OFFICIAL STATEMENT

	RATINGS	
	Moody's:	**Aaa**
	Fitch:	**AAA**
New Issue	**S&P:**	**AAA**
Book-Entry Only	**(See "Other Bond Information—Ratings.")**	

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

$31,230,000

KING COUNTY, WASHINGTON

LIMITED TAX GENERAL OBLIGATION BONDS, 2017, SERIES A (GREEN BONDS)

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

King County, Washington (the "County"), is issuing its Limited Tax General Obligation Bonds, 2017, Series A (Green Bonds) (the "Bonds"), as fully registered bonds. When issued, the Bonds will be registered in the name of Cede & Co., as Bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. The Bonds will be issued initially in book-entry form only in denominations of $5,000 or any integral multiple thereof within a maturity of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest payable semiannually on June 1 and December 1, beginning December 1, 2017, to their maturities or prior redemption. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (currently U.S. Bank National Association) (the "Bond Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar is required to make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to registered owners of the Bonds as described in Appendix G—Book-Entry System.

The Bonds are being issued to provide financing for certain capital projects of the Solid Waste Division of the County and to pay the costs of issuing the Bonds. The County has designated the Bonds as "Green Bonds" due to the intended use of the proceeds. See "Use of Proceeds," Appendix C—Criteria for Eligible Projects Under the King County Green Bond Program, and Appendix D—CICERO 'Second Opinion' on King County Green Bond Framework.

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

The Bonds are general obligations of the County. For so long as any of the Bonds are outstanding, the County irrevocably pledges to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the County on all the taxable property within the County in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The full faith, credit, and resources of the County are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal of and interest on the Bonds.

The Bonds are offered when, as, and if issued, subject to approval of legality by Foster Pepper PLLC, Seattle, Washington, Bond Counsel, and certain other conditions. The form of legal opinion of Bond Counsel is attached as Appendix A. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the County by Hillis Clark Martin & Peterson P.S., as Disclosure Counsel to the County. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, P.C., Seattle, Washington. It is anticipated that the Bonds will be ready for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about June 8, 2017.

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

Dated: May 22, 2017

CITIGROUP

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

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

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

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

Citigroup Global Markets Inc. (the "Underwriter") has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time. The public offering prices or prices corresponding to the yields set forth on page i of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers, unit investment trusts, or money market funds at prices lower than the public offering prices or prices corresponding to the yields set forth on page i of this Official Statement.

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

The website of the County or any County department or agency is not part of this Official Statement, and investors should not rely on information presented on the County's website, or any other website referenced herein, in determining whether to purchase the Bonds. Information appearing on any such website is not incorporated by reference in this Official Statement.

CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the County nor the Underwriter takes responsibility for the accuracy of such CUSIP numbers.

MATURITY SCHEDULE

$31,230,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2017, SERIES A (GREEN BONDS)

SERIAL BONDS

Due June 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
2018	$ 750,000	5.00%	0.840%	104.053	49474FQ C7
2019	790,000	5.00%	0.960%	107.906	49474FQ D5
2020	830,000	5.00%	1.100%	111.404	49474FQ E3
2021	875,000	5.00%	1.220%	114.643	49474FQ F0
2022	920,000	5.00%	1.380%	117.365	49474FQ G8
2023	965,000	5.00%	1.520%	119.822	49474FQ H6
2024	1,015,000	5.00%	1.670%	121.855	49474FQ J2
2025	1,065,000	5.00%	1.850%	123.270	49474FQ K9
2026	1,120,000	5.00%	2.010%	124.455	49474FQ L7
2027	1,180,000	5.00%	2.110%	125.886	49474FQ M5
2028	1,240,000	5.00%	2.230%	124.662 (1)	49474FQ N3
2029	1,305,000	5.00%	2.350%	123.453 (1)	49474FQ P8
2030	1,370,000	5.00%	2.460%	122.356 (1)	49474FQ Q6
2031	1,440,000	5.00%	2.560%	121.369 (1)	49474FQ R4
2032	1,515,000	5.00%	2.630%	120.684 (1)	49474FQ S2
2033	1,590,000	5.00%	2.700%	120.004 (1)	49474FQ T0
2034	1,670,000	5.00%	2.760%	119.424 (1)	49474FQ U7
2035	1,750,000	4.00%	3.170%	107.053 (1)	49474FQ V5
2036	1,820,000	4.00%	3.210%	106.700 (1)	49474FQ W3
2037	1,895,000	4.00%	3.250%	106.348 (1)	49474FQ X1
2038	1,970,000	4.00%	3.280%	106.085 (1)	49474FQ Y9

TERM OBLIGATIONS

Due June 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
2040	$ 4,155,000	3.25%	3.490%	96.227	49474FQ Z6

(1) Priced to the June 1, 2027, par call date.

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KING COUNTY, WASHINGTON
500 FOURTH AVENUE
SEATTLE, WASHINGTON 98104

KING COUNTY EXECUTIVE

Dow Constantine

METROPOLITAN KING COUNTY COUNCIL

Joe McDermott	Chair
Rod Dembowski	Vice Chair
Reagan Dunn	Vice Chair
Claudia Balducci	Councilmember
Larry Gossett	Councilmember
Jeanne Kohl-Welles	Councilmember
Kathy Lambert	Councilmember
Dave Upthegrove	Councilmember
Pete von Reichbauer	Councilmember

OTHER ELECTED OFFICIALS

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

DIRECTOR OF FINANCE AND BUSINESS OPERATIONS DIVISION
DEPARTMENT OF EXECUTIVE SERVICES

Ken Guy

ACTING CLERK OF THE METROPOLITAN KING COUNTY COUNCIL

Melani Pedroza

BOND COUNSEL

Foster Pepper PLLC

DISCLOSURE COUNSEL

Hillis Clark Martin & Peterson P.S.

FINANCIAL ADVISOR TO THE COUNTY

Piper Jaffray & Co.

BOND REGISTRAR

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

OFFICIAL STATEMENT

$31,230,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2017, SERIES A (GREEN BONDS)

INTRODUCTION

This Official Statement contains certain information concerning the issuance by King County, Washington (the "County"), of $31,230,000 aggregate principal amount of its Limited Tax General Obligation Bonds, 2017, Series A (Green Bonds) (the "Bonds").

The Bonds are issued under and in accordance with the provisions of chapters 36.67 and 39.46 of the Revised Code of Washington ("RCW") and the County Charter, and are authorized under the provisions of County Ordinance 18089, passed on July 27, 2015 (the "Bond Ordinance"), and Motion 14868 of the Metropolitan King County Council (the "County Council") passed on May 22, 2017 (the "Sale Motion"). The Sale Motion and the Bond Ordinance are referred to together as the "Bond Legislation."

The County has designated the Bonds as "Green Bonds" due to the intended use of the proceeds. This designation is intended to allow investors the opportunity to invest directly in bonds that finance environmentally-beneficial projects. The term "Green Bonds" is used herein for identification purposes and is not intended to provide or imply that the holders of the Bonds are entitled to any additional terms or security to those provided in the Bond Legislation. See "Use of Proceeds," Appendix C— Criteria for Eligible Projects Under the King County Green Bond Program, and Appendix D—CICERO 'Second Opinion' on King County Green Bond Framework.

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

THE BONDS

Description

The Bonds will be dated and bear interest from the date of their initial delivery, will be fully registered as to both principal and interest, and will be in the denomination of $5,000 or any integral multiple thereof within a single maturity of the Bonds. The Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee of the initial Securities Depository, The Depository Trust Company, New York, New York ("DTC"). See "Book-Entry System."

The Bonds will bear interest at the rates set forth on page i of this Official Statement, payable semiannually on each June 1 and December 1, beginning December 1, 2017, to their maturities or prior redemption. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature on the dates and in the years and amounts set forth on page i of this Official Statement.

Payment of the Bonds

The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (the "State") (currently U.S. Bank National Association) (the "Bond Registrar"). Principal of and interest on each Bond registered in the name of DTC or its nominee are payable in the manner set forth in the Letter of Representations between the County and DTC. DTC is obligated to remit such principal and interest to DTC participants for subsequent disbursement to the owners of beneficial interests in the Bonds ("Beneficial Owners"), as further described herein in Appendix G—Book-Entry System.

Interest on each Bond not registered in the name of DTC or its nominee is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the registered owner at the address appearing on the Bond Register on the close of business on the 15th day of the month preceding an interest payment date (the "Record Date"). However, the County is not required to make electronic transfers except pursuant to a request by a registered owner in writing received on or prior to the Record Date and at the sole expense of the registered owner. Principal of each Bond not registered in the name of DTC or its nominee is payable upon presentation and surrender of the Bond by the registered owner to the Bond Registrar.

If the principal or redemption price of any Bond is not paid when that Bond is properly presented at its maturity or date fixed for redemption, the County will be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until the Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the County's Limited Tax General Obligation Bond Redemption Fund (the "Bond Fund") and the Bond has been called for payment by giving notice of that call to the registered owner of the Bond.

Redemption of the Bonds

Optional Redemption. The County reserves the right to redeem outstanding Bonds maturing on or after June 1, 2028, in whole or in part, at any time on or after June 1, 2027, at the price of par plus accrued interest, if any, to the date fixed for redemption.

Mandatory Sinking Fund Redemption of Term Obligations. The County will redeem the Bonds maturing on June 1, 2040 (the "Term Obligations"), if not redeemed as described above or purchased as described below, randomly (or in such manner as the Bond Registrar determines), at par plus accrued interest, on June 1 in the years and amounts as follows:

TERM OBLIGATIONS

Years	Amounts
2039	$ 2,045,000
2040(1)	2,110,000

(1) Maturity.

If the County redeems Term Obligations under the optional redemption provisions described above or purchases or defeases Term Obligations, the Term Obligations so redeemed, purchased, or defeased (irrespective of their redemption or purchase prices) will be credited against one or more scheduled mandatory redemption amounts for those Term Obligations. The County will determine the manner in which the credit is to be allocated.

Selection of Bonds for Redemption. Whenever less than all of the Bonds of a single maturity are to be redeemed, DTC will select the Bonds registered in the name of DTC or its nominee to be redeemed in accordance with the Letter of Representations, and the Bond Registrar will select all other Bonds to be redeemed randomly, or in such other manner as the Bond Registrar determines. Portions of the principal amount of any Bond, in integral amounts of $5,000, may be redeemed.

Notice of Redemption. Notice of redemption of each Bond registered in the name of DTC or its nominee will be given in accordance with the Letter of Representations. See "—Book-Entry System" and Appendix G. Notice of redemption of each other Bond will be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner at the address appearing on the Bond Register on the Record Date. The notice requirements of the Bond Legislation will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the registered owner or Beneficial Owner of any Bond.

Rescission of Redemption. In the case of an optional redemption, the notice of redemption may state that the County retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected registered owners at any time on or prior to the date fixed for redemption. Any notice of optional redemption that is so rescinded will be of no effect, and each Bond for which a notice of optional redemption has been rescinded will remain outstanding.

Effect of Notice of Redemption. Interest on each Bond called for redemption will cease to accrue on the date fixed for redemption, unless either the notice of optional redemption has been rescinded or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

Purchase of Bonds

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

Book-Entry System

Book-Entry Bonds. DTC will act as initial securities depository for the Bonds. Individual purchases may be made in book-entry form only, and purchasers will not receive certificates representing their interest in the Bonds purchased. The ownership of one fully registered Bond in the aggregate principal amount of each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the registered owner of the Bonds, references herein to the registered owners or Bond owners will mean Cede & Co. and will not mean the Beneficial Owners. Neither the County nor the Bond Registrar will have any obligation to DTC participants or the persons for whom they act as nominees regarding accuracy of any records maintained by DTC or DTC participants. Neither the County nor the Bond Registrar will be responsible for any notice that is permitted or required to be given to a registered owner except such notice as is required to be given by the Bond Registrar to DTC. See Appendix G for additional information.

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

Termination of Book-Entry System. If DTC or its successor (or a substitute depository or its successor) resigns and the County does not appoint a substitute securities depository, or if the County terminates the services of DTC or its successor (or a substitute depository or its successor), the Bonds no longer will be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in the Bond Legislation.

Refunding or Defeasance of Bonds

The County may issue refunding obligations pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (i) paying when due the principal of and interest on any or all of the Bonds (the "Defeased Bonds"), (ii) redeeming the Defeased Bonds prior to their maturity, and (iii) paying the costs of the refunding or defeasance.

If the County sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "Trust Account") money and/or Government Obligations (defined below) maturing at a time or times and bearing interest in amounts sufficient to redeem, refund, or defease the Defeased Bonds in accordance with their terms, then all right and interest of the Owners of the Defeased Bonds in the covenants of the Bond Legislation and in the funds and accounts obligated to the payment of the Defeased Bonds will cease and become void. Thereafter, the registered owners of Defeased Bonds will have the right to receive payment of the principal of and interest on the Defeased Bonds solely from the Trust Account and the Defeased Bonds will be deemed no longer outstanding. In that event, the County may apply money remaining in any fund or account (other than the Trust Account) established for the payment or redemption of the Defeased Bonds to any lawful purpose.

"Government Obligations" is defined in the Sale Motion to mean direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

USE OF PROCEEDS

Purpose

The Bonds are being issued to provide financing for certain capital projects of the Solid Waste Division of the County and to pay the costs of issuing the Bonds.

Green Bond Designation

The County Council has adopted the County's Strategic Climate Action Plan (the "SCAP"), which outlines specific targets to reduce greenhouse gas emissions within the County and addresses additional actions to mitigate the impacts of climate change within the County. The SCAP was first adopted by the County Council in 2012 and was last updated in 2015. A copy of the SCAP is available on the County's website at

http://www.kingcounty.gov/services/environment/climate/strategies/strategic-climate-action-plan.aspx

To support the SCAP, the County, under the leadership of the Department of Natural Resources and Parks ("DNRP"), has developed the King County Green Bond Program (the "Green Bond Program") to identify and designate capital projects that have environmental benefits and/or capital projects that assist the County in mitigating or adapting to the effects of climate change ("Eligible Projects"). Under the Green Bond Program, potential projects are nominated by the various departments that oversee capital improvements and investment within the County. From the pool of nominated projects, an informal Green Bond Governance Committee ("GBGC") screens and recommends projects as Eligible Projects under the Green Bond Program. The GBGC is formed on an ad hoc basis from a selection of County government representatives with expertise to support the assessment of the Eligible Project and the lead environmental staff assigned to the SCAP. The environmental staff holds veto power in the nomination process to ensure that the project to be designated as an Eligible Project under the Green Bond Program meets the expected standards. The standards to be used by the County to designate projects as Eligible Projects under the Green Bond Program are set forth in Appendix C—Criteria for Eligible Projects Under the King County Green Bond Program.

The DNRP, on behalf of the County, has retained CICERO Center for International Climate and Environmental Research ("CICERO"), a not-for-profit research institute based in Norway, to provide independent second-party review and analysis of the Green Bond Program and the standards for Eligible Projects. CICERO's second opinion is attached hereto as Appendix D—CICERO 'Second Opinion' on King County Green Bond Framework.

The County has designated the Bonds as "Green Bonds" based on the planned use of the proceeds of the Bonds to finance Eligible Projects under the Green Bond Program. Proceeds of the Bonds will be used to finance in whole or in part the capital costs of Eligible Projects of the Solid Waste Division of the County under the project categories "Energy-Efficient New Buildings and Upgrades" and "Water" listed in Appendix C—Criteria for Eligible Projects Under the King County Green Bond Program. Specifically, the County intends to use proceeds of the Bonds to pay all or a portion of the capital costs of the development and construction of three transfer stations built to green-build standards and the undertaking of environmental remediation and habitat restoration to remove a dock from one of the County's transfer stations and to restore the sites of closed landfills.

