-37-X021 \$	9,122.57 \$	0 \$	9,122.57		
		Job Access And Reverse Commute Program	20.516	WA-37-X045 \$	4,697.83 \$	31,118.49 \$	35,816.32		
		Direct Total			\$ 13,820.40 \$	31,118.49 \$	44,938.89		
		Total Transit Services Programs Cluster	20.516 Total		\$ 13,820.40 \$	31,118.49 \$	44,938.89		
		Clean Fuels	20.519	WA-58-0008 \$	16,711.75 \$	0 \$	16,711.75		
		Direct Total			\$ 16,711.75 \$	0 \$	16,711.75		
		20.519 Total			\$ 16,711.75 \$	0 \$	16,711.75		
		Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	WA-88-0001 \$	2,553,392.56 \$	0 \$	2,553,392.56		
		Direct Total			\$ 2,553,392.56 \$	0 \$	2,553,392.56		
		20.523 Total			\$ 2,553,392.56 \$	0 \$	2,553,392.56		

Transit Services Programs Cluster

KING COUNTY, WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
	Highway Safety Cluster Washington Association of Sheriffs & Police Chiefs	State and Community Highway Safety	20.600	18X9204020WA16	\$ 31,580.00	\$ 0	\$ 31,580.00		
			Indirect Total	\$	\$ 31,580.00	\$ 0	\$ 31,580.00		
			20.600 Total	\$	\$ 31,580.00	\$ 0	\$ 31,580.00		
	Washington Traffic Safety Commission	National Priority Safety Programs	20.616	18X920405DWA14	\$ 105,125.75	\$ 0	\$ 105,125.75		
	Washington Traffic Safety Commission	National Priority Safety Programs	20.616	18X920405DWA16	\$ 35,224.92	\$ 0	\$ 35,224.92		
			Indirect Total	\$	\$ 140,350.67	\$ 0	\$ 140,350.67		
			20.616 Total	\$	\$ 140,350.67	\$ 0	\$ 140,350.67		
			Total Highway Safety Cluster		\$ 171,930.67	\$ 0.00	\$ 171,930.67		
University of Washington	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		20.614	DTNH2210H00295	\$ 9,414.59	\$ 0	\$ 9,414.59		Y
			Indirect Total	\$	\$ 9,414.59	\$ 0	\$ 9,414.59		
			20.614 Total	\$	\$ 9,414.59	\$ 0	\$ 9,414.59		
		Department of Transportation		\$	\$ 114,981,130.47	\$ 2,481,847.59	\$ 117,462,978.06		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Environmental Protection Agency	San Juan County	Puget Sound Action Agenda: Outreach, Education and Stewardship Support Program	66.122	00017601	1,536.37 \$	0 \$	1,536.37		
			Indirect Total		1,536.37 \$	0 \$	1,536.37		
			66.122 Total		1,536.37 \$	0 \$	1,536.37		
	Puget Sound Partnership	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00090301	157,810.95 \$	0 \$	157,810.95		
			66.123	00027601	111,379.01 \$	0 \$	111,379.01		
	Washington State Department of Ecology	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00020101	104,274.67 \$	0 \$	104,274.67		
			66.123	00032601	104,428.73 \$	0 \$	104,428.73		
	Washington State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00088801	100,459.14 \$	0 \$	100,459.14		
			Indirect Total		578,352.50 \$	0 \$	578,352.50		
			66.123 Total		578,352.50 \$	0 \$	578,352.50		
	Targeted Watersheds Grants		66.439	00109801	9,664.86 \$	0 \$	9,664.86		
			Direct Total		9,664.86 \$	0 \$	9,664.86		
			66.439 Total		9,664.86 \$	0 \$	9,664.86		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Washington State Department of Ecology	Washington State Department of Ecology	National Estuary Program	66.456	0028401	\$ 56,059.87	\$ 0	\$ 56,059.87		
			Indirect Total		\$ 56,059.87	\$ 0	\$ 56,059.87		
			66.456 Total		\$ 56,059.87	\$ 0	\$ 56,059.87		
			66.458	53000115	\$ 27,966,661.28	\$ 0	\$ 27,966,661.28	(5)	
			Indirect Total		\$ 27,966,661.28	\$ 0	\$ 27,966,661.28		
			66.458 Total		\$ 27,966,661.28	\$ 0	\$ 27,966,661.28		
			Total Clean Water State Revolving Fund Cluster						
			66.472	CU-0075501	\$ 23,500.00	\$ 0	\$ 23,500.00		
			Indirect Total		\$ 23,500.00	\$ 0	\$ 23,500.00		
			66.472 Total		\$ 23,500.00	\$ 0	\$ 23,500.00		
			66.818	0078101	\$ 97,862.85	\$ 0	\$ 97,862.85		
			Direct Total		\$ 97,862.85	\$ 0	\$ 97,862.85		
			66.818 Total		\$ 97,862.85	\$ 0	\$ 97,862.85		
					\$ 15,080,728.73	\$ 0	\$ 28,733,637.73		
			Environmental Protection Agency						

