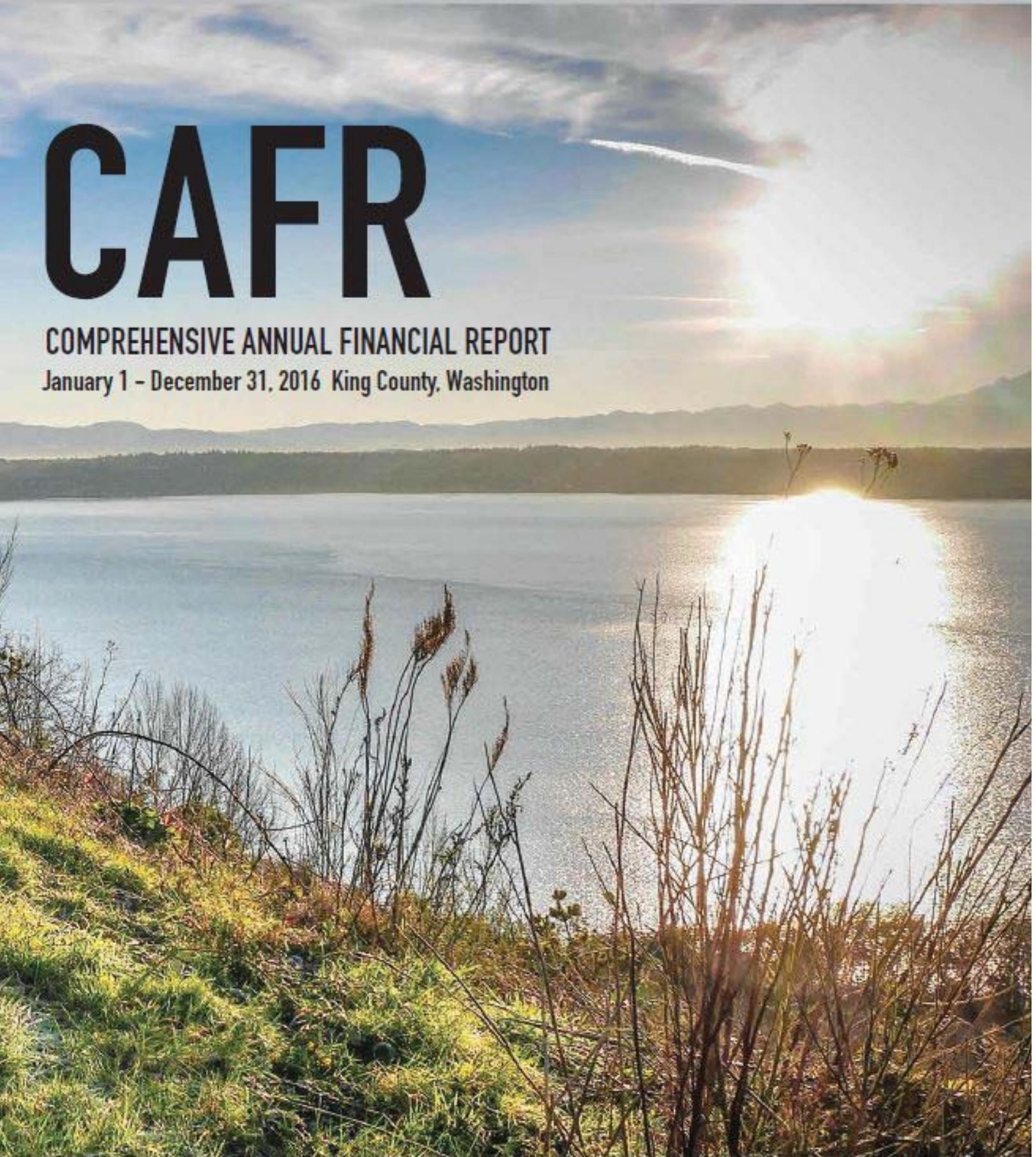


# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

January 1 - December 31, 2016 King County, Washington



**King County**

Finance and Business Operations Division



# CAFR

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

---

King County Executive  
**DOW CONSTANTINE**

County Administrative Officer and Director  
Department of Executive Services  
**CAROLINE WHALEN**

Finance Director  
Finance and Business Operations Division  
**KEN GUY**

Deputy Finance Director  
Finance and Business Operations Division  
**EUNJOO GREENHOUSE**

Chief Accountant/Manager  
Financial Management Section  
**CHERYL LEE**

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year  
January 1 through  
December 31, 2016

King County  
State of Washington

PREPARED BY:

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

King County Administration Building  
500 Fourth Avenue, Room 653  
Seattle, WA 98104

**CHIEF ACCOUNTANT/MANAGER**

Cheryl Lee, CPA

**FINANCIAL ACCOUNTING SUPERVISOR**

Jin Lin, CPA

**FINANCIAL ACCOUNTING STAFF**

Michael L. Cheney, CPA  
Brad Erickson  
William R. Forristall, CPA  
Connie D. Hughes, CPA, MBA  
Amy Kaminishi  
Rebecca Luther, CPA  
July Maha, MPAcc  
Nollin N. Rose, CPA  
Lily P. Sheats  
Matthew A. Smith, CPA  
Bobbi Tennis  
Shu-Hui Wang, CPA  
Cheng Xu