DNRP, on behalf of the County, will prepare an annual report (the "Green Bond Report") to provide information on the allocation of Green Bond proceeds to Eligible Projects and information on the environmental and sustainability results of the Eligible Projects. The County will make the Green Bond Report available approximately 180 days after the end of each calendar year on its website.

Sources and Uses of Funds

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

SOURCES OF FUNDS	
Par Amount of Bonds	$ 31,230,000
Net Reoffering Premium	4,226,116
Total Sources of Funds	$ 35,456,116
USES OF FUNDS	
Project Fund Deposit	$ 35,200,000
Costs of Issuance(1)	256,116
Total Uses of Funds	$ 35,456,116

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the County. For so long as any of the Bonds are outstanding, the County irrevocably pledges to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the County on all the taxable property within the County in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The full faith, credit, and resources of the County are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal of and interest.

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

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

Remedies Upon Failure to Pay Bonds

If the principal or redemption price of any Bond is not paid when that Bond is properly presented at its maturity or date fixed for redemption, the County will be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until the Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the Registered Owner thereof.

KING COUNTY

General

As a general purpose government, the County provides roads, solid waste disposal, flood control, certain airport facilities, public health and other human services, park and recreation facilities, courts, law enforcement, agricultural services, property tax assessment and collection, fire inspection, planning, zoning, animal control, and criminal detention and rehabilitative services. In addition, with its assumption of the Municipality of Metropolitan Seattle in 1994, the County provides transit and wastewater treatment services (collectively, the "metropolitan functions").

Certain of these services are provided on a County-wide basis and certain others only to unincorporated areas or by intergovernmental contract.

Organization of the County

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

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

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

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

County's Budget Process

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

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

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

Finance and Business Operations Division

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

Auditing

Legal compliance and fiscal audits of all County agencies are conducted by examiners from the State Auditor's office. The County is audited annually. The most recent State Auditor's Report is for the year ended December 31, 2015, and is incorporated into the County's Comprehensive Annual Financial Report ("CAFR") for 2015.

The County's 2015 CAFR in its entirety may be accessed on the internet at the following link:

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

or obtained from the Financial Management Section at the King County Finance and Business Operations Division, 500 Fourth Avenue, Room 600, Seattle, Washington 98104. See Appendix B—Excerpts from King County's 2015 Comprehensive Annual Financial Report.

County Fund Accounting

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

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

Major Governmental Fund Revenue Sources

The County's two major revenue sources for general County purposes are taxes and intergovernmental revenues. The General, Special Revenue, and Debt Service Funds received approximately 95% of taxes and 96% of intergovernmental revenues in 2016. Taxes and intergovernmental revenues provided approximately 59% of the total revenue in the governmental funds of the County in 2016. Additional sources of revenue are licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues.

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

TAXES COLLECTED
AS OF DECEMBER 31
($000)

Source	2012	2013	2014	2015	2016(4)
Real and Personal Property Tax(1)	$ 555,994	$ 582,478	$ 679,300	$ 641,916	$ 752,462
Retail Sales and Use Tax(2)	137,176	147,129	160,635	175,419	191,716
Penalty and Interest on Property Taxes	21,476	20,867	20,993	20,036	17,563
Hotel/Motel Tax(3)	21,268	20,244	23,237	22,843	3,287
Real Estate Excise tax	8,004	11,059	10,924	14,602	14,863
E-911 Excise Tax	23,316	23,515	22,440	21,396	21,430
Other Taxes	14,677	15,003	16,115	20,000	20,559
Total	$ 781,911	$ 820,295	$ 933,644	$ 916,212	$ 1,021,880

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

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

(3) See "Hotel/Motel Tax" below.

(4) Preliminary; unaudited.

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

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

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

As of December 31, 2016, a sales and use tax of 9.5% was charged on all gross retail sales in the County within the boundaries of the Central Puget Sound Regional Transit Authority ("Sound Transit") and 8.6% outside its boundaries (excluding food products for off-premise consumption and certain other exempt items described below). The resulting tax revenues are allocated 6.5% to the State, 0.9% to the County to support public transit, 0.15% to the County and 0.85% to a city or town if the area is incorporated or 1% to the County in unincorporated areas, 0.1% to cities within the County and to the County for criminal justice purposes, 0.1% to the County for the purpose of providing new or expanded chemical dependency or mental health treatment services and for the operation of new or expanded therapeutic court programs, and 0.9% collected within the boundaries of Sound Transit to fund Sound Transit. Effective April 1, 2017, the rate collected within the boundaries of Sound Transit to fund Sound Transit was increased to 1.4%, bringing the total rate for gross retail sales in the County and within the boundaries of Sound Transit to 10.0%. On May 1, 2017, the County Council approved the placement of a sales tax proposal on the August 2017 ballot. If it passes, this ballot measure would increase sales tax by 0.1% and revenues would be allocated to arts, science, and heritage programs.

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

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

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

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

From January 1, 2013, through December 31, 2015, all such taxes collected were used to retire the debt on the County's former multi-purpose sports stadium and subsequently distributed into an account dedicated to arts, culture, and heritage programs. From January 1, 2016, through December 31, 2020, all such taxes are retained by the State and used primarily to pay the debt service on bonds issued by the State to finance its football stadium and exhibition hall. On and after January 1, 2021, all such taxes are to be distributed to the

County and used for arts, culture, and heritage programs, affordable workforce housing within one-half mile of a transit station, services for homeless youth, projects to promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities, and tourism promotion.

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

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

OTHER TAXES. Other taxes include an automobile rental sales and use tax, business taxes, a leasehold excise tax, a timber harvest tax, gambling taxes, and, until 2014, certain public facilities district taxes.

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

VARIOUS INTERGOVERNMENTAL REVENUES
AS OF DECEMBER 31
($000)

Source	2012	2013	2014	2015	2016(2)
Grants	$ 205,690	$ 161,851	$ 146,453	$ 135,870	$ 146,873
Revenue Sharing	12,065	10,753	12,703	13,604	13,801
Gas Tax	13,098	12,989	12,838	12,792	13,542
Liquor Tax and Profits	1,664	1,088	1,169	1,261	1,466
Intergovernmental Payments(1)	360,674	369,344	463,739	233,702	238,501
Other Intergovernmental Revenues	10,737	10,363	10,580	11,213	10,270
Total	$ 603,928	$ 566,388	$ 647,482	$ 408,442	$ 424,453

(1) As of 2015, intergovernmental revenues that are not grants are reported as charges for services.

(2) Preliminary; unaudited.

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

GRANTS. In 2016, operating, health, public employment, and capital improvement grants from the federal government, either directly or indirectly through the State or local governmental agencies, contributed an estimated $94.5 million in federal grant revenues to the County. This comprised 64.4% of total 2016 grant revenue received by the County. See "Other Considerations—Sanctuary Jurisdiction Impact." The remaining 35.6% of estimated grant revenue was from the State.

The following table lists by source and function the various grants received by the County for the years ended December 31, 2015 and 2016.

2015 AND 2016 GRANT REVENUE
BY SOURCE AND FUNCTION
($000)

	2015		2016(1)	
	Actual	Item as a Percent of Total Actual	Actual	Item as a Percent of Total Actual
Federal				
General Government Services	$ -	0.0%	$ -	0.0%
Law, Safety and Justice	13,156	9.7%	13,978	9.5%
Physical Environment	2,861	2.1%	1,326	0.9%
Transportation	2,556	1.9%	4,446	3.0%
Economic Environment	21,500	15.8%	22,256	15.2%
Mental and Physical Health	39,579	29.1%	52,510	35.8%
Culture and Recreation	-	0.0%	-	0.0%
Total Federal	$ 79,652	58.6%	$ 94,516	64.4%
State:				
General Government Services	$ -	0.0%	$ 112	0.1%
Law, Safety and Justice	7,165	5.3%	6,235	4.2%
Physical Environment	8,164	6.0%	5,757	3.9%
Transportation	5,049	3.7%	3,329	2.3%
Economic Environment	16,719	12.3%	15,787	10.7%
Mental and Physical Health	19,121	14.1%	20,231	13.8%
Culture and Recreation	-	0.0%	906	0.6%
Total State	$ 56,218	41.4%	$ 52,357	35.6%
Total Grants	$ 135,870	100.0%	$ 146,873	100.0%

(1) Preliminary; unaudited.

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

REVENUE SHARING. In 1999, passage of Initiative 695 and the subsequent repeal of the Motor Vehicle Excise Tax by the State Legislature in 2000 eliminated a dedicated funding source for public health. As backfill, the State Legislature began allocating State General Fund revenues to local health jurisdictions in support of their responsibilities under the Health Reform Act of 1993. In 2016, this legislative allocation generated $12.7 million in revenues for public health purposes in the County.

GAS TAX. Counties are entitled to 19.2287% of 44.5 cents (January 1 through June 30, 2016) or 49.4 cents (July 1 through December 31, 2016, and thereafter) of the State motor vehicle fuel tax collected by the State, less amounts for State supervision and studies and amounts withheld for the County Road Administration Board (RCW 46.68.090(2)(h)). The motor vehicle fuel tax is allocated to counties by the County Road Administration Board according to a formula based on population, needs, and financial resources. The County received 8.2808% of the tax distributed to counties in 2016.

In addition, the County Road Administration Board program allocates funds to the County for the construction of arterial streets in urban areas. The State's County Arterial Preservation Program receives 1.9565% of 44.5 cents (January 1 through June 30, 2016) or 49.4 cents (July 1 through December 31, 2016, and thereafter) of the State motor vehicle fuel tax (RCW 46.68.090(2)(i)). The County received 3.682% of these funds in 2016, based on the County's share of State-wide arterial preservation funds.

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

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

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

INTERGOVERNMENTAL PAYMENTS. These are payments made to one unit of government for performing a service that is a statutory responsibility of another unit of government. In 2016, approximately 75 percent of these payments were related to the County's provision of mental health, public health, law enforcement, jail, and flood control services.

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

Operating Deficits

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

Financial Results

The following tables provide a comparative balance sheet and comparative statement of revenues, expenditures, and changes in fund balance for the County's General Fund and a comparative statement of revenues, expenditures, and changes in fund balance for the governmental funds (General, Special Revenue, and Debt Service) (notes for that statement are on the succeeding page). Audited results for 2011 through 2015 are provided in the tables; the 2016 audit is expected to be completed by the end of June 2017.

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

	2011	2012	2013	2014	2015
ASSETS					
Cash and cash equivalents	$ 90,164	$ 106,168	$ 87,093	$ 71,558	$ 59,475
Taxes receivable - delinquent	7,192	7,264	7,652	7,716	7,686
Accounts receivable	83,690	80,328	81,750	85,476	68,647
Estimated uncollectible accounts receivable	(71,924)	(66,973)	(68,035)	(71,194)	(59,283)
Interest receivable	9,885	9,003	7,453	6,817	8,872
Due from other funds	6,835	2,610	8,232	92	790
Interfund short-term loans receivable	3,978	6,194	-	-	-
Due from other governments	43,198	44,677	45,341	34,828	49,562
Estimated uncollectible due from other governments	(320)	(285)	(187)	(297)	(10)
Advances to other funds	3,800	3,800	300	300	300
TOTAL ASSETS	$ 176,498	$ 192,786	$ 169,599	$ 135,296	$ 136,039
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable	$ 2,810	$ 4,304	$ 3,377	$ 3,806	$ 6,967
Due to other funds	5,097	9,300	6,629	2,407	1,554
Due to other governments	936	621	-	513	-
Wages payable	14,915	20,613	24,620	14,471	16,194
Taxes payable	19	204	189	179	108
Unearned revenues	8,343	6	3,411	1,724	970
Custodial accounts	2,418	2,934	1,886	1,021	51
Total Liabilities	$ 34,538	$ 37,982	$ 40,112	$ 24,121	$ 25,844
Deferred Inflows of Resources(1)					
Unavailable revenue	$ 7,192	$ 15,160	$ 15,117	$ 7,967	$ 7,566
Fund balance					
Nonspendable	$ 3,800	$ 3,800	$ 300	$ 300	$ 300
Restricted	3,309	2,702	2,506	2,803	1,781
Committed	23,694	21,761	24,982	20,212	20,310
Assigned	7,420	8,827	8,264	8,151	12,125
Unassigned	96,545	102,554	78,318	71,742	68,113
Total Fund Balance (2)(3)	$ 134,768	$ 139,644	$ 114,370	$ 103,208	$ 102,629
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 176,498	$ 192,786	$ 169,599	$ 135,296	$ 136,039

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

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

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

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

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(Years Ended December 31) ($000)

	2011	2012	2013	2014	2015
REVENUES					
Property taxes	$ 276,387	$ 282,775	$ 311,500	$ 319,188	$ 326,774
Penalties and interest-delinquent taxes	21,889	21,476	20,869	20,993	20,036
Sales, excise, and other taxes	95,504	97,551	104,291	112,333	128,979
Licenses and permits	4,563	4,418	4,741	4,753	4,971
Federal grants	9,393	9,311	8,287	9,028	8,803
State grants	2,078	3,273	2,531	2,326	2,590
Entitlements and shared revenues	10,789	11,148	10,109	10,422	11,439
Intergovernmental services	81,910	77,619	82,718	96,716	102,076
Charges for services	117,591	114,226	114,208	113,553	127,146
Fines and forfeits	8,169	8,262	7,233	5,922	6,906
Interest earnings	2,444	3,612	1,458	1,632	1,696
Rents and royalties	12,117	15,103	3,045	7,490	8,252
Other miscellaneous revenues	2,420	2,443	13,668	4,653	3,049
TOTAL REVENUES	$ 645,254	$ 651,217	$ 684,658	$ 709,009	$ 752,717
EXPENDITURES					
Current					
Personal services	$ 410,613	$ 429,240	$ 460,039	$ 491,145	$ 513,910
Supplies	14,317	13,021	14,189	14,619	13,601
Contract services and other charges	62,825	68,605	53,504	40,186	41,640
Contributions	2,192	2,786	2,733	2,901	3,217
Interfund service support	76,295	82,217	89,794	99,114	106,630
Debt service	-	-	17	44	64
Capital outlay	756	1,149	1,452	1,895	1,792
TOTAL EXPENDITURES	$ 566,998	$ 597,018	$ 621,728	$ 649,904	$ 680,854
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 78,256	$ 54,199	$ 62,930	$ 59,105	$ 71,863
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	$ 10,300	$ 93	$ 62	$ 156	$ 81
Transfers in	936	238	5,328	118	261
Transfers out	(58,897)	(49,654)	(93,594)	(71,991)	(72,784)
TOTAL OTHER FINANCING SOURCES (USES)	$ (47,661)	$ (49,323)	$ (88,204)	$ (71,717)	$ (72,442)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 30,595	$ 4,876	$ (25,274)	$ (12,612)	$ (579)
FUND BALANCE - JANUARY 1 (Restated) (1)(2)(3)	104,173	134,768	139,644	115,820	103,208
FUND BALANCE - DECEMBER 31(1)(3)	$ 134,768	$ 139,644	$ 114,370	$ 103,208	$ 102,629

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

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

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

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

GENERAL GOVERNMENT FUNDS

COMBINED COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE [1]

(Years Ended December 31) ($000)