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Department of Education	Washington State Department of Health	Special Education-Grants for Infants and Families	84.181	H181A110128 \$	8,991.00 \$	0 \$	8,991.00		
			Indirect Total	\$	8,991.00 \$	0 \$	8,991.00		
			84.181 Total	\$	8,991.00 \$	0 \$	8,991.00		
				\$	8,991.00 \$	0 \$	8,991.00		
Election Assistance Commission	Secretary of State	Help America Vote Act Requirements Payments	90.401	WA10RP01 \$	13,052.48 \$	0 \$	13,052.48		
			Indirect Total	\$	13,052.48 \$	0 \$	13,052.48		
			90.401 Total	\$	13,052.48 \$	0 \$	13,052.48		
				\$	13,052.48 \$	0 \$	13,052.48		
Department of Health and Human Services	Washington State Department of Health	Public Health Emergency Preparedness	93.069	U90TP000559 \$	1,992,966.76 \$	0 \$	1,992,966.76		
			Indirect Total	\$	1,992,966.76 \$	0 \$	1,992,966.76		
			93.069 Total	\$	1,992,966.76 \$	0 \$	1,992,966.76		
				\$	1,992,966.76 \$	0 \$	1,992,966.76		
Washington State Department of Health	Washington State Department of Health	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	U90TP000559 \$	88,500.17 \$	0 \$	88,500.17		
			Indirect Total	\$	88,500.17 \$	0 \$	88,500.17		
			93.074 Total	\$	88,500.17 \$	0 \$	88,500.17		
				\$	88,500.17 \$	0 \$	88,500.17		
Washington State Department of Health	Washington State Department of Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52PS000510 \$	457,591.33 \$	0 \$	457,591.33		

KING COUNTY, WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA		Federal Award Identification		Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
			Number	Indirect	Number	Total					
				\$		\$					
			93.116 Total			\$ 457,591.33		0 \$	457,591.33		
	University of Washington	Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		U48DP001911/U48DP005013	\$	9,081.70	0 \$	9,081.70		
			Indirect Total			\$ 9,081.70		0 \$	9,081.70		
			93.135 Total			\$ 9,081.70		0 \$	9,081.70		
	Washington State Department of Social and Health Services	Projects for Assistance in Transition from Homelessness (PATH)	93.150		SM016048	\$	0 \$	241,016.97	241,016.97		
			Indirect Total			\$ 0 \$		241,016.97	241,016.97		
			93.150 Total			\$ 0 \$		241,016.97	241,016.97		
	Washington State Department of Health	Family Planning Services	93.217		FPHPA106023	\$	767,219.87	0 \$	767,219.87	(3)	
			Indirect Total			\$ 767,219.87		0 \$	767,219.87		
			93.217 Total			\$ 767,219.87		0 \$	767,219.87		