**COVER DESIGN**

Wendy Gable Collins, Senior Visual Designer

**COVER PHOTOGRAPH**

Maury Island Marine Park  
Photographer, Eli Brownell, King County Parks



**CAFR AVAILABLE ONLINE**

[www.kingcounty.gov/depts/finance-business-operations/  
financial-management-services/CAFR](http://www.kingcounty.gov/depts/finance-business-operations/financial-management-services/CAFR)

Alternative formats available by calling  
206-263-2535 or TTY:711

King County is an equal opportunity/affirmative action  
employer and complies with the Americans with Disabilities Act

## Comprehensive Annual Financial Report

December 31, 2016

## Table of Contents

**INTRODUCTORY SECTION**

Title Page .....	i
Table of Contents .....	iii
Letter of Transmittal .....	vi
Certificate of Achievement for Excellence in Financial Reporting .....	xi
Elected Officials Photo Page .....	xii
Elected Officials .....	xiii
Organization Chart .....	xiv

**FINANCIAL SECTION**

Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4

**BASIC FINANCIAL STATEMENTS**

## Government-wide Financial Statements:

Statement of Net Position .....	17
Statement of Activities .....	18

## Fund Financial Statements:

*Governmental Fund Financial Statements*

Balance Sheet .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	21

*Proprietary Fund Financial Statements*

Statement of Net Position .....	22
Statement of Revenues, Expenses and Changes in Fund Net Position .....	24
Statement of Cash Flows .....	26

*Fiduciary Fund Financial Statements*

Statement of Fiduciary Net Position .....	28
Statement of Changes in Fiduciary Net Position .....	29

*Component Unit Financial Statements*

Statement of Net Position .....	30
Statement of Activities .....	31

## Notes to the Financial Statements:

Table of Contents .....	33
Note 1 - Summary of Significant Accounting Policies .....	34
Note 2 - Reconciliation of Government-wide and Fund Financial Statements .....	47
Note 3 - Stewardship, Compliance and Accountability .....	51
Note 4 - Deposits and Investments .....	53

Note 5 - Receivables .....	61
Note 6 - Tax Revenues .....	62
Note 7 - Capital Assets .....	69
Note 8 - Restricted Assets .....	72
Note 9 - Pension Plans .....	73
Note 10 - Postemployment Health Care Plan .....	84
Note 11 - Risk Management .....	86
Note 12 - Leases .....	89
Note 13 - Landfill Closure and Post-closure Care .....	91
Note 14 - Pollution Remediation .....	92
Note 15 - Liabilities .....	94
Note 16 - Interfund Balances and Transfers .....	101
Note 17 - Related Party Transactions .....	103
Note 18 - Components of Fund Balance, Changes in Equity and Restrictions .....	104
Note 19 - Legal Matters, Financial Guarantees and Other Commitments .....	108
Note 20 - Subsequent Events .....	112

## REQUIRED SUPPLEMENTARY INFORMATION

I. General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	115
Health Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	116
II. Pension Funding (GASB 68) .....	117
III. Postemployment Health Care Plan .....	122
IV. Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach .....	122

## COMBINING FUND STATEMENTS AND SCHEDULES AND SUPPLEMENTARY INFORMATION

### GOVERNMENTAL FUNDS

#### Nonmajor Governmental Funds:

Fund Descriptions .....	127
Combining Balance Sheet .....	129
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	130

#### Combining Balance Sheets:

Nonmajor Special Revenue Funds .....	132
Nonmajor Debt Service Funds .....	135
Nonmajor Capital Projects Funds .....	136

#### Combining Statements of Revenues, Expenditures, and Changes in Fund Balances:

Nonmajor Special Revenue Funds .....	138
Nonmajor Debt Service Funds .....	141
Nonmajor Capital Projects Funds .....	142

#### Governmental Funds with Biennial Budgets - Schedule of Expenditures (Budgetary Basis) by Appropriation Unit .....

144

### PROPRIETARY FUNDS

#### Nonmajor Enterprise Funds:

Fund Descriptions .....	149
Combining Statement of Net Position .....	150
Combining Statement of Revenues, Expenses and Changes in Fund Net Position .....	152

Combining Statement of Cash Flows .....	154
Internal Service Funds:	
Fund Descriptions .....	159
Combining Statement of Net Position .....	160
Combining Statement of Revenues, Expenses and Changes in Fund Net Position .....	163
Combining Statement of Cash Flows .....	166

## FIDUCIARY FUNDS

Investment Trust Funds:	
Fund Descriptions .....	171
Combining Statement of Net Position .....	172
Combining Statement of Changes in Net Position .....	172
Agency Funds:	
Fund Descriptions .....	173
Combining Statement of Changes in Assets