	2011	2012	2013	2014	2015
REVENUES					
Taxes	$ 821,816	$ 801,565	$ 841,050	$ 867,250	$ 925,205
Licenses and permits	26,818	21,652	22,155	23,633	24,564
Intergovernmental revenues	532,614	558,623	548,620	627,173	388,549
Charges for services	243,599	242,491	264,907	269,959	517,048
Fines and forfeits	8,635	8,499	7,376	6,357	7,334
Interest earnings	5,299	6,006	3,170	4,358	4,127
Miscellaneous revenues	55,884	86,084	77,618	67,924	73,912
TOTAL REVENUES	$ 1,694,665	$ 1,724,920	$ 1,764,896	$ 1,866,654	$ 1,940,739
EXPENDITURES					
Current					
General government services [2]	$ 135,970	$ 182,699	$ 176,679	$ 180,300	$ 245,177
Law, safety and justice [3]	553,127	570,772	590,415	618,175	641,962
Physical environment [4]	90,412	94,807	116,434	184,211	156,615
Transportation [5]	95,854	70,749	61,287	80,573	67,189
Economic environment [6]	111,682	103,475	97,806	101,865	102,918
Mental and physical health [7]	467,409	481,745	490,932	521,960	522,650
Culture and recreation [8]	46,212	50,165	42,418	42,774	46,255
Total Current	$ 1,500,666	$ 1,554,412	$ 1,575,971	$ 1,729,858	$ 1,782,766
Debt Service [9]					
Redemption of long-term debt	$ 50,772	$ 56,913	$ 70,686	$ 71,998	$ 64,407
Interest and other debt service costs	30,333	27,121	32,713	31,429	29,042
Payment to escrow agent	41,722	-	-	260	19,467
Total Debt Service	$ 122,827	$ 84,034	$ 103,399	$ 103,687	$ 112,916
Capital Outlay [10]	17,546	27,638	40,046	12,857	17,514
TOTAL EXPENDITURES	$ 1,641,039	$ 1,666,084	$ 1,719,416	$ 1,846,402	$ 1,913,196
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 53,626	$ 58,836	$ 45,480	$ 20,252	$ 27,543
OTHER FINANCING SOURCES (USES)					
General obligation bonds issued	$ 24,710	$ 3,010	$ (99,593)	$ 12,160	$ -
Refunding bonds issued	25,700	256,615	92,940	34,815	198,290
Premium on bonds sold	3,516	41,294	7,261	5,971	29,888
Sale of capital assets	10,835	543	4,500	1,144	1,751
Transfers in	87,310	85,393	125,404	111,746	119,586
Transfers out	(128,310)	(119,620)	(171,135)	(142,594)	(173,270)
Payment to refunded bond escrow agent	(28,242)	(296,322)	-	(38,958)	(227,200)
TOTAL OTHER FINANCING SOURCES (USES)	$ (4,481)	$ (29,087)	$ (40,623)	$ (15,716)	$ (50,955)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 49,145	$ 29,749	$ 4,857	$ 4,536	$ (23,412)
SPECIAL ITEM [11]	-	-	-	-	(12,756)
FUND BALANCE - JANUARY 1 - RESTATED [12, 13, 14, 15]	490,776	516,301	546,046	528,973	540,915
FUND BALANCE - DECEMBER 31	$ 539,921	$ 546,050	$ 550,903	$ 533,509	$ 504,747

NOTES TO TABLE:

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

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

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

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

(5) Road construction and maintenance and traffic planning.

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

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

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

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

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

(11) 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 Bonds ("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 the PFD Bonds were paid off in 2012.

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

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

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

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

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

Management Discussion of Financial Results

Revenues and Economic Conditions. The Puget Sound area's economy has fully recovered from the Great Recession. As of February 2017, the unemployment rate was 3.3% in the County, compared with 4.9% for the State and 4.7% for the nation. The region's relatively better performance was driven by the strength of major industry sectors, including software and health services as well as construction.

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

Annexations and Incorporations. Cities that aid the efforts of certain counties, including the County, to move all urban unincorporated residents into cities by annexing areas with more than 10,000 residents are eligible for a sales tax credit (which would otherwise be payable to the State). This credit, which is equivalent to a sales tax rate of 0.1%, is applied in both the newly annexed area and within the prior city boundaries. Annexations of more than 20,000 residents are eligible for a credit of 0.2%. The credit is available for a period of ten years, although the date by which annexation proceedings must have commenced was January 1, 2015. Only the possible annexation of the North Highline area, comprised of approximately 19,000 residents, to the City of Seattle meets this requirement.

Other provisions in the legislation give incentives to cities to annex additional areas, even if they are already receiving a sales tax credit for a previous annexation.

At the April 28, 2015, election, residents of the Klahanie neighborhood approved annexation to the City of Sammamish by an 85.02% "yes" vote. This annexation covers approximately 10,800 residents and became effective on January 1, 2016.

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

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

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

The County's fiscal policies provide that the undesignated balance for the General Fund be maintained between 6% and 8% of estimated annual revenues. This fund balance has been maintained above 6% each year without exception over the last two decades. The 2012 Adopted Budget increased the targeted undesignated fund balance from 6% (as it had been for several years) to 6.5%. The 2017/2018 Adopted Budget further increases this target to 8%, which is the high end of the policy. This undesignated fund balance is available to mitigate future risks and stabilize the General Fund.

The County also continues to maintain a separate balance in the Rainy Day Reserve Fund, which was first established outside of the General Fund in 2008. Use of this fund requires a declaration of emergency by the County Council. The County Executive increased this reserve from $16.1 million to $20.0 million in the 2013 Adopted Budget. At the end of 2016, the Rainy Day Reserve Fund, which is now a sub-fund of the General Fund, held $20.4 million.

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

2015/2016 Preliminary Results

The financial performance of the General Fund for the 2015/2016 biennium did not vary significantly from the assumptions in the 2015/2016 Adopted Budget. For the 2015/2016 biennium, General Fund revenues ended higher than budgeted due to the strength of County sales tax collections and other revenues sensitive to the economy. However, some of the higher revenues were used to offset supplemental activity, which was in line with historical trends. No major unplanned expenditures emerged in the 2015/2016 budget that drew down fund balance.

The preliminary year-end 2016 total fund balance in the General Fund is $96.5 million. Within this total, the year-end 2016 undesignated fund balance is 8.0%, which exceeds the 6.5% target planned in the 2015/2016 Adopted Budget.

In the April 28, 2015, special election, County voters approved a nine-year property tax levy lid lift for the Puget Sound Emergency Radio Network. This levy will fund replacement of the 800 MHz emergency communications system throughout the County. The proposition passed with 65% of the vote.

At the November 3, 2015, general election, County voters approved Best Starts for Kids ("BSK"), which funds prevention and early intervention programs that improve the well-being of children, youth, families, and communities through an increase in the regular property tax levy. This proposition passed with 56% of the vote and authorized taxes to be levied for six years beginning in 2016 to fund the program.

2017/2018 Adopted Budget

The County Executive submitted his 2017-2018 Proposed Budget to the County Council on September 26, 2016, and the budget was adopted by the County Council on November 14, 2016. This is the second County-wide biennial budget. The 2017/2018 Adopted Budget totals $11.4 billion, including $1.65 billion for the General Fund. The County Executive followed four principles in developing the 2017/2018 Proposed Budget: (i) invest for the long term, (ii) continue to strengthen financial management, (iii) improve County operations, and (iv focus on employee engagement.

Within the area of long-term planning and investment, the 2017/2018 Adopted Budget includes the first full biennial budget for BSK. The Transit budget reflects the direction of the new long-range plan (METRO CONNECTS) with significant proposed investments to expand transit bases, implement new technology, and enhance current infrastructure. The 2017/2018 Adopted Budget also significantly increases the contribution to major maintenance of County buildings.

The 2017/2018 Adopted Budget builds on several years of work to improve County operations. The Office of Risk Management has worked to reduce risk and better manage claims and, as a result, risk management charges are $20 million lower in 2017-2018 than in the prior biennium. Similarly, the County has reduced workers compensation charges by $1 million through improved workplace safety and by getting employees to promptly return to work when able. Through the continued deployment of Lean Management techniques, significant process improvements have been made in many agencies, including faster license and permitting processing, savings in jail health services, reduced parts inventories, faster billing, and shorter procurement timelines.

The 2017/2018 Adopted Budget for the General Fund includes $1.65 billion in estimated expenditures and $1.65 billion in revenues and transfers. The forecasted 2017-2018 year-end fund balance in the General Fund is $117 million, including the Rainy Day Reserve Fund. The General Fund was balanced through a combination of enhanced and expanded revenue streams, operational efficiencies, lower internal service rates, cost shifts to other funding sources, and service reductions where necessary. The 2017/2018 Adopted Budget continues the trend of finding annual efficiencies and the deployment of the Lean Management methodology throughout County government. In addition, the County has expanded its use of Line of Business planning and will continue this discipline in the 2017/2018 biennium. The 2017/2018 Adopted Budget invests in the replacement of major technology systems in the Department of Adult and Juvenile Detention, Department of Elections, Metro Transit, and the Department of Assessments. The 2017/2018 Adopted Budget also includes funding to expand the Office of Equity and Social Justice, which will continue to work to make sure that all individuals and communities are treated equitably in County programs, and for the Human Resources Division, to improve employee engagement.

Future General Obligation Financing Plans

The County expects to issue up to $225 million of limited tax general obligation bonds during the remainder of the 2017-2018 biennium to support land acquisitions for the Transit Division, technology investments, energy efficiency projects, building rehabilitations, and youth and amateur sports facilities.

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

Debt Repayment Record

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

King County Investment Pool

The Investment Pool invests cash reserves for all County agencies and approximately 100 other public entities such as fire, school, sewer, and water districts. It is one of the largest investment pools in the State, with an average asset balance of more than $5.7 billion during 2016. Assets of County agencies in 2016 comprised between 40% and 45% of the Investment Pool.

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

The County has commissioned an outside financial consultant, Public Financial Management ("PFM"), to conduct quarterly reviews of all assets in the Investment Pool. In its most recent assessment, as of March 31, 2017, PFM concluded that "the County's Investment Pool appears to provide ample liquidity, is well diversified, and is of sound credit quality." The most recent portfolio review can be obtained at the following website:

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

County Employees

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

COUNTY EMPLOYEES

Year	Full-time	Part-time
2012	13,293	828
2013	13,540	894
2014	13,319	866
2015	13,614	929
2016	13,821	883

Source: King County Finance and Business Operations Division—Benefits, Payroll, and Retirement Operations Section

The County's Office of Labor Relations negotiates, implements, and administers 79 collective bargaining agreements with 33 unions covering the terms of employment for the County's approximately 12,000 represented employees. A two-year coalition agreement with a coalition of County unions from January 1, 2015, through December 31, 2016, covered the majority of labor contracts and a total of 5,370 employees (approximately 45% of total employees). The agreement called for a fixed cost-of-living wage increase of 2% in 2015 and 2.25% in 2016. A majority of other unions not part of the coalition agreed to those same terms. Agreements reached that did not match the coalition terms included the Police Officer Guild, which called for a 2% increase in both 2015 and 2016; the King County Corrections Guild, which called for a 2% increase in 2015 and a 2.5% increase in 2016; and the Amalgamated Transit Union, the largest union in the County, representing about 3,700 employees, which called for a 1.48% increase in 2015 and a 1.05% increase in 2016. All ratified agreements are submitted to the County Council for adoption.

In October 2016, the County signed a Memorandum of Agreement with the same coalition of County unions covering the period January 1, 2017, through December 31, 2018. This agreement calls for general wage increases of 2.25% and 1.75% for 2017 and 2018, respectively, together with an additional 1.00% wage increase in 2018 once the County and the coalition have agreed upon a Master Labor Agreement that will standardize contracts with all bargaining units within the coalition. Negotiations with other unions not part of the coalition are ongoing.

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

Retirement Programs

Substantially all full-time and qualifying part-time employees of the County are covered by one of the following retirement systems:

NUMBER OF EMPLOYEES AS OF DECEMBER 31, 2016	RETIREMENT SYSTEM
772	State of Washington—Law Enforcement Officers and Fire Fighters Retirement System ("LEOFF")
381	State of Washington—Public Safety Employees Retirement System ("PSERS")
12,285	State of Washington—Public Employees Retirement System ("PERS")

Source: King County Finance and Business Operations Division—Benefits, Payroll, and Retirement Operations Section

These retirement systems are State-wide governmental retirement systems administered by the State's Department of Retirement Systems ("WSDRS"). The County administers payroll deductions and remits the deductions together with County contributions to the respective retirement systems annually.

OVERVIEW OF RETIREMENT PLANS

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

Source: State Department of Retirement Systems

In addition to these programs, approximately 36 County employees who were employees of Seattle's Health Department and Seattle Transit, both of which were taken over by the County, participate in the Seattle City Employees Retirement System.

In 2012, GASB approved Statement Nos. 67 and 68 ("GASB 67" and "GASB 68," respectively), which modify the accounting and financial reporting of pensions by state and local governments and pension plans. GASB 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. GASB 68, Accounting and Financial Reporting for Pensions, established new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements changed how governments calculate and report the costs and obligations associated with pensions. The WSDRS-administered plans are subject to GASB 67; the County is subject to GASB 68. GASB 67 was effective in Fiscal Year 2014; GASB 68 was effective in Fiscal Year 2015.

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

ACTUARIAL ASSUMPTIONS FOR FUNDING CALCULATIONS

Investment return	7.80%(1)
General salary increases	3.75%
Consumer Price Index increase	3.00%
Annual growth in membership	0.95%(2)

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

(2) Assumed rate of 1.25% for LEOFF.

Source: 2014 Actuarial Valuation from the Office of the State Actuary

The County's employer and employee contribution rates and contribution amounts for all systems for the fiscal year ended December 31, 2016, and current contribution rates for 2017 are shown in the table below:

COUNTY CONTRIBUTION RATES AND AMOUNTS
($000)

	PERS Plan 1	PERS Plan 2	PERS Plan 3	LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2
2016						
Employer Contribution Rate	11.18% (1)	11.18% (1)	11.18% (1)	0.18% (1)(2)	5.23% (1)(2)	11.54%
Average Employee Contribution Rate	6.00% (3)	6.12% (3)	Varies (3)(4)	0.00%	8.41%	6.59%
Employer Contribution Amount	$1,901	$92,157	$17,068	$ -	$4,735	$3,953
Employee Contribution Amount	1,030	50,707	10,710	-	7,613	2,257
Total Contribution Amount	$2,931	$142,864	$27,778	$ -	$12,348	$6,210
2017 (Current)						
Employer Contribution Rate	11.18% (1)	11.18% (1)	11.18% (1)	0.18% (1)(2)	5.23% (1)(2)	11.54%
Employee Contribution Rate	6.00% (3)	6.12% (3)	Varies (3)(4)	0.00%	8.41%	6.59%

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

(2) The State contributed an additional 3.36%.

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

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

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

Under State statute, contribution rates for WSDRS-administered plans are adopted by the State Pension Funding Council ("PFC") (and, for LEOFF 2, by the LEOFF 2 Board) in even-numbered years for the next ensuing State biennium. The rate-setting process begins with an actuarial valuation by the Office of the State Actuary, which makes non-binding recommendations to the Select Committee on Pension Policy, which then recommends contribution rates to the PFC and the LEOFF 2 Board. No later than the end of July in even-numbered years, the PFC and LEOFF 2 Board adopt contribution rates, which are subject to revision by the State Legislature. The County has met its funding obligations to these systems when they have come due. While the County's contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates.