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KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
	Washington State Department of Health	Immunization Cooperative Agreements	93.268	H23IP000762	964,070.72 \$	0 \$	964,070.72		
			Indirect Total		964,070.72 \$	0 \$	964,070.72		
			93.268 Total		964,070.72 \$	0 \$	964,070.72		
		Adult Viral Hepatitis Prevention and Control	93.270	U51PS004601	719,223.52 \$	682,119.64 \$	1,401,343.16		
		Adult Viral Hepatitis Prevention and Control	93.270	U51PS003827	10,838.31 \$	0 \$	10,838.31		
			Direct Total		730,061.83 \$	682,119.64 \$	1,412,181.47		
	Washington State Department of Health	Adult Viral Hepatitis Prevention and Control	93.270	U51PS004091	228,529.83 \$	0 \$	228,529.83		
			Indirect Total		228,529.83 \$	0 \$	228,529.83		
			93.270 Total		958,591.66 \$	682,119.64 \$	1,640,711.30		
	Washington State Department of Health	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58DP001996	16,413.00 \$	0 \$	16,413.00		
	Washington State Department of Health	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58DP002057	33,240.65 \$	0 \$	33,240.65		
			Indirect Total		49,653.65 \$	0 \$	49,653.65		
			93.283 Total		49,653.65 \$	0 \$	49,653.65		
		Teenage Pregnancy Prevention Program	93.297	TP2AH000031	89,479.31 \$	116,207.25 \$	205,686.56		
			Direct Total		89,479.31 \$	116,207.25 \$	205,686.56		
			93.297 Total		89,479.31 \$	116,207.25 \$	205,686.56		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Washington State Department of Health	Washington State Department of Health	National Tobacco Control Program	93.305	U58DP006004 \$	13,969.54 \$	0 \$	13,969.54		
				Indirect Total	13,969.54 \$	0 \$	13,969.54		
				93.305 Total	13,969.54 \$	0 \$	13,969.54		
		Partnerships to Improve Community Health	93.331	U58DP005663 \$	1,423,097.69 \$	1,595,102.22 \$	3,018,199.91		
				Direct Total	1,423,097.69 \$	1,595,102.22 \$	3,018,199.91		
				93.331 Total	1,423,097.69 \$	1,595,102.22 \$	3,018,199.91		
University of Washington	University of Washington	Cancer Cause and Prevention Research	93.393	R01CA160217 \$	6,646.24 \$	0 \$	6,646.24		
				Indirect Total	6,646.24 \$	0 \$	6,646.24		
				93.393 Total	6,646.24 \$	0 \$	6,646.24		
Thrive by Five Washington	Thrive by Five Washington	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	X02MC23096 \$	539,605.80 \$	0 \$	539,605.80		
				Indirect Total	539,605.80 \$	0 \$	539,605.80		
				93.505 Total	539,605.80 \$	0 \$	539,605.80		
Washington State Department of Health	Washington State Department of Health	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by PPHF	93.539	H231P000762 \$	1,070.26 \$	0 \$	1,070.26		
				Indirect Total	1,070.26 \$	0 \$	1,070.26		
				93.539 Total	1,070.26 \$	0 \$	1,070.26		
Washington State Department of Social and Health Services	Washington State Department of Social and Health Services	Child Support Enforcement	93.563	75-1501-0-1-609 \$	6,709,659.00 \$	0 \$	6,709,659.00		

KING COUNTY, WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA		Federal Award Identification		Agency Expenditures	Subrecipient Expenditures	Total		Notes	R&D
			Number	Indirect	Number	Total			Expenditures	Expenditures		
						\$	\$	\$	\$	\$		
			93.563	Total			6,709,659.00	0	6,709,659.00			
		Child Abuse and Neglect Discretionary Activities	93.670		90CA1825		179,824.88	0	179,824.88			
			Direct Total				179,824.88	0	179,824.88			
			93.670	Total			179,824.88	0	179,824.88			
	Seattle Children's Hospital	PPHF: Community Transformation Grants - Small Communities Program financed solely by Public Prevention and Health Funds	93.737		H75DP004595		51,851.15	0	51,851.15			
			Indirect Total				51,851.15	0	51,851.15			
			93.737	Total			51,851.15	0	51,851.15			
	Washington State Department of Health	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752		U58DP003899		1,222,101.03	156,996.33	1,379,097.36			
			Indirect Total				1,222,101.03	156,996.33	1,379,097.36			
			93.752	Total			1,222,101.03	156,996.33	1,379,097.36			