To calculate the funded status, the WSDRS-administered plans compare the Actuarial Value of Assets ("AVA") to the Entry Age Normal ("EAN") liabilities. The EAN cost method projects future benefits under the plans, using salary growth and other assumptions, and applies the service that has been earned as of the valuation date to determine accrued liabilities. The AVA is calculated using a methodology that smooths the effect of short-term volatility in the Market Value of Assets ("MVA") by deferring a portion of the annual investment gains or losses over a period of up to eight years. This helps limit fluctuations in contribution rates and funded status that would otherwise arise from short-term changes in the MVA. Additional information on this measure is provided in the 2015 Actuarial Valuation Report (published August 2016), which can be found on the Office of the State Actuary's website at

www.osa.leg.wa.gov/Actuarial_Services/Publications/Valuations.htm.

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

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

	Administered by	Most Recent Actuarial Valuation Report	Actuarial Accrued Liability(a)	Actuarial Valuation of Assets(b)[(2)]	UAAL[(3)] (a-b)	Funded Ratio (b/a)	Plan Status
PERS - Plan 1	WSDRS	As of 6/30/2015	$ 12,553	$ 7,315	$ 5,239	58%	Closed in 1977
PERS - Plan 2/3	WSDRS	As of 6/30/2015	32,008	28,292	3,715	88%	Open
PSERS - Plan 2	WSDRS	As of 6/30/2015	357	338	19	95%	Open
LEOFF - Plan 1	WSDRS	As of 6/30/2015	4,307	5,404	(1,097)	125%	Closed in 1977
LEOFF - Plan 2	WSDRS	As of 6/30/2015	8,838	9,320	(482)	105%	Open

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

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

(3) Unfunded actuarial accrued liability. Totals may not agree due to rounding.

Sources: 2015 Actuarial Valuation from the Office of the State Actuary

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

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

HISTORICAL ONE-YEAR INVESTMENT RETURNS ON RETIREMENT FUNDS

Year	Investment Return[(1)]
2005	13.1%
2006	16.7%
2007	21.3%
2008	-1.2%
2009	-22.8%
2010	13.2%
2011	21.1%
2012	1.4%
2013	12.4%
2014	18.9%[(2)]
2015	4.9%

(1) As of June 30.

(2) Restated.

The County implemented GASB 68 for the year 2015. In accordance with GASB 68, the County elected to use June 30, 2015, as the measurement date for reporting net pension liability. The following table represents the aggregate pension amounts for all pension plans subject to the requirements of GASB 68.

AGGREGATE PENSION AMOUNTS—ALL PLANS, 2015
($000)

Pension liabilities	$38,885
Deferred outflows of resources	4,987
Deferred inflows of resources	6,984
Pension expense/expenditures	4,190

For more information on employee retirement plans, see Appendix B—Excerpts from King County's 2015 Comprehensive Annual Financial Report.

Other Post-Employment Benefits

The King County Health Plan (the "Health Plan") is a single-employer defined-benefit healthcare plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees and employees. LEOFF Plan 1 retirees are not required to contribute to the Health Plan. Entry into LEOFF Plan 1 is now closed. All other retirees are required to pay the COBRA rate associated with the elected plan. The County's liability for other post-employment benefits ("OPEB") is limited to the direct Health Plan subsidy associated with LEOFF Plan 1 retirees and the implicit rate subsidy for other Health Plan retiree participants, which is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees. For the fiscal year ended December 31, 2015, the County contributed an actuarially 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 prefund benefits. For the fiscal year ended December 31, 2015, the County's annual OPEB cost (expense), which is calculated based on the annual required contribution of the County, was $11.5 million and the County's net OPEB obligation was $65.3 million. The Health Plan liability is based on a computed annual required contribution that includes the current period's service cost and an amount to amortize unfunded accrued liabilities.

For additional information regarding the County's OPEB liability, see Appendix B—Excerpts from King County's 2015 Comprehensive Annual Financial Report.

Risk Management and Insurance

The County has a separate division that is responsible for claims handling, insurance, and loss control programs. The County has implemented a program of self-insurance to cover general and automobile liability, Health Department professional malpractice, police professionals, and public officials' errors and omissions. The County has excess liability coverage that currently provides $92.5 million in limits above a $7.5 million per occurrence self-insured retention for Transit and $6.5 million per occurrence self-insured retention for the above exposures.

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

COVERAGE	LIMITS
Combined Property Damage and Extra Expense for covered County property (includes $100 million earthquake and $250 million flood; terrorism is included in overall limit)	$500 million
Airport Liability	$300 million
Airport Property Damage and Extra Expense for covered airport property (includes $50 million earthquake and $100 million flood)	$160 million
Airport Property Damage Terrorism for covered airport property	$250 million
Fiduciary Liability	$20 million
Employee Dishonesty	$2.5 million
Aviation (Police Helicopter) Program	$50 million
Excess Workers' Compensation	Statutory above $2,500,000 deductible per occurrence
Marine Liability	$150 million
Cyber Liability	$30 million

The cash balance in the Insurance Fund was $109.8 million as of December 31, 2015. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2015, was $88.6 million.

For additional information, see Appendix B—Excerpts from King County's 2015 Comprehensive Annual Financial Report.

Emergency Management and Preparedness

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

GENERAL OBLIGATION DEBT INFORMATION

General Obligation Debt Limitation

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

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

Debt Capacity and Debt Service Summary

The assessed value of all property in the County for the 2017 tax year is $471,456,288,019, resulting in a voted and non-voted total general obligation debt capacity of $11,786,407,200 (2.5%) for County purposes and an additional $11,786,407,200 (2.5%) for metropolitan functions. The non-voted general obligation debt capacity within these limitations is $7,071,844,320 (1.5%), of which a maximum of $3,535,922,160 (0.75%) may be incurred for metropolitan functions.

The following table shows a computation of the County's debt capacity for voted (unlimited tax general obligation, or "UTGO") and non-voted (limited tax general obligation or "LTGO") debt for County purposes and for metropolitan functions. The table reflects general obligation debt of the County as of December 31, 2016, adjusted for subsequent County debt-related transactions, and is followed by a table that summarizes the total general obligation debt service requirements of the County.

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

See "Other Considerations—Federal Sequestration."

COMPUTATION OF STATUTORY DEBT CAPACITY

2016 Assessed Value (2017 Tax Year)	$	471,456,288,019
Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions		
1 1/2 % of Assessed Value	$	7,071,844,320
County Purposes		
Outstanding Limited Tax General Obligation Bonds for County Purposes	$	914,247,317
The Bonds		31,230,000
General Obligation Lease Revenue Bonds for County Purposes		12,765,000
County Credit Enhancement Program for Housing[1]		132,379,476
Capital Leases/Installment Purchase Contracts for County Purposes		-
General Obligation Long-Term Liabilities for County Purposes[2]		102,856,429
Less: Amount Legally Available for Payment of All Limited Tax General Obligation Indebtedness for County Purposes		(9,540,000)
Net Limited Tax General Obligation Debt for County Purposes	$	1,183,938,222
Metropolitan Functions		
Outstanding Limited Tax General Obligation Bonds for Metropolitan Functions	$	24,385,000
Outstanding Limited Sales Tax General Obligation Bonds		66,435,000
Outstanding Limited Tax General Obligation Bonds (Payable from Sewer Revenues)		822,860,156
Credit Enhancement Program for Reimbursement Agreements[3]		100,000,000
General Obligation Long-Term Liabilities for Metropolitan Functions[2]		68,257,653
Capital Leases/Installment Purchase Contracts for Metropolitan Functions		-
Less: Amount Legally Available for Payment of all Limited Tax General Obligation Indebtedness for Metropolitan Functions		(37,689,574)
Net Limited Tax General Obligation Debt for Metropolitan Functions	$	1,044,248,235
Total Net Limited Tax General Obligation Debt for County Purposes and Metropolitan Functions	$	2,228,186,457
Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions	$	4,843,657,863
Total General Obligation Debt Capacity for County Purposes		
2 1/2 % of Assessed Value	$	11,786,407,200
Outstanding Unlimited Tax General Obligation Debt for County Purposes		90,135,000
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for County Purposes		(2,043,000)
Net Unlimited Tax General Obligation Debt for County Purposes	$	88,092,000
Net Limited Tax General Obligation Debt for County Purposes (from above)		1,183,938,222
Total Net General Obligation Debt for County Purposes	$	1,272,030,222
Remaining Capacity: General Obligation Debt for County Purposes	$	10,514,376,978
Total General Obligation Debt Capacity for Metropolitan Functions		
2 1/2 % of Assessed Value	$	11,786,407,200
Outstanding Unlimited Tax General Obligation Debt for Metropolitan Functions		-
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for Metropolitan Functions		-
Net Unlimited Tax General Obligation Debt for Metropolitan Functions	$	-
Net Limited Tax General Obligation Debt for Metropolitan Functions (from above)		1,044,248,235
Total Net General Obligation Debt for Metropolitan Functions	$	1,044,248,235
Remaining Capacity: General Obligation Debt for Metropolitan Functions	$	10,742,158,966

NOTES TO TABLE:

(1) Reflects the outstanding principal amount plus accrued interest as of December 31, 2016, under contingent loan agreements authorized by the County Credit Enhancement Program. See “General Obligation Debt Information—Contingent Loan Agreements.”

(2) As of December 31, 2016.

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

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

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

		Limited Tax General Obligation Bonds					
	Unlimited Tax	County Purposes					
	General		The Bonds		Lease Revenue	Metropolitan	Total LTGO
Year	Obligation Bonds	Outstanding(1)(2)	Principal	Interest	Bonds	Functions(2)(3)	Debt Service
2017	$ 16,708,975	$ 97,599,807	$ -	$ 679,716	$ 4,488,913	$ 73,325,153	$ 176,093,588
2018	17,128,925	95,346,117	750,000	1,395,688	763,712	73,274,426	171,529,942
2019	16,209,475	95,382,757	790,000	1,357,188	763,559	73,207,165	171,500,669
2020	15,080,700	91,575,470	830,000	1,316,688	767,580	69,718,692	164,208,430
2021	13,807,700	85,215,143	875,000	1,274,063	765,499	64,735,401	152,865,106
2022	14,126,950	91,726,720	920,000	1,229,188	767,592	61,463,955	156,107,454
2023	14,460,825	65,132,486	965,000	1,182,063	763,582	61,411,499	129,454,630
2024	-	61,285,410	1,015,000	1,132,563	763,746	61,367,339	125,564,058
2025	-	59,451,730	1,065,000	1,080,563	762,808	61,295,019	123,655,120
2026	-	51,809,786	1,120,000	1,025,938	765,768	61,298,414	116,019,906
2027	-	53,056,559	1,180,000	968,438	762,351	61,231,198	117,198,545
2028	-	48,712,326	1,240,000	907,938	762,831	61,143,161	112,766,256
2029	-	45,786,194	1,305,000	844,313	766,934	61,081,767	109,784,207
2030	-	39,246,451	1,370,000	777,438	764,384	61,079,797	103,238,070
2031	-	32,802,771	1,440,000	707,188	765,457	47,133,994	82,849,409
2032	-	28,508,426	1,515,000	633,313	764,876	59,916,594	91,338,208
2033	-	19,712,291	1,590,000	555,688	762,643	59,847,666	82,468,287
2034	-	19,713,416	1,670,000	474,188	763,756	52,019,304	74,640,663
2035	-	17,352,556	1,750,000	397,438	762,941	24,342,600	44,605,535
2036	-	17,342,836	1,820,000	326,038	770,198	24,399,850	44,658,921
2037	-	6,504,249	1,895,000	251,738	-	24,346,600	32,997,587
2038	-	6,503,919	1,970,000	174,438	-	24,389,200	33,037,557
2039	-	6,503,600	2,045,000	101,806	-	4,000,000	12,650,406
2040	-	6,500,875	2,110,000	34,288	-	100,000,000	108,645,163
Total	$ 107,523,550	$1,142,771,895	$ 31,230,000	$ 18,827,897	$ 19,019,127	$ 1,326,028,792	$ 2,537,877,710

(1) Includes debt service on the Multi-Modal Limited Tax General Obligation Refunding Bonds, 2013, at an assumed interest rate of 4.00%. The principal of such bonds amortizes annually through June 1, 2029, to produce approximately level estimated annual debt service payments.

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

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

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

Net Direct and Overlapping Debt Outstanding

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

NET DIRECT AND OVERLAPPING DEBT

2016 Assessed Value (for 2017 Tax Year)	$471,456,288,019
Net Direct Debt(1)	$ 764,586,728
Estimated Overlapping Debt(2):	
School Districts	$ 3,773,587,023
City of Seattle	998,413,959
Other Cities and Towns	884,386,059
Port of Seattle	283,620,000
Hospital Districts	255,164,157
Fire Districts	96,099,426
Park Districts	6,119,834
King County Library System	95,863,556
Library Capital Facilities	1,920,761
Parks and Recreation Service District	753,195
Total Estimated Overlapping Debt	$ 6,395,927,969
Total Net Direct and Estimated Overlapping Debt	$ 7,160,514,697
County Debt Ratios :	
Net Direct Debt to Assessed Value	0.16%
Net Direct and Overlapping Debt to Assessed Value	1.52%
2016 Population (estimated)	2,105,100
Per Capita Net Direct Debt	$363
Per Capita Net Direct and Overlapping Debt	$3,402
Per Capita Assessed Value	$223,959

NOTES TO TABLE:

(1) Total net general obligation debt per debt capacity schedules, as of December 31, 2016, adjusted for subsequent County debt-related transactions:

Total Net General Obligation Debt for County Purposes	$ 1,272,030,222
Total Net General Obligation Debt for Metropolitan Functions	1,044,248,235
Total Net General Obligation Debt	$ 2,316,278,457
General Obligation Debt Serviced by Proprietary-Type Funds*	(180,210,000)
General Obligation Debt Issued for Component Units*	(194,854,018)
County Credit Enhancement Program**	(132,379,476)
General Obligation Debt Issued for Metropolitan Functions*	(1,044,248,235)
Net Direct Debt	$ 764,586,728

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

** Reflects the outstanding principal amount plus accrued interest as of December 31, 2016, under contingent loan agreements authorized by the County Credit Enhancement Program. See "General Obligation Debt Information-Contingent Loan Agreements."

(2) As of December 31, 2016.

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

Contingent Loan Agreements

Since 1997, the County has maintained a program to provide credit enhancement by entering into contingent loan agreements in connection with the financing of housing projects assisting the poor and infirm. The program permits the County to provide credit enhancement for projects undertaken by public housing authorities, non-profit organizations, for-profit organizations, local governments, public agencies, and public development authorities, primarily the King County Housing Authority. The maximum principal amount permitted under the County's credit enhancement program is $200,000,000. The aggregate outstanding principal of and accrued interest on the contingent loan agreements provided under the County's credit enhancement program was $132,379,476 as of December 31, 2016.

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

Credit Facilities

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

SUMMARY OF CREDIT FACILITIES

Series	Amount Outstanding as of 5/1/2017	Type of Facility	Provider	Expiration	Term-Out Provision	Maturity
Multi-Modal Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2010 A and B	$100,000,000	Standby Bond Purchase Agreement	State Street Bank and Trust Company	11/3/2017	Three Years	01/01/2040
Multi-Modal Limited Tax General Obligation Bonds, Series 2013	$35,180,000	Continuing Covenant Agreement	Bank of America Preferred Funding Corporation	8/1/2019	Three Years	06/01/2029
Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001 A&B(1)	$100,000,000	Letter of Credit	Landesbank Hessen-Thuringen Girozentrale (Helaba)	9/30/2020	Three Years	01/01/2032

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

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

PROPERTY TAX INFORMATION

Authorized Property Taxes

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

Regular Property Taxes. The County may levy regular property taxes for general municipal purposes, including the payment of debt service on limited tax general obligation bonds, such as the Bonds, and for road district purposes. Such regular property taxes are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1, of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the taxing district. Under the State Constitution, all real property constitutes one class for purposes of this uniformity requirement, with limited exceptions. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

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

(i) *Maximum Rate Limitations.* The County may levy regular property taxes for two purposes: for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to $1.80 per $1,000 of assessed value, and the County is levying $1.24349 per $1,000 of assessed value for the 2017 tax year. The road district levy, which is levied in unincorporated areas of the County for road construction and maintenance and other County services provided in the unincorporated areas, is limited to $2.25 per $1,000 of assessed value, and the County currently is levying at a rate of $2.24557 per $1,000 of assessed value for the 2017 tax year. Additional statutory provisions limit the increase in the aggregate amount of taxes levied. See "Regular Property Tax Increase Limitation."