KING COUNTY, WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
	Washington State Department of Health	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	B01OT009058	\$ 56,250.00	\$ 0	\$ 56,250.00		
			Indirect Total		\$ 56,250.00	\$ 0	\$ 56,250.00		
			93.758 Total		\$ 56,250.00	\$ 0	\$ 56,250.00		
	Medical Cluster City of Seattle Washington State Department of Health	Medical Assistance Program	93.778	1605WASADM	\$ 19,812.00	\$ 7,510.00	\$ 27,322.00		
		Medical Assistance Program	93.778	G1201WACCDF	\$ 188,986.89	\$ 0	\$ 188,986.89		
	Washington State Health Care Authority	Medical Assistance Program	93.778	WA20152	\$ 166,233.63	\$ 0	\$ 166,233.63		
			Indirect Total		\$ 375,032.52	\$ 7,510.00	\$ 382,542.52		
			93.778 Total		\$ 375,032.52	\$ 7,510.00	\$ 382,542.52		
	Washington State Department of Health	Organized Approaches to Increase Colorectal Cancer Screening	93.800	NU58DP06101	\$ 28,394.01	\$ 0	\$ 28,394.01		
			Indirect Total		\$ 28,394.01	\$ 0	\$ 28,394.01		
			93.800 Total		\$ 28,394.01	\$ 0	\$ 28,394.01		
		Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	R18DK088072	\$ 31,453.04	\$ 0	\$ 31,453.04		
			Direct Total		\$ 31,453.04	\$ 0	\$ 31,453.04		
			93.847 Total		\$ 31,453.04	\$ 0	\$ 31,453.04		

KING COUNTY, WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
	Keck Graduate Institute	Allergy, Immunology and Transplantation Research	93.855	R01AI090831/R01AI111477	\$ 12,218.12	\$ 0	\$ 12,218.12		
			Indirect Total		\$ 12,218.12	\$ 0	\$ 12,218.12		
			93.855 Total		\$ 12,218.12	\$ 0	\$ 12,218.12		
	University of Washington	Medical Library Assistance	93.879	R01LM011180	\$ 18,385.00	\$ 0	\$ 18,385.00		
			Indirect Total		\$ 18,385.00	\$ 0	\$ 18,385.00		
			93.879 Total		\$ 18,385.00	\$ 0	\$ 18,385.00		
		HIV Emergency Relief Project Grants	93.914	H89HA00022	\$ 2,063,352.94	\$ 4,326,448.41	\$ 6,389,801.35		
			Direct Total		\$ 2,063,352.94	\$ 4,326,448.41	\$ 6,389,801.35		
			93.914 Total		\$ 2,063,352.94	\$ 4,326,448.41	\$ 6,389,801.35		
	University of Washington	HIV Prevention Activities_Non-Governmental Organization Based	93.939	U65PS004387	\$ 24,757.00	\$ 0	\$ 24,757.00		
			Indirect Total		\$ 24,757.00	\$ 0	\$ 24,757.00		
			93.939 Total		\$ 24,757.00	\$ 0	\$ 24,757.00		
	Washington State Department of Health	HIV Prevention Activities_Health Department Based	93.940	U62PS003666	\$ 1,076,564.04	\$ 790,572.85	\$ 1,867,136.89		
			Indirect Total		\$ 1,076,564.04	\$ 790,572.85	\$ 1,867,136.89		
			93.940 Total		\$ 1,076,564.04	\$ 790,572.85	\$ 1,867,136.89		