The County is authorized to increase its general municipal purposes levy to a maximum of $2.475 per $1,000 of assessed value if the total combined levies for both general and road district purposes do not exceed $4.05 per $1,000 of assessed value and if no other taxing district has its levy reduced as a result of the increased County levy (RCW 84.52.043).

The $1.80 per $1,000 of assessed value limitation on the general purposes levy is exclusive of the following regular property taxes:

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

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

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

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

The County's EMS levy was most recently approved in November 2013 for an additional six years, at a rate not to exceed $0.335 per $1,000 of assessed value. The current fourth-year rate is $0.26305 per $1,000 of assessed value for 2017. The County's levy rate for conservation futures in 2017 is $0.04141 per $1,000 of assessed value, and its levy rate for transit-related purposes is $0.04966 per $1,000 of assessed value.

(ii) *One Percent Aggregate Regular Property Tax Levy Limitation.* Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of 1% of the true and fair value of property (or $10.00 per $1,000 of assessed value) by Article VII, Section 2, of the State Constitution and by RCW 84.52.050.

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

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

(iv) *Regular Property Tax Increase Limitation.* The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amount of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year's rate. The limit factor is defined as the lesser of 101% or 100% plus inflation, but if the inflation rate is less than 1%, the limit factor may be increased to 101%, if approved by a majority plus one vote of the governing body of the taxing district, upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the taxing district upon a finding of substantial need and is also approved by the voters at a general or special election within the taxing district. Such election must be held less than 12 months before the date on which the proposed levy will be made, and any tax increase cannot be greater than described above under "Maximum Rate Limitations." The new limit factor is effective for taxes collected in the following year only.

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

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

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

The table titled "Allocation of 2016 and 2017 Tax Levies" shows the allocation of the County's existing levies.

(i) The automated fingerprint identification system ("AFIS") levy, a regular property tax levy authorized by RCW 84.55.050, was renewed on November 6, 2012, for a six-year term by a majority of voters in the County. The levy began in 2013 at a rate of not more than \$0.0592 per \$1,000 of assessed value, and in 2017 the rate is \$0.04477 per \$1,000 of assessed value.

(ii) In August 2013, the Parks levy lid lift was renewed by voters for six years, for a rate of no more than $0.1877 per $1,000 of assessed value. The 2017 tax year rate for the Parks levy lid lift is $0.15209 per $1,000 of assessed value.

(iii) The Veterans and Family Human Services levy, approved by voters in 2011, is a regular property tax levy to be levied for six years beginning in 2012 at a rate of no more than $0.05 per $1,000 of assessed value. Tax year 2017 is the last year for this lid lift, and the rate is $0.03964 per $1,000 of assessed value.

(iv) The Children and Family Justice Center levy is a nine-year temporary levy lid lift approved by voters in August 2012, at a rate of $0.07 per $1,000 of assessed value for the first year (2013). The rate for 2017 is $0.05221 per $1,000 of assessed value.

(v) The Puget Sound Emergency Radio Network replacement levy lid lift was approved by voters in April 2015, at a rate of $0.07 per $1,000 of assessed value for nine years, beginning in 2016. The rate for 2017 is $0.06517 per $1,000 of assessed value.

(vi) The Best Starts for Kids levy was approved by voters at the November 2015 general election. This is a six-year levy at a rate of $0.14 per $1,000 of assessed value in the first year. The rate for 2017 is $0.13285 per $1,000 of assessed value.

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

Component Units with Taxing Authority. In 2007, the County Council created a County-wide flood control zone district and a County-wide ferry district which levy regular property taxes at rates of $0.11740 and $0.01229 per $1,000 of assessed value, respectively, for the 2017 tax year. The boundaries of each district are coterminous with the boundaries of the County; 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. In 2015, the County assumed the ferry district and its taxing authority. The ferry district is now a County agency: the Department of Transportation—Marine Division.

Allocation of Tax Levies

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

ALLOCATION OF 2016 AND 2017 TAX LEVIES

County-Wide Levy Assessed Value[1] $471,456,288,019	2016 Original Taxes Levied (in thousands)	2016 Levy Rate ($ per thousand)	2017 Original Taxes Levied (in thousands)	2017 Levy Rate ($ per thousand)
Items Within Operating Levy[2]				
General Fund	$336,454	0.79209	$346,708	0.73827
Veterans' Relief	2,837	0.00668	2,921	0.00622
Human Services	6,367	0.01499	6,556	0.01396
Intercounty River Improvement	50	0.00012	52	0.00011
AFIS Levy	20,240	0.04765	21,024	0.04477
Parks Levy	67,940	0.15995	70,579	0.15029
Veterans and Family Human Services	17,924	0.04219	18,614	0.03964
Children and Family Justice Center	23,825	0.05609	24,518	0.05221
Radio Communications (Emergency Radio Network)	29,727	0.07000	30,602	0.06517
Best Start for Kids	59,456	0.14000	62,384	0.13285
Marine Operating (Ferry)	1,186	0.00279	5,770	0.01229
Total Operating Levy[2]	$566,006	1.33255	$589,728	1.25578
Transit Levy[3]	$ 26,956	0.06346	$ 23,322	0.04966
Conservation Futures Levy[4]				
Conservation Futures Levy	$ 10,140	0.02387	$ 10,445	0.02224
Farmland and Park Debt Service	8,741	0.02058	9,002	0.01917
Total Conservation Futures Levy	$ 18,881	0.04445	$ 19,447	0.04141
Unlimited Tax G.O. Bonds (Voter-Approved Excess Levy)	$ 16,818	0.03981	$ 16,878	0.03609
Total County-Wide Levy	$628,661	1.48027	$649,375	1.38294
EMS Assessed Value[1] $285,029,093,106				
EMS Levy[5]	$ 73,781	0.28235	$ 74,664	0.26305
Unincorporated County Assessed Value[1] $39,295,405,501				
Road District Levy[6]	$ 82,424	2.25000	$ 87,679	2.24557
Total County Tax Levies	$784,866		$811,718	

(1) Assessed value for taxes payable in 2017.

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

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

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

(5) The EMS levy is limited statutorily to $0.335 per $1,000 of assessed value. The assessed value for the County's EMS levy does not include the cities of Seattle or Milton.

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

Source: King County Department of Assessments

Assessed Value Determination

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

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

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

KING COUNTY
ASSESSED VALUE

Tax Year	Amount	Percentage Change From Previous Year
2012	$ 319,460,937,305	-3.3%
2013	314,746,206,667	-1.5%
2014	340,643,616,343	8.2%
2015	388,118,855,592	13.9%
2016	426,335,605,837	9.8%
2017	471,456,288,019	10.6%

Source: King County Department of Assessments

Tax Collection Procedure

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

The methods of giving notice of payment of taxes due, collecting taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed statutes. Personal property taxes levied by the County Council are secured by a lien on the personal property assessed. A federal tax lien filed before the County Council levies the personal property taxes is senior to the County's personal property tax lien. In addition, a federal civil judgment lien (but not a federal tax lien) is senior to real property taxes that are incurred after the judgment lien has been recorded. In all other respects, and subject to the possible "homestead exemption" described below, the lien that secures payment of property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County may commence foreclosure on a tax lien on real property after three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first $125,000 proceeds of the forced sale of a family residence or other "homestead" property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

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

PROPERTY TAX COLLECTION RECORD
ALL COUNTY FUNDS ($000)

Tax Year	Original Amount Levied(1)	Amount Collected Year of Levy	Percent Collected Year of Levy	Percent Collected as of 12/31/2016
2012	$ 583,597	$ 571,789	97.98%	99.55%
2013	608,445	597,455	98.19%	99.67%
2014	656,280	645,201	98.31%	99.53%
2015	674,231	663,663	98.43%	99.41%
2016	784,624	771,652	98.32%	98.32%

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

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

Principal Taxpayers

The following table lists the ten largest taxpayers in the County and the assessed value of their real and personal property for the 2017 tax collection year.

LARGEST TAXPAYERS IN THE COUNTY
2017 TAX COLLECTION YEAR

Taxpayer	Assessed Value	AV as Percentage of County's Total AV
Microsoft	$ 3,682,343,860	0.78%
Puget Sound Energy/Gas/Electric	2,426,875,733	0.51%
Boeing	2,100,461,749	0.45%
Acorn Development LLC	1,891,471,230	0.40%
Essex Property Trust	1,665,284,049	0.35%
Alaska Airlines	1,056,243,140	0.22%
Altus Group US Inc.	970,873,500	0.21%
Union Square LLC	840,558,301	0.18%
BRE Properties	812,346,515	0.17%
AvalonBay Communities	799,071,215	0.17%
Total Assessed Value of Top Ten Taxpayers	$ 16,245,529,292	3.45%
Total Assessed Value of All Other Taxpayers	455,210,758,727	96.55%
2016 Assessed Value for Taxes Due in 2017	$ 471,456,288,019	100.00%

Source: King County Department of Assessments

OTHER CONSIDERATIONS

Federal Sequestration

The sequestration provisions of the Budget Control Act of 2011 ("Sequestration") went into effect in March 2013. Sequestration has resulted in and is expected to continue to result in a reduction in the amount that the County expects to receive from the federal government in connection with interest payments on approximately $80 million of outstanding County limited tax general obligation bonds that were issued as taxable bonds eligible for federal interest subsidies. Payments made by the federal government between October 1, 2015, and October 1, 2016, were reduced by 6.8%, totaling approximately $108,000. In August 2016, the Internal Revenue Service Office of Tax Exempt Bonds announced that the federal interest subsidy payments would be reduced by 6.9% for payments scheduled to be received between October 1, 2016, and October 1, 2017. The approximate amount of this reduction is $105,000. Sequestration of such interest payments has been extended by Congress and is scheduled to remain in effect through federal fiscal year 2024.

Sanctuary Jurisdiction Impact

On January 25, 2017, President Trump signed an executive order (the "Order") directing the United States Attorney General and the Secretary of Homeland Security to ensure that "sanctuary jurisdictions"—used therein to mean state and local jurisdictions that willfully refuse to comply with 8 U.S.C. Section 1373 by restricting government officials or entities from communicating immigration status to the Immigration and Naturalization Service—will not be eligible to receive federal grants except as deemed necessary for law enforcement purposes. Several jurisdictions, including the City of Seattle (located within the County) and the City of San Francisco, have filed lawsuits in federal court challenging the constitutionality of the Order. On April 25, 2017, the court in the San Francisco litigation granted a nationwide preliminary injunction that enjoins enforcement of the Order.

At this time, it is unclear how, whether, or when actions might be taken to reduce federal funding received by any state or local jurisdiction pursuant to the Order. In the San Francisco litigation, the Department of Justice ("DOJ") indicated that the Order applies to only those funds that are administered by DOJ or the Department of Homeland Security ("DHS") and are conditioned upon compliance with Section 1373. Federal grants received by the County that are administered by DOJ or DHS comprise a small percentage of the County's total federal grants. See "Major Governmental Fund Sources—Intergovernmental Revenue" above. In general, the County expects that it would have the flexibility to respond to any direct reductions or eliminations of federal funding pursuant to the order. If such reductions were to be implemented, any projects or programs previously supported by federal funding could, if necessary, be resized and/or deferred. Alternatively, funding from other sources could be redirected to those projects or programs. Although the County cannot predict at this time whether reductions in federal funding may occur or what form such reductions may take, the County expects that it would be able to redirect funding or reduce expenditures in a manner that would not affect the County's ability to pay debt service on the Bonds.

INITIATIVES AND REFERENDA

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

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

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

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

LEGAL AND TAX INFORMATION

Litigation

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

The County, like other large units of state and local government, is involved in litigation on matters relating principally to claims arising from contracts, personal injury, property damage, tax claims, and other matters. For a general description of the types of non-tort claims in which the County is involved, see Appendix B—Excerpts from King County's 2015 Comprehensive Annual Financial Report—Note 19. Based on its past experience and the information currently known, the County does not believe that any pending litigation would materially adversely affect the ability of the County to pay when due the principal of or interest on the Bonds.

Approval of Counsel

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

Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the County by Hillis Clark Martin & Peterson P.S., as Disclosure Counsel to the County.

Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, P.C., Seattle, Washington, Underwriter's Counsel. Any opinion of such firm will be rendered solely to the Underwriter, will be limited in scope, and cannot be relied upon by investors without the written consent of such law firm.

Potential Conflicts of Interest

The fees of Bond Counsel, Disclosure Counsel, the Underwriter, Underwriter's Counsel, and the Financial Advisor are contingent upon the sale of the Bonds. From time to time, Bond Counsel and Disclosure Counsel may serve as counsel to the Underwriter and to the Financial Advisor with respect to transactions other than the issuance of the Bonds. From time to time, Underwriter's Counsel serves as bond counsel and special counsel to the County and as special counsel to the Financial Advisor on matters unrelated to the Bonds.

Limitations on Remedies and Municipal Bankruptcy

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

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

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

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

Tax Exemption

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

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

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

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

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

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

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

Certain Other Federal Tax Consequences

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

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

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

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

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

Proposed Tax Legislation; Miscellaneous

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

CONTINUING DISCLOSURE UNDERTAKING

Annual Disclosure Report. The County agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") the following annual financial information and operating data for the prior fiscal year (collectively, the "Annual Financial Information"), commencing in 2017 for the fiscal year ended December 31, 2016:

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

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

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

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

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

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

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

The Annual Financial Information will be provided on or before the end of seven months after the end of the County's fiscal year. The County's fiscal year currently ends on December 31. The County may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such Annual Financial Information, the County may make specific cross-reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the Annual Financial Information discussed above, the County will provide to the MSRB the County's audited financial statements prepared in accordance with BARS when and if available.

The County agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to provide the Annual Financial Information on or prior to the date set forth above.

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

(i) principal and interest payment delinquencies;

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

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

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

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

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

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

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

(ix) defeasances;

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

(xi) rating changes;

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

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

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

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

EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12") are to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at *www.emma.msrb.org*. All notices, financial information, and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

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

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

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

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

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

OTHER BOND INFORMATION

Ratings

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

Financial Advisor

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

Underwriter of the Bonds

The purchase contract between the County and Citigroup Global Markets Inc. (the "Underwriter") provides that the Underwriter will purchase all of the Bonds at a price of $35,375,276.23 with an underwriter's discount of $80,839.67. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices or prices corresponding to the yields set forth on page i of this Official Statement, and such prices may be changed from time to time by the Underwriter. After the initial public offering, the public offering prices and yields may be varied from time to time.

The Underwriter has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, the Underwriter may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, the Underwriter may compensate UBSFS for its selling efforts with respect to the Bonds.

Official Statement

At the time of the delivery of the Bonds, one or more officials of the County will furnish a certificate stating that to the best of his or her knowledge and belief at the time of delivery of the Bonds, this Official Statement did not and does not contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in any material respect (except that no representation or warranty is being made with respect to the information contained under "The Bonds—Book-Entry System" and the information concerning DTC in Appendix G—Book-Entry System.

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

KING COUNTY, WASHINGTON

By: /s/ Ken Guy

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

APPENDIX A

FORM OF BOND COUNSEL OPINION

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[FORM OF BOND COUNSEL OPINION]

[Closing Date]

King County, Washington

Re: King County, Washington
Limited Tax General Obligation Bonds, 2017, Series A (Green Bonds)

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

The Bonds are issued by the County pursuant to Ordinance 18089 and Motion 14868 (together, the "Bond Legislation") to provide a portion of the funds to finance the County's Capital Improvement Program for Solid Waste Facilities and the Solid Waste Transfer and Waste Management Plan and to pay the costs of issuance and sale of the Bonds, all as set forth in the Bond Legislation.

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

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

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

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

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

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

3. The County has irrevocably pledged, for so long as any of the Bonds are outstanding, to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the County on all the taxable property within the County in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The County has irrevocably pledged its full faith, credit, and resources for the annual levy and collection of those taxes and the prompt payment of that principal of and interest on the Bonds.

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

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

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

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

Respectfully submitted,

APPENDIX B

EXCERPTS FROM KING COUNTY'S 2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Financial Section

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 27, 2016

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 in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Quality Enterprise Fund, a major fund which represents 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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of December 31, 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 described in Note 1, during the year ended December 31, 2015, the County has implemented the 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 4 through 16, budgetary comparison information on pages 123 through 124, pension plan information on pages 125 through 128, information on postemployment benefits other than pensions on page 129 and infrastructure modified approach information on page 129 through 131 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 133 through 186 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 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. That report will be issued under separate cover in the County's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Sincerely,

Troy X Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of King County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 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	3,016,943	3,023,481	5,817,230	5,763,315	8,834,173	8,786,796
Total Assets	4,286,768	4,182,802	7,784,301	7,491,811	12,071,069	11,674,613
Total Deferred Outflows of Resources	90,967	22,508	225,970	107,388	316,937	129,896
Liabilities						
Long-term liabilities	1,733,335	1,713,686	4,936,721	4,827,850	6,670,056	6,541,536
Other liabilities	241,414	288,833	500,299	461,348	741,713	750,181
Total Liabilities	1,974,749	2,002,519	5,437,020	5,289,198	7,411,769	7,291,717
Total Deferred Inflows of Resources	87,306	-	101,275	34,250	188,581	34,250
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	(197,963)	(577,479)	578,342	442,513	380,379	(134,966)
Total Net Position	$2,315,680	$ 2,202,791	$2,471,976	$2,275,751	$4,787,656	$4,478,542

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	1,934,405	1,848,144	1,572,524	1,464,228	3,506,929	3,312,372
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	1,809,065	2,185,698	1,375,994	1,794,310	3,185,059	3,980,008
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	(12,756)	6,839	-	-	(12,756)	6,839
Increase (decrease) in net position	112,889	(332,154)	196,225	(328,643)	309,114	(660,797)
Net position, beginning of year [(b)]	2,202,791	2,534,945	2,275,751	2,604,394	4,478,542	5,139,339
Net position, end of year	$ 2,315,680	$ 2,202,791	$ 2,471,976	$ 2,275,751	$ 4,787,656	$ 4,478,542

(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	$ 846.3	$ 935.5	$ 3,949.2	$ 3,827.4	$ 4,795.5	$ 4,762.9

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.

Basic Statements

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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)

			Program Revenues			Net (Expense) Revenue and Changes in Net Position			
						Primary Government			Component Units Total
Functions/Programs	**Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	
Primary government:									
Governmental activities:									
General government	$ 308,348	$ (57,201)	$ 94,077	$ 4,049	$ -	$ (153,021)	$ -	$ (153,021)	$ -
Law, safety and justice	645,941	21,420	169,829	28,178	-	(469,354)	-	(469,354)	-
Physical environment	109,596	1,268	65,445	9,771	2,957	(32,691)	-	(32,691)	-
Transportation	81,968	2,171	12,233	11,736	15,156	(45,014)	-	(45,014)	-
Economic environment	100,896	1,046	35,963	42,090	-	(23,889)	-	(23,889)	-
Mental and physical health	502,430	6,276	357,367	76,387	-	(74,952)	-	(74,952)	-
Culture and recreation	49,876	823	8,684	887	-	(41,128)	-	(41,128)	-
Interest and other debt service costs	34,207	-	15,744	2	-	(18,461)	-	(18,461)	-
Total governmental activities	1,833,262	(24,197)	759,342	173,100	18,113	(858,510)	-	(858,510)	-
Business-type activities:									
Airport	21,031	361	19,081	-	2,967	-	656	656	-
Public Transportation	760,425	17,458	301,030	29,856	84,610	-	(362,387)	(362,387)	-
Solid Waste	111,325	2,426	121,858	-	-	-	8,107	8,107	-
Water Quality	445,190	3,642	438,440	787	1,033	-	(8,572)	(8,572)	-
Institutional Network	2,019	52	2,736	-	-	-	665	665	-
Marine	6,491	160	1,986	-	3,632	-	(1,033)	(1,033)	-
Radio Communications Services	5,316	98	4,345	-	-	-	(1,069)	(1,069)	-
Total business-type activities	1,351,797	24,197	889,476	30,643	92,242	-	(363,633)	(363,633)	-
Total primary government	$ 3,185,059	$ -	$ 1,648,818	$ 203,743	$ 110,355	(858,510)	(363,633)	(1,222,143)	-
Component units	$ 902,749		$ 923,772	$ 29,075	$ (278)				$ 49,820
General revenues									
Property taxes						702,563	27,511	730,074	-
Retail sales and use taxes						203,118	526,895	730,013	-
Business and other taxes						49,719	-	49,719	-
Penalties and interest - delinquent taxes						20,036	-	20,036	-
Interest earnings						8,414	5,757	14,171	141
Transfers						305	(305)	-	-
Special item						(12,756)	-	(12,756)	-
Total general revenues and transfers						971,399	559,858	1,531,257	141
Change in net position						112,889	196,225	309,114	49,961
Net position - January 1, 2015 (Restated)						2,202,791	2,275,751	4,478,542	657,861
Net position - December 31, 2015						$ 2,315,680	$ 2,471,976	$ 4,787,656	$ 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	$ 136,039	$ 126,853	$ 695,620	$ 958,512
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	25,844	56,323	176,508	258,675
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	7,566	193	6,110	13,869
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	102,629	70,337	513,002	685,968
Total liabilities, deferred inflows of resources, and fund balances	$ 136,039	$ 126,853	$ 695,620	$ 958,512

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	$ 2,315,680

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	$ 102,629	$ 70,337	$ 513,002	$ 685,968

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	$	112,889

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				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
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	133,454	456,522	32,779	622,755	286,193
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	457,148	4,065,902	292,502	4,815,552	245,244
TOTAL LIABILITIES	590,602	4,522,424	325,281	5,438,307	531,437
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	43,119	53,234	4,922	101,275	11,214
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	$ 1,663,564	$ 503,197	$ 230,087	2,396,848	$ 111,786
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				75,128	
Net position of business-type activities				$ 2,471,976	

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				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
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.

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 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	$ 694,415	$ 624,929	$ 175,298	$ 1,494,642	$ 347,798

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				
	PUBLIC TRANSPORTATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (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	$ (374,630)	$ 317,764	$ 39,344	$ (17,522)	$ 60,285

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)

	INVESTMENT TRUST FUNDS	AGENCY FUNDS
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	3,199,162	3,443,220
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	-	$ 3,443,220
NET POSITION		
Held in trust for pool participants	$ 3,199,162	

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)

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

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	820,266	64,973	885,239
DEFERRED OUTFLOWS OF RESOURCES	-	190	190
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	169,350	8,057	177,407
DEFERRED INFLOWS OF RESOURCES	-	200	200
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	$ 650,916	$ 56,906	$ 707,822

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)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**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	$ 902,749	$ 923,772	$ 29,075	$ (278)	35,249	14,571	49,820
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.

Notes to the Financial Section
For the Year Ended December 31, 2015

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 Plan that came online in 2011-12, the West Point Treatment Plant in Seattle, and the South Treatment Plant in Renton, as well as two smaller facilities, namely the Carnation and Vashon Island Treatment Plants.

Nonmajor Governmental Funds

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

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

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

Nonmajor Proprietary Funds

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

Internal Service 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:

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

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
Net adjustment to reduce *fund balance - total* governmental funds to arrive at net position - governmental activities	$ 1,467,332

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)	(253,501)
Net adjustment to increase *fund balance - total* governmental funds to arrive at net position - governmental activities	$ 2,763,442

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
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 296,944

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		(6,150)
Net adjustment to increase fund balance - *total governmental funds* to arrive at *net position of governmental activities*	$	36,658

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		(43,792)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	48,927

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		6,761
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(50,066)

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		8
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(1,902)

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		(227,200)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(50,638)

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		28,409
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	58,082

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		23,141
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	457

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		6,150
Net adjustment to increase *net position - total enterprise funds* to arrive at *net position of business-type activities*	$	75,128

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		6,723
Net adjustment to increase *net position - total enterprise funds* to arrive at *net position of business-type activities*	$	7,398

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	$185,676

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 depositaries were required to pledge securities at 100 percent of their public deposits not covered by FDIC insurance. The PDPC is a statutory authority established under chapter 39.58 RCW that governs public depositaries and provides that "All public funds deposited in public depositaries, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter." It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositaries within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositaries in the State of Washington and total deposits cannot exceed the net worth of the financial institution. 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):

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

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.

<u>Investment Instruments</u> – State statutes authorize King County to invest in:

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

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

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

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

Credit Quality Distribution

Investment Type	AAA or A-1	AA	A	Not Rated	Total
Repurchase Agreements	$ 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

Investment Type	Maximum Maturity	Security Type Limit	Single Issuer Limit	Minimum Credit Rating
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency(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 aggregrating 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

	Total	Main Pool	Impaired Pool
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

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

Cultural Development Authority of King County (CDA)

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

Investments – The CDA has an investment policy to guide the management of its assets and 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

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)	Concentration
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	$ 61,149	$ 60,525	1.13%	0.601	100.00%
Less State Treasurer's Investment Pool (Cash Equivalent)	(43,939)				
Total Investments per Statement of Net Position	$ 17,210				

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	$ 9,364	$ 4,825	$ 45,231	$ 59,420
Other receivables				
Abatements receivable	$ -	$ -	$ 345	$ 345
Estimated uncollectible abatements receivable	-	-	(75)	(75)
Net other receivables	$ -	$ -	$ 270	$ 270
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	$ 49,552	$ 30,961	$ 51,230	$ 131,743

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	$ 31,851	$ 37,018	$ 10,295	$ 79,164	$ 2,345
Due from other governments	$ 169,066	$ 5,014	$ 2,866	$ 176,946	$ 86
Net due from other governments	$ 169,066	$ 5,014	$ 2,866	$ 176,946	$ 86
Noncurrent assets					
Due from other governments	$ 25	$ -	$ -	$ 25	$ -
Net noncurrent due from other governments	$ 25	$ -	$ -	$ 25	$ -

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 $.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	$ 54,275

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	310,011

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	$ 331,359	$ (14,435)	$ (18)	$ (9,647)	$ 307,259

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		
Public Transportation - restricted for future construction projects, debt service and obligations.	$	50,560
Water Quality - restricted for future construction projects, debt service, and reserves and obligations.		394,580
King County International Airport - restricted for construction projects and obligations.		622
Radio Communications Services - restricted for construction projects and obligations.		5
Solid Waste - restricted for construction projects, landfill closure and post-closure care costs.		70,703
Building Development & Management Corporations - restricted for construction projects and debt service.		2,884
Construction & Facilities Management - restricted for construction projects and obligations.		5
Total Proprietary Funds restricted assets	$	519,359
Component Unit - Harborview Medical Center (HMC)		
HMC Construction Fund - restricted for construction projects, seismic, public safety and other improvements, and furnishings of HMC buildings.	$	5,590
HMC Special Purpose Fund - restricted donations, gifts, and bequests from various sources for specific uses.		6,753
HMC Operating Fund - restricted resources that are board-designated for specific purposes, including planned capital and service components, self-insurance, commuter services, research and training.		49,750
HMC Plant Fund - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.		34,010
Total HMC restricted assets	$	96,103
Component Unit - Cultural Development Authority of King County (CDA)		
Public Arts Projects Fund - restricted for the one percent for public art programs operated for the benefit of King County.	$	5,231
Cultural Grant Awards Fund - restricted for arts and heritage cultural programs.		59,742
Total CDA restricted assets	$	64,973

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 I 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)	9,902
Annual Required Contribution (ARC)	13,609
Interest on net OPEB obligation	1,489
Adjustment to annual required contribution	(3,555)
Annual OPEB cost (expense)	11,543
Contributions made	(5,899)
Increase in net OPEB obligation	5,644
Net OPEB obligation - beginning of year	59,607
Net OPEB obligation - end of year	$ 65,251

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	$ 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)	167,417
Funded ratio (actuarial value of plan assets ÷ AAL)	0.00%
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	$ 2,633	$ 2,760

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	149
Total minimum lease payments	3,974
Less: Amount representing interest	(1,214)
Present value of net minimum lease payments	$ 2,760

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):

Year	Office Space	Other	Total
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):

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

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

Year	Governmental Activities	Business-type Activities		Total
		Airport	Other	
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 idenditied 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	$ 100,000	$ 721,280	$ (721,280)	$ 100,000

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 Refunding1993B 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 Refunding1993B Bonds	12/10/09	01/01/24	4.50%	17,150	16,975
2010A LTGO Refunding 2001 and 2002 Bonds (Partial)	10/28/10	06/01/21	2.00-5.00%	21,445	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				1,394,085	1,018,955
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)				3,846,918	3,012,313
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				5,241,003	4,031,268
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				$ 6,570,396	$ 4,877,531

(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

	General Obligation Bonds		Lease Revenue Bonds		Total	
Year	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	
	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total	
Year	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	998,866	259,444	(326,279)	932,031	71,541
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	714,820	602,115	(515,636)	801,299	63,486
Total Governmental activities long-term liabilities	$ 1,713,686	$ 861,559	$ (841,915)	$ 1,733,330	$ 135,027
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	4,035,125	975,372	(866,290)	4,144,207	83,200
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	690,322	343,154	(240,962)	792,514	38,272
Total Business-type activities long-term liabilities	$ 4,725,447	$ 1,318,526	$ (1,107,252)	$ 4,936,721	$ 121,472

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 Defeaseasance 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 proceed 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."

Receivable Fund	Payable Fund	Amount
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		$ 11,602

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)

Receivable Fund	Payable Fund	Amount
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		$ 33,047

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.”

Transfers Out	Transfers In	Amount
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		$ 220,082

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:				
Antiprofiteering 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 Recreatio	-	-	(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 Changes in Net Position or Fund Balance	Governmental Activities	Total Governmental Funds	Major Fund Health	Nonmajor Governmental Funds	Internal Service 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	(52,691)	(52,691)	-	-	-
to Health fund	52,691	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)	$ 2,202,791	$ 683,019	$ 52,691	$ 527,120	$ 103,931

BUSINESS-TYPE ACTIVITIES Changes in Net Position	Business-type Activities	Total Enterprise Funds	Major Funds Public Transportation	Major Funds Water Quality	Nonmajor Enterprise Funds
Net Position - January 1, 2015	$ 2,675,826	$ 2,608,096	$ 1,803,862	$ 555,104	$ 249,130
Implementation of GASB Statement No. 68 & 71	(399,972)	(399,972)	(331,186)	(42,474)	(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)	$ 2,275,751	$ 2,208,021	$ 1,472,676	$ 512,630	$ 222,715

COMPONENT UNITS Changes in Net Position	Component Units	Cultural Development 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)	$ 657,861	$ 42,194

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	30,418
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Current liabilities	45
TOTAL LIABILITIES	45
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Net investment in capital assets	18,937
Unrestricted	11,436
TOTAL NET POSITION	$ 30,373

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)

	ORIGINAL	FINAL	ACTUAL	VARIANCE
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)	$ (12,929)	$ (51,403)	(4,426)	$ 46,977
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			$ 102,629	

(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	$ 3,847

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)			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
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	815,351	883,194	407,311	(475,883)
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	811,002	880,654	396,747	483,907
Excess of revenues over expenditures (budgetary basis)	$ 4,349	$ 2,540	10,564	$ 8,024
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			$ 70,337	

(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	$ 7,082

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	$	(49,535)
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)	$ -
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)	$ -
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)	$ -
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)	$ -
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)	$ -
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.