KING COUNTY, WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
	Washington State Department of Health	HIV Demonstration, Research, Public and Professional Education Projects	93.941	U1BP5003250	\$ 453,401.74	\$ 2,700.00	\$ 456,101.74		
			Indirect Total		\$ 453,401.74	\$ 2,700.00	\$ 456,101.74		
			93.941 Total		\$ 453,401.74	\$ 2,700.00	\$ 456,101.74		
	Washington State Department of Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62PS003982	\$ 561,896.94	\$ 0	\$ 561,896.94		
	Washington State Department of Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62PS001593	\$ 417,617.36	\$ 0	\$ 417,617.36		
			Indirect Total		\$ 979,514.30	\$ 0	\$ 979,514.30		
			93.944 Total		\$ 979,514.30	\$ 0	\$ 979,514.30		
	Washington State Department of Social and Health Services	Block Grants for Community Mental Health Services	93.958	SM010056	\$ 0	\$ 1,819,299.50	\$ 1,819,299.50		
			Indirect Total		\$ 0	\$ 1,819,299.50	\$ 1,819,299.50		
			93.958 Total		\$ 0	\$ 1,819,299.50	\$ 1,819,299.50		
	Washington State Department of Social and Health Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010056	\$ 1,140,158.62	\$ 1,870,555.45	\$ 3,010,714.07		
			Indirect Total		\$ 1,140,158.62	\$ 1,870,555.45	\$ 3,010,714.07		
			93.959 Total		\$ 1,140,158.62	\$ 1,870,555.45	\$ 3,010,714.07		

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
Washington State Department of Health	Washington State Department of Health	Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	H25PS004364 \$	445,139.84 \$	286,961.12 \$	732,100.96		
			93.977	H25PS004271 \$	31,127.41 \$	7,022.59 \$	38,150.00		
			Indirect Total	\$	476,267.25 \$	293,983.71 \$	770,250.96		
			93.977 Total	\$	476,267.25 \$	293,983.71 \$	770,250.96		
Washington State Department of Health	Washington State Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	B04MC28134 \$	726,740.64 \$	0 \$	726,740.64		
			93.994	B04MC29364 \$	173,854.85 \$	0 \$	173,854.85		
			93.994	B04MC28134/29364 \$	66,908.14 \$	10,328.84 \$	77,236.98		
			Indirect Total	\$	967,503.63 \$	10,328.84 \$	977,832.47		
Washington State Department of Health	Washington State Department of Health	Maternal and Child Health Services Block Grant to the States	93.994 Total	\$	967,503.63 \$	10,328.84 \$	977,832.47		
			93.994 Total	\$	32,193,365.30 \$	15,373,101.20 \$	47,566,466.50		
			97.012	3314FAS140153 \$	2,640.84 \$	0 \$	2,640.84		
			Indirect Total	\$	2,640.84 \$	0 \$	2,640.84		
Washington State Department of Parks	Washington State Department of Parks	Boating Safety Financial Assistance	97.012	3314FAS140153 \$	2,640.84 \$	0 \$	2,640.84		
			Indirect Total	\$	2,640.84 \$	0 \$	2,640.84		
			97.012 Total	\$	2,640.84 \$	0 \$	2,640.84		
			97.012 Total	\$	2,640.84 \$	0 \$	2,640.84		

Department of Health and Human Services

Department of Homeland Security

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	Number	Number	Expenditures	Expenditures	Expenditures	Notes	R&D	
Washington State Military Department	Washington State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1682DRWAP00000001	\$ 34,348.00	\$ 0	\$ 34,348.00			
		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1963DRWAP00000001	\$ 20,036.29	\$ 0	\$ 20,036.29	(7)		
		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1671DRWAP00000001	\$ 49,080.11	\$ 0	\$ 49,080.11			
		Indirect Total		\$ 103,464.40	\$ 0	\$ 103,464.40				
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Washington State Military Department	Hazard Mitigation Grant		97.039	1963DRWAP00000000	\$ 331,297.52	\$ 0	\$ 331,297.52			
		Indirect Total		\$ 331,297.52	\$ 0	\$ 331,297.52				
		<hr/>								
		97.039 Total		\$ 331,297.52	\$ 0	\$ 331,297.52				
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Washington State Military Department	Emergency Management Performance Grants		97.042	EMW2014EP000033	\$ 350,021.17	\$ 0	\$ 350,021.17			
		Emergency Management Performance Grants	97.042	EMW2015EP000028	\$ 86,801.73	\$ 0	\$ 86,801.73			
		Indirect Total		\$ 436,822.90	\$ 0	\$ 436,822.90				
		<hr/>								
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Washington State Military Department	Pre-Disaster Mitigation		97.047	EMS-2012-PD-0001	\$ 106,462.62	\$ 0	\$ 106,462.62	(7)		
		Pre-Disaster Mitigation	97.047	EMS-2011-PC-0004	\$ 42,030.95	\$ 0	\$ 42,030.95			
		Indirect Total		\$ 148,493.57	\$ 0	\$ 148,493.57				
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Washington State Military Department			97.047 Total		\$ 148,493.57	\$ 0	\$ 148,493.57			