	2013-2011		2010-2008		2007-2005	
Condition ratings	**(miles)**	**%**	**(miles)**	**%**	**(miles)**	**%**
Arterial roads						
Excellent to good	297.7	64.9	348.2	71.8	485.4	89.6
Fair	32.0	7.0	20.3	4.2	14.5	2.7
Poor to substandard	129.0	28.1	116.7	24.0	41.6	7.7
Total	458.7	100.0	485.2	100.0	541.5	100.0
Local access roads						
Excellent to good	742.0	70.7	867.0	75.6	1,094.5	83.4
Fair	91.4	8.7	74.2	6.5	127.3	9.7
Poor to substandard	216.5	20.6	205.8	17.9	91.2	6.9
Total	1,049.9	100.0	1,147.0	100.0	1,313.0	100.0

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

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

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

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

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

APPENDIX C

CRITERIA FOR ELIGIBLE PROJECTS UNDER THE KING COUNTY GREEN BOND PROGRAM

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CRITERIA FOR ELIGIBLE PROJECTS UNDER THE KING COUNTY GREEN BOND PROGRAM

Renewable Energy	• Development, construction, and operation of photovoltaic solar electricity and wholly dedicated transmission infrastructure • Development and construction of wind farms and wholly dedicated transmission infrastructure • Bioenergy from renewable, local feedstock and construction of municipal solid waste (MSW) landfill cells designed to deliver landfill gas to a bioenergy processing facility
Energy-Efficient New Buildings and Upgrades	• Municipal institutional buildings (LEED V4 Platinum, Living Building Challenge, or Net Zero greenhouse gas emissions) • Energy upgrades and retrofits • Communal heat systems related to renewable energy or wastewater treatment systems • Solid waste processing (build-out of transfer stations and purchase of trucks for transport may be part of the project, subject to trucks being fuel-efficient hybrids (electric) or running on bioenergy). Vehicles running solely on fossil fuel are prohibited
Clean Transportation	• Operations and infrastructure for urban rail systems (metro and electric light rail) • Operations and infrastructure for urban bus rapid transit (BRT) (electric or hybrid) • Transit fleet conversion to electric-drive buses • Active transportation infrastructure (bike lanes in cities, etc.) • Transportation logistics
Water	• Water infrastructure upgrades and efficiency improvements • Improvements in wastewater systems to handle higher demands of increasing populations and changing environmental factors like increased rainfall (combined sewer overflow and treatment systems) • Gray-water recycling in buildings (retrofit and new construction) • Habitat restoration
Adaptation	• Resilience infrastructure to reduce impacts of flooding and increased rainfall, including elevation of roads and bridges • Soft coast protection based on, e.g., ecosystem-based principles such as “Green Shores”

Source: King County Department of Natural Resources and Parks

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APPENDIX D

CICERO 'SECOND OPINION' ON KING COUNTY GREEN BOND FRAMEWORK

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°CICERO
Center for International
Climate Research

'Second Opinion' on King County Green Bond Framework

07 April 2017

Summary

The King County Green Bond Program (KCGBP) framework provides a progressive framework for climate-friendly investments. King County has ambitious emission reduction goals and a comprehensive Strategic Climate Action Plan (SCAP) that provides a roadmap for mitigation and resilience. The county has taken action to implement the SCAP and reduce emissions from own operations. The KCGBP will focus on initiatives that reduce the emissions of the county's operations. However, the county aims to provide leadership and incentives to the community to reduce countywide emissions.

The KCGBP framework lists eligible projects that are supportive of promoting the transition to low-carbon and climate -resilient growth and is supported by a strong governance structure. Proceeds will be used to finance new projects; refinancing is only permissible for projects that were originally funded by the KCGBP.

The selection and reporting procedures are well described in the green bond framework. The green bond governance committee (GBGC) includes environmental experts who have the right to veto projects based on environmental concerns. King County is committed to impact reporting and will disclose on an annual basis: all funded projects, individual project reports, greenhouse gas and other targets, as well as performance metrics, where available. At their discretion, the GBGC can seek third party assurance of any aspect of a project's green attributes, to determine eligibility or verify reporting. CICERO encourages King County to apply lifecycle considerations systematically and take into account rebound effects where relevant, to be more transparent on the climate risk exposure of its investments. We also encourage the independent review of green bond reporting.

Based on an overall assessment of the activities that will be financed by the green bond, King County Green Bond Program framework is awarded the Dark Green shading. The framework includes medium green projects such as energy efficient new buildings and upgrades. It will be imperative that GBGC applies its framework in a rigorous manner to ensure that a balance of project types is implemented to fulfill the high ambitions of the framework. The GBGC should take extra care when selecting green building projects including the purchase of trucks for solid waste processing, and transportation projects to ensure that only the most feasible environmentally friendly solutions are selected.

Contents

1. Introduction and Background

As an independent, not-for-profit, research institute, CICERO Center for International Climate Research provides Second Opinions on institutions' framework and guidance for assessing and selecting eligible projects for green bond investments and assesses the framework's robustness in meeting the institutions' environmental objectives. The Second Opinion is based on documentation of rules and frameworks provided by the institutions themselves (the client) and information gathered during meetings, teleconferences and e-mail correspondence with the client.

CICERO is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure.

CICERO has established the global Expert Network on Second Opinions (ENSO), a network of independent non-profit research institutions on climate change and other environmental issues, to broaden the technical expertise and regional experience for Second Opinions. CICERO works confidentially with other members in the network to enhance the links to climate and environmental science, building upon the CICERO model for Second Opinions. In addition to CICERO, ENSO members currently include Basque Center for Climate Change (BC3), International Institute for Sustainable Development (IISD), Stockholm Environment Institute (SEI), and Tsinghua University's Institute of Energy, Environment and Economy. A more detailed description of CICERO can be found at the end of this report. ENSO encourages the client to make this Second Opinion publically available. If any part of the Second Opinion is quoted, the full report must be made available.

CICERO's Second Opinions are normally restricted to an evaluation of the mechanisms or framework for selecting eligible projects at a general level. CICERO does not validate or certify the climate effects of single projects, and thus, has no conflict of interest regarding single projects. CICERO is neither responsible for how the framework or mechanisms are implemented and followed up by the institutions, nor the outcome of investments in eligible projects.

This note provides a Second Opinion of King County Green Bond Program (KCGBP) Framework and policies for considering the environmental impacts of their projects. The aim is to assess the KCGBP Framework as to its ability to support King County's stated objective of reducing greenhouse gas emissions, preparing for the impacts of climate change, and leading on climate action.

This Second Opinion is based on the green bond framework presented to CICERO by the issuer. Any amendments or updates to the framework require that CICERO undertakes a new assessment.

CICERO takes a long-term view on activities that support a low-carbon climate resilient society. In some cases, activities or technologies that reduce near-term emissions result in net emissions or prolonged use of high-emitting infrastructure in the long-run. CICERO strives to avoid locking-in of emissions through careful infrastructure investments and moving towards low- or zero-emitting infrastructure in the long run. Proceeds from green bonds may be used for financing, including refinancing, new or existing green projects as defined under the mechanisms or framework. CICERO assesses in this Second Opinion the likeliness that the issuer's categories of projects will meet expectations for a low carbon and climate resilient future.

Expressing concerns with 'shades of green'

CICERO Second Opinions are graded dark green, medium green or light green, reflecting the climate and environmental ambitions of the bonds and the robustness of the governance structure of the Green Bond Framework. The grading is based on a broad qualitative assessment of each project type, according to what extent it contributes to building a low-carbon and climate resilient society.

This Second Opinion will allocate a 'shade of green' to the green bond framework of King County:

- Dark green for projects and solutions that are realizations today of the long-term vision of a low carbon and climate resilient future. Typically this will entail zero emission solutions and governance structures that integrate environmental concerns into all activities.
- Medium green for projects and solutions that represent steps towards the long-term vision, but are not quite there yet.
- Light green for projects and solutions that are environmentally friendly but do not by themselves represent or is part of the long-term vision (e.g. energy efficiency in fossil based processes).
- Brown for projects that are irrelevant or in opposition to the long-term vision of a low carbon and climate resilient future.

The project types that will be financed by the green bond primarily define the overall grading. However, governance and transparency considerations also factor in, as they can give an indication whether the institution that issues the green bond will be able to fulfill the climate and environmental ambitions of the investment framework.

2. Brief Description of King County's Green Bond Framework and Rules and Procedures for Climate-Related Activities

King County is the most populous county in Washington State, with over 2 Million residents. The county is geographically diverse with mountainous areas and a coastline on the Puget Sound where the county's largest city, Seattle, is situated.

Policies: King County has committed to reducing emissions from own operations to 50 % of the 2007 baseline by 2030. Also, several of the county's divisions have committed to carbon neutrality, and the Department of Natural Resources and Parks (DNRP) has already reached this goal. King County also has a target of reducing countywide greenhouse gas (GHG) emissions by 25 % by 2020, 50 % by 2030 and 80 % by 2050 (2007 baseline). The KCGBP will focus on initiatives that reduce the emissions of the county's operations. However, the county aims to provide leadership and incentives to the community to reduce countywide per capita emissions.

To support its emissions targets, King County Council adopted a Strategic Climate Action Plan (SCAP) in 2012. The SCAP has been through regular reviews and updates. The 2015 SCAP encompasses new priorities and direction from the Executive and the Council, the results of a technical analysis quantifying pathways to achieving the needed GHG reductions and results from a collaborative stakeholder engagement process. The SCAP has five goal areas: transportation and land use, building and facilities energy, green building, consumption and materials management, and forests and agriculture, and an additional section on climate preparedness. Within each of these areas, the SCAP outlines priorities, targets, actions and assigns responsibility among county agencies.

As of 2015, King County was not on track to meet the reduction targets. Emissions from county operations have decreased by 1.2 % compared to the 2007 baseline, falling short of the 15 % reduction target. The county recognizes that significant action will be necessary to meet their reduction targets, both at a community and operational scale. A 2017 policy paper on the plan outlines priorities and funding allocation towards the SCAP for the 2017 – 2018 budget. More recent analysis of county emissions including new actions, such as a recent agreement to purchase wind power, show that King County should achieve its operational target to reduce emissions by 25% by 2020.

Definition: The King County Green Bond Program (KCGBP) will fund projects that have environmental benefits and assist the County in mitigating or adapting to climate change. The projects should align with the SCAP, as well as, other environmental regulations and policies. The KCGBP will fund projects in the following areas: renewable energy, green building and energy efficiency, clean transportation, water and wastewater management and climate change adaptation.

Selection: King County will establish a Green Bond Governance Committee (GBGC) responsible for screening projects. Senior level staff from Performance & Budgeting, Treasury, Dept. Natural Resources & Parks, and the Strategic Climate Action Plan (environmental specialists) will serve on the committee. The environmental specialists will have veto power in the nomination process to ensure that project nominated to receive funds from green bond issuances meets the expected standards that are outlined in the SCAP.

Any Capital Investment Program within the County can nominate a project to the GBGC. At their discretion, the GBGC can seek third party assurance of any aspect of a project's green attributes, to determine eligibility or verify reporting. All projects will be subject to King County's Environmental Purchasing policy and program. The policy reflects a long-term commitment to the purchase of environmentally preferable products and relates to a range of products and services - from pest management to antifreeze.

Management of proceeds: In line with the Green Bond Principles an amount equal to the net proceeds (net of fees and underwriting expense) will be recorded in a designated account, which tracks the use and allocation of funding. As long as the account has a positive balance, funds will be dedicated from this account and allocated to approved Eligible Projects. The proceeds will be used to fund new projects and upgrades of existing infrastructure.

Transparency and Accountability: Proceeds will be used to finance new projects, refinancing is only permissible for projects that were originally funded by the KCGBP. Funded projects will have their own accounting designation in the financial management system, which can be used to track proceeds. The County will disclose the amount of green funds allocated to specific projects, the total project size, and impact, as well as, the percentage of completion of projects. Projects will be linked to the appropriate bond(s). The County will create a website with a list of all funded projects, individual project reports, greenhouse gas and other targets such as energy use, as well as performance metrics, where available. King County has informed us that performance metrics will be updated on an annual basis.

The table below lists the documents that formed the basis for this Second Opinion:

Table 1: Documents Reviewed

Document Number	Document Name	Description
1	King County Strategic Climate Action Plan (SCAP)	The SCAP outlines the County's priorities, targets, and strategies/actions. 2015 SCAP is an update of the 2012 SCAP.
2	King County 2017-2018 Proposed Budget Policy Paper: Climate Action Plan	Outlines 2017-2018 investments towards meeting the SCAP.
3	King County Strategic Climate Action Plan 2015 Annual Report	Tracks strategies, actions, and performance across SCAP five goal areas. The report includes KPIs and progress towards established targets.
4	Fact sheet: King County Department of Natural Resources (DNRP) is 'Beyond Carbon Neutral.'	Overview of DNRP's Carbon Neutral strategy and DNRP's carbon accounts showing a negative carbon balance for 2015

5	Memorandum on Cedar Hills Regional Landfill – EPA GHG Mandatory Reporting Rule – the calendar year 2015	Summary of audit completed by SGS Engineers of DNRP emissions calculations for Cedar Hills Landfill
6	GHG Emissions Inventory Methodology Review, King County, DNRP	Cascadia Consulting group third-party review of DNRP GHG inventory methodology
7	Webpage: DNRP’s 2015 Emissions Sources	Overview of 2015 GHG emission sources
8	Webpage: DNRP’s 2015 Emissions Removals	Overview of 2015 GHG reduction and removal strategies
9	King County Green Bond Framework	The Green Bond Framework for King County DNRP

3. Assessment of King County's Green Bond Framework and environmental policies

Overall, the King County Green Bond Framework provides a sound framework for climate-friendly investments. The framework and procedures for KCGBP are assessed, and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects, whereas the weaknesses are typically areas that are unclearly or too generally described. Pitfalls are also raised in this section to note areas where issuers should be aware of potential macro-level impacts of investment projects.

Eligible projects under the Green Bond Framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide certainty to investors that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined." The Kings County Green Bond Framework has five eligible categories: renewable energy, energy efficient new buildings and upgrades, clean transportation, water, and adaptation.

Table 2 Eligible project categories

Category	Eligible project types	Green Shading and some concerns
Renewable Energy	• Development, construction, and operation of photovoltaic solar electricity and wholly dedicated transmission infrastructure • Development and construction of wind farms and wholly dedication transmission infrastructure • Bioenergy from renewable, local feedstock and construction of municipal solid waste (MSW) landfill cells designed to deliver landfill gas to a bioenergy processing facility.	**Dark Green** ✓ All projects will require environmental approvals from Washington State (SEPA), Federal Authorities (EPA), and King County Environmental Purchasing Policy ✓ Consider emissions from construction phase, as well as, landscape issues and mass deposits
Energy Efficient New Buildings and Upgrades	• Municipal Institutional buildings (LEED V4 Platinum, Living Building Challenge or Net Zero greenhouse gas emissions) • Energy upgrades and retrofits	**Medium Green** ✓ King County's long-term target is carbon neutral buildings ✓ LEED and other certifications include aspects important to long-term sustainable development, e.g. site

	• Communal heat systems related to renewable energy or wastewater treatment systems • Solid Waste Processing (The build out of transfer stations and purchase of trucks for transport may be a part of the project, subject to the trucks being fuel efficient hybrids (electric) or those running on bioenergy.) Vehicles run solely on fossil fuel are prohibited.	selection and consideration of brownfields, urban density and planning, and access to public transportation. ✓ These certification levels alone, however, do not necessarily ensure passive or plus housing ✓ Fossil fuel MSW (municipal solid waste) trucks (hybrids) could be eligible for financing. MSW hybrid trucks would not be plug-in, instead operating in certain phases in all electric mode.
Clean Transportation	• Operations and infrastructure for urban rail systems (metro and electric light rail) • Operations and infrastructure for urban bus rapid transit (BRT) (electric or hybrid) • Transit fleet conversion to electric drive buses • Active transportation infrastructure (bike lanes in cities, etc.) • Transportation logistics	**Medium Green to Dark Green** ✓ King County's goal is to achieve a zero emissions fleet. Currently, the fleet is a mix of hybrid electric and fossil fuel run. New capital investments will be for zero emission or hybrid electric to replace fossil fuel buses and the corresponding zero emission infrastructure like charging stations. ✓ Major transit projects require federal and municipal Environmental Assessment SEPA and King County Environmental Purchasing Policy
Water	• Water infrastructure upgrades and efficiency improvements • Improvement in wastewater systems handle higher demands of increasing populations and changing environmental factors like increased rainfall (combined sewer overflow and treatment systems) • Grey water recycling in buildings (retrofit & new construction) • Habitat restoration	**Dark Green** ✓ Consider negative impacts on wildlife, nature and lifecycle pollution. Avoid negative impacts on biodiversity. ✓ Consider emissions from construction phase and landscape issues and mass deposits ✓ Large projects are required to go through the Washington State Environmental Policy Act (SEPA) environmental review process
Adaptation	• Resilience infrastructure to reduce impacts of flooding and increased rainfall. These projects may include elevation of roads and bridges.	**Dark Green** ✓ No new roads or other fossil fuel infrastructure would be considered, Sections of road associated with a

	• Soft coast protection based on e.g. ecosystem-based principles such as "Green Shores	flood control initiative (the portion of the roadway along a levy upgrade or new levy) may be included ✓ No infrastructure to fossil fuel plants would be eligible for funding by the KCGPB ✓ Large projects are required to go through the Washington State Environmental Policy Act (SEPA) environmental review process

Strengths

King County Green Bond Program is anchored in the county's comprehensive plan for climate action. The SCAP clearly outlines priorities, targets, actions and assigns responsibility. The plan includes discussion of unintended environmental and community impacts, as well as a process for stakeholder engagement. The SCAP also commits the county to yearly reporting against targets. The SCAP includes targets for the green bond eligible categories. Example targets and 2015 performance for renewable energy and green building include:

Renewable Energy Production

- Target: Produce renewable energy equal to 100 percent of total county government net energy requirements by 2017 and each year after that, excluding the public transit fleet.
- 2015 Performance: King County exceeded this goal by generating renewable energy equivalent to 103 percent of its net energy requirements, excluding fuel attributed to the public transit system fleet.

Green Building

- Target: By 2020, 100 percent of King County projects achieve LEED Platinum certification or better. By 2030, 100 percent of King County projects achieve certifications that demonstrate a net zero greenhouse gas emissions footprint for new facilities and infrastructure.
- 2015 Performance: 50 percent of reported projects achieved LEED or Sustainable Infrastructure Scorecard Platinum ratings, an increase of 28 percentage points over 2014.

The SCAP also includes an assessment of climate impacts and risks, including plans for further research, and a roadmap for countywide resilience. The resilience planning process is science-driven, outlines the expected practical implementation and assigns ownership to county departments. For example, the county has established an agreement with the University of Washington to model and statistically analyze climate change impacts on rainfall patterns. This research will be input to updated models on stormwater design requirements, which the Water and Land Resources Division will incorporate into future updates of the King County Surface Water Design Manual. The KCGBP will support the implementation of mitigation and resilience targets outlined in the SCAP.

The framework takes several steps to avoid fossil fuel lock-in, among others by explicating excluding new roads and limiting transportation logistics projects to clean transportation options. The eligible infrastructure projects exclude any infrastructure for fossil fuel or nuclear. Proceeds will not be used to finance utilities, which may have a share of fossil fuel revenue, as the county is not involved in the production and distribution of energy. Renewable energy projects may be pursued as a strategy to reduce carbon emissions in line with the SCAP.

KCGBP framework includes both electric and hybrid electric BRT. King County has informed us that the vast majority, over 80 percent, of funding is expected to be allocated to zero emissions electric drive buses and related infrastructure. This statement is in line with a public report commissioned by King County Executive Dow Constantine, which charts the path to a zero-emission Metro bus fleet between 2034 and 2040.

KCGBP outlines a comprehensive and transparent reporting at the project level. Public reports are at a minimum to include a project description, the KCGBP criteria, greenhouse gas emissions targets, and energy performance targets. At their discretion, the GBGC can seek third party assurance of any aspect of a project's green attributes, to determine eligibility or verify reporting. Cicero encourages the development of and use of verifications of Green Bonds achievements.

Weaknesses

There are no obvious weaknesses to the King County green bond framework

Pitfalls

The KCGBP framework includes one medium to dark green category and one medium green category, Energy Efficient New Buildings, and Upgrades. The transition to a low-carbon and climate-resilient future requires passive or plus housing. King County has a target of zero emission buildings and has taken steps towards this goal, however, green building certification alone does not necessarily ensure passive or plus housing.

Several voluntary environmental certification systems provide some level of measurement of the environmental footprint of a building, including energy efficiency measures. One of the most widely used certification systems is Leadership in Energy and Environmental Design (LEED). LEED includes aspects important to long-term sustainable development, e.g. site selection and consideration of brownfields, urban density and planning, and access to public transportation. LEED V4 includes an energy performance requirement. However, even a LEED Platinum rating falls short of guaranteeing a climate-friendly building.

CICERO is encouraged by King County's steps towards zero emission buildings. By 2020, King County has committed to identifying and making substantial progress for at least ten new Net Zero Energy or Living Building Challenge construction or retrofit projects. As of 2015, King County has identified two potential county projects for Living Building Challenge certification.

Under the Green Building category, any energy performance related retrofit costs funded as upgrades could be eligible. Energy efficiency retrofits are climate-friendly investments, however, without any minimum performance requirements; there is a risk of lock-in of less energy efficient solutions. King County has, however, aggressive energy use targets and a good governance framework. The GBGC will have an important role in safeguarding the environmental integrity of funded retrofit projects and should take extra care when selecting projects in this sub-category. The county has informed us that they will report energy use from funded buildings, providing investors with transparency into the performance of funded projects.

Another potential pitfall in this category is the potential for partial fossil fuel driven trucks. Under solid waste processing, the purchase of trucks for transport may be a part of the project. King County has informed us that these trucks will either be fuel-efficient hybrids (electric) or run on bioenergy.

Overall, the project category Green Buildings receives the Medium Green shading. CICERO Dark Green shading is particularly difficult to achieve in the building sector because buildings have a long lifetime. CICERO Dark Green shading in the building sector, therefore, conforms to very strict measures.

The sustainable transportation category has been allocated a medium to dark green shading due to the possible inclusion of vehicles partially powered by fossil fuels. King County has informed us that the vast majority of funding for BRT is expected to go to towards electric vehicles and has already taken steps to electrify its fleet. The GBGC will have a substantial responsibility to ensure the environmental integrity of clean transportation projects and is encouraged to take additional steps in due diligence when evaluating projects involving hybrid vehicles.

Impacts beyond the project boundary

Due to the complexity of how socio-economic activities impact the climate, a specific project is likely to have interactions with the broader community beyond the project borders. These interactions may or may not be climate-friendly, and thus need to be considered with regards to the net impact of climate-related investments.

Rebound effects

Efficiency improvements may lead to rebound effects. When the cost of an activity is reduced, there will be incentives to do more of the same activity. From the project categories in Table 2, an example is improved energy efficiency, which in part may lead to more energy usage. King County should be aware of such effects and possibly avoid Green Bond funding of projects where the risk of rebound effects is particularly high.

Appendix:
About CICERO

CICERO Center for International Climate Research is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international climate cooperation. We collaborate with top researchers from around the world and publish in recognized international journals, reports, books and periodicals. CICERO has garnered particular attention for its work on the effects of manmade emissions on the climate and the formulation of international agreements and has played an active role in the UN's IPCC since 1995.

CICERO is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO received a Green Bond Award from Climate Bonds Initiative for being the biggest second opinion provider in 2016 and from Environmental Finance for being the best external review provider (2017).

CICERO Second Opinions are graded dark green, medium green and light green to offer investors better insight in the environmental quality of green bonds. The shading, introduced in spring 2015, reflects the climate and environmental ambitions of the bonds in the light of the transition to a low-carbon society.

CICERO works with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions. Led by CICERO, ENSO is comprised of trusted research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD). ENSO operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

cicero.oslo.no/greenbonds

APPENDIX E

SUMMARY OF KING COUNTY'S INVESTMENT POLICY

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SUMMARY OF KING COUNTY'S INVESTMENT POLICY

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

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

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

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

The Investment Pool must maintain an effective duration of 1.5 years or less and 40% of its total value must be held in securities that mature within one year. As of March 31, 2017, the Investment Pool had a balance of $6.1 billion and an effective duration of 1.07 years, and 54.5% of the portfolio had a maturity of one year or less.

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

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

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

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

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

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

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

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

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

The combined total of repurchase agreements greater than overnight, bankers' acceptances, CDs, commercial paper, and corporate notes must not exceed 50% of Investment Pool assets. The County currently does not purchase structured notes or inverse floating rate notes, and has no intention of doing so in the near future.

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

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

APPENDIX F

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Population

Historical and current population figures for the State, the County, and the City are given below.

POPULATION

Year	Washington	King County	Seattle
1980 (1)	4,130,163	1,269,749	493,846
1990 (1)	4,866,692	1,507,319	516,259
2000 (1)	5,894,121	1,737,034	563,374
2010 (1)	6,724,540	1,931,249	608,660
2011 (2)	6,767,900	1,942,600	612,100
2012 (2)	6,817,770	1,957,000	616,500
2013 (2)	6,882,400	1,981,900	626,600
2014 (2)	6,968,170	2,017,250	640,500
2015 (2)	7,061,410	2,052,800	662,400
2016 (2)	7,183,700	2,105,100	686,800

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

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

Per Capita Income

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

PER CAPITA INCOME

	2011	2012	2013	2014	2015
Seattle MD	$ 53,931	$ 56,267	$ 58,483	$ 62,481	$ 65,187
King County	57,837	60,090	62,770	68,877	72,530
State of Washington	43,878	46,045	47,717	49,610	51,898
U.S.	41,560	43,735	44,765	46,049	48,112

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

Construction

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

KING COUNTY
RESIDENTIAL BUILDING PERMIT VALUES

	New Single Family Units		New Multi-Family Units		
Year	**Number**	**Value($)**	**Number**	**Value($)**	**Total Value($)**
2012	3,864	$ 1,133,343,731	7,750	$ 1,118,023,021	$ 2,251,366,752
2013	4,419	1,419,065,243	7,858	1,053,237,846	2,472,303,089
2014	4,215	1,478,116,875	10,488	1,478,117,263	2,880,006,794
2015	4,010	1,539,049,136	14,527	2,227,509,189	3,766,558,325
2016	4,254	1,616,722,532	13,445	1,750,255,696	3,375,978,228
2016(1)	1,013	$ 364,145,516	1,568	$ 190,351,512	$ 554,498,028
2017(1)	998	404,405,199	2,581	347,998,860	752,404,059

(1) Through March.

Source: U.S. Bureau of the Census

Retail Activity

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

KING COUNTY AND THE CITY OF SEATTLE
TAXABLE RETAIL SALES

Year	King County	Seattle
2011	$ 40,846,118,928	$ 15,751,585,856
2012	43,506,804,227	17,162,539,275
2013	46,601,198,766	18,258,200,683
2014	49,638,174,066	19,995,171,842
2015	54,890,159,770	22,407,443,037
2015(1)	$ 40,150,081,755	$ 16,443,790,941
2016(1)	44,057,486,509	17,999,139,967

(1) Through third quarter.

Source: Washington State Department of Revenue and Quarterly Business Review

Industry and Employment

The following table presents major Puget Sound-area employers and their State-wide employment data in 2015.

PUGET SOUND AREA
MAJOR EMPLOYERS

Employer	Employees
The Boeing Company	78,200
Joint Base Lewis-McChord	58,100
Navy Region Northwest	46,700
Microsoft Corp.	43,600
Amazon.com Inc.	24,000
University of Washington	23,600
Wal-Mart Stores, Inc.	19,500(1)
Providence Health & Services	17,700
Fred Meyer Stores	15,500
King County Government	14,700(2)
City of Seattle	13,700(3)
Starbucks Corp.	12,600
CHI Franciscan Health System	11,800
Nordstrom Inc.	10,900
Costco Wholesale Corp.	10,500(1)

(1) Does not include part-time or seasonal employment figures.
(2) Source: King County. Figure includes temporary workers.
(3) Source: City of Seattle. Figure includes temporary workers.

Source: Puget Sound Business Journal Book of Lists, 2017

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

	Annual Average				
	2012	**2013**	**2014**	**2015**	**2016**
Civilian Labor Force	1,129,670	1,139,610	1,158,230	1,178,606	1,208,334
Total Employment	1,055,000	1,079,950	1,104,930	1,128,497	1,160,734
Total Unemployment	74,670	59,660	53,300	50,109	47,600
Percent of Labor Force	6.6%	5.2%	4.6%	4.3%	3.9%

NAICS INDUSTRY	**2012**	**2013**	**2014**	**2015**	**2016**
Total Nonfarm	1,196,042	1,237,217	1,278,033	1,311,575	1,358,517
Total Private	1,030,608	1,069,975	1,108,425	1,137,442	1,180,175
Goods Producing	154,283	162,508	168,283	174,908	176,800
Mining and Logging	425	458	458	575	500
Construction	50,625	55,883	60,792	66,800	70,833
Manufacturing	103,225	106,167	107,025	107,542	105,475
Service Providing	1,041,758	1,074,708	1,109,750	1,136,667	1,181,717
Trade, Transportation, and Utilities	216,167	225,167	235,758	244,433	254,642
Information	81,017	82,617	85,583	89,058	95,967
Financial Activities	68,850	70,892	72,000	69,675	70,758
Professional and Business Services	192,525	201,042	207,933	215,733	222,667
Educational and Health Services	159,275	162,633	167,983	167,008	174,592
Leisure and Hospitality	114,850	120,575	124,883	130,108	136,425
Other Services	43,642	44,542	46,000	46,517	48,325
Government	165,433	167,242	169,608	174,133	178,342
Workers in Labor/Management Disputes	0	0	0	0	0

	Mar. 2017
Civilian Labor Force	1,232,220
Total Employment	1,194,409
Total Unemployment	37,811
Percent of Labor Force	3.1%

(1) Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department

APPENDIX G

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

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

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

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

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

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

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

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

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

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

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

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