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
		Port Security Grant Program	97.056	EMW2014PU00400	\$ 1,036,523.84	\$ 0	\$ 1,036,523.84		
			Direct Total		\$ 1,036,523.84	\$ 0	\$ 1,036,523.84		
			97.056 Total		\$ 1,036,523.84	\$ 0	\$ 1,036,523.84		
	Seattle Police Department	Homeland Security Grant Program	97.067	EMW2013SS00025	\$ 451,520.76	\$ 512,648.69	\$ 964,169.45		
	Washington State Military Department	Homeland Security Grant Program	97.067	EMW2014SS00016	\$ 739,561.67	\$ 515,925.60	\$ 1,255,487.27		
			Indirect Total		\$ 1,191,082.43	\$ 1,028,574.29	\$ 2,219,656.72		
			97.067 Total		\$ 1,191,082.43	\$ 1,028,574.29	\$ 2,219,656.72		
		Rail and Transit Security Grant Program	97.075	EMW2015RA00024	\$ 132.67	\$ 0	\$ 132.67		
		Rail and Transit Security Grant Program	97.075	EMW2014RA00015	\$ 258,705.37	\$ 0	\$ 258,705.37		
		Rail and Transit Security Grant Program	97.075	EMW2013RA00066	\$ 5,509.92	\$ 0	\$ 5,509.92		
			Direct Total		\$ 264,347.96	\$ 0	\$ 264,347.96		
			97.075 Total		\$ 264,347.96	\$ 0	\$ 264,347.96		
	Washington State Military Department	Severe Repetitive Loss Program	97.110	EMS-2011-SP-0002	\$ 183,056.32	\$ 0	\$ 183,056.32		(7)
			Indirect Total		\$ 183,056.32	\$ 0	\$ 183,056.32		
			97.110 Total		\$ 183,056.32	\$ 0	\$ 183,056.32		
		Department of Homeland Security			\$ 3,697,729.78	\$ 1,028,574.29	\$ 4,726,304.07		

KING COUNTY, WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	R&D
State Justice Institute									
		Court Clerk Workload Assessment	99.SJI	SJI-15-T-044	\$ 23,234.00	\$ 0	\$ 23,234.00		
		Court Clerk Workload Assessment	99.SJI	SJI-14-N-011	\$ 9,098.50	\$ 0	\$ 9,098.50		
				Direct Total	\$ 32,332.50	\$ 0	\$ 32,332.50		
				99.SJI Total	\$ 32,332.50	\$ 0	\$ 32,332.50		
		State Justice Institute			\$ 32,332.50	\$ 0	\$ 32,332.50		
		Grand Total			\$ 196,786,475.57	\$ 36,195,519.53	\$ 232,981,995.10		

Notes

- (1) Basis of Accounting. The SEFA is prepared on the same basis of accounting as the county's financial statements. The county's financial statements are prepared on a modified accrual or full accrual basis, depending on the type of fund.
- (2) Program Costs. The amounts shown as current year expenditures represent only the federal portion of program costs. The full cost may include state or local funds in addition to the amounts shown.
- (3) Program Income. These programs generate income used to cover expenses. Current year expenditures may include transfers between programs or repayments of float loans.
- (4) Indirect cost rate plans - The County did not elect to use the 10% de minimus rate but instead develops indirect cost rate plans for individual departments and divisions.
- (5) Federal Loan - State Revolving Loan Fund. The amount reported on the Schedule is the amount of loans made during the year.
- (6) Prior year's expenditures are reported in this SEFA. They were not reported on prior year's SEFAs.
- (7) Expenditures are reported on this year's SEFA due to the uncertainty of funding status in the prior year. They were not reported on prior year's SEFAs.
- (8) This note relates to CFDA #93.778 - 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. CMS and HCA approved a reconciliation plan and a new Cost Allocation Plan (CAP) effective April 1, 2015 however, PHSKC has not billed MAC for FY 2015 as the Medicaid Eligibility Rate (MER) nor the Random Moments Time Survey (RMTS) were available during the fiscal year of 2015. A reasonable estimate of expenditures and revenues for 2015 could not be determined.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

King County January 1, 2015 through December 31, 2015

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The information in this schedule is the representation of the King County.

Finding ref number: 2015-001	Finding caption: The County did not have adequate internal controls to ensure compliance with federal equipment management requirements.
Name, address, and telephone of auditee contact person: Cheryl Lee, Chief Accountant Finance Management Section Finance and Business Operations Division 500 Fourth Avenue, Room 653 Seattle, WA 98104 (206) 263-8595	
Corrective action the auditee plans to take in response to the finding: <u>Equipment Tracking</u> <i>From January through September 2016, the County has completed the following actions to enhance and improve the equipment tracking process:</i> <ul style="list-style-type: none"> • <i>Revised internal spreadsheet to include all federally required data elements.</i> • <i>Created and implemented a new form for obtaining information on equipment purchases that includes all federally required data elements.</i> • <i>Enhanced the working relationship with the Financial Accounting Fixed Asset Team (FAFAT).</i> • <i>Updated the internal spreadsheet to allow for recording of disposition of assets and determined fair market value (FMV) on date of disposition.</i> • <i>Completed comparisons of the internal spreadsheet to the County Fixed Asset System (FAS).</i> • <i>Centralized the process of maintaining the internal spreadsheet.</i> • <i>Established internal written policies and procedures for asset management.</i> • <i>Began the process of establishing a photo library of the grant-funded assets.</i> • <i>Revised the contractor/subrecipient reimbursement process.</i> <u>Physical Inventory</u> <i>As the County's lead agency responsible for compliance with equipment management, the Office of Emergency Management has initiated and will complete the following actions related to physical inventory:</i>	

<ul style="list-style-type: none"> • <i>Conduct a physical inventory to reaffirm the baseline of grant-funded assets by end of 2016.</i> • <i>Reconcile results of the physical inventory to the internal spreadsheet and make necessary changes by end of January 31, 2017.</i> • <i>Reconcile results of the physical inventory to the County's FAS and work with the FAFAT and Department of Transportation Fleet teams to make necessary changes by January 31, 2017.</i>
Anticipated date to complete the corrective action: 1Q2017

Finding ref number: 2015-002	Finding caption: The County did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.
Name, address, and telephone of auditee contact person: Cheryl Lee, Chief Accountant Finance Management Section Finance and Business Operations Division 500 Fourth Avenue, Room 653 Seattle, WA 98104 (206) 263-8595	
Corrective action the auditee plans to take in response to the finding: <u>Subrecipient monitoring</u> <i>The County will take the following actions:</i> <ul style="list-style-type: none"> • <i>The County has a fiscal monitoring process in place to review in depth documentation to support subrecipient invoices (this currently involves at least one invoice per contract period). Effective immediately, the County has updated the process to include an additional internal control of inserting another staff member into the review process to reasonably ensure that an adequate review is conducted during the award period.</i> • <i>By October 31, 2016, per the Consolidated Health Centers Grant fiscal monitoring process, the County will complete an in depth documentation review of all subrecipients for the 2015 grant year to have a reasonable assurance that there are no questionable subrecipient costs submitted to the County.</i> 	
Anticipated date to complete the corrective action: 4Q2016	

ABOUT THE STATE AUDITOR'S OFFICE

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

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Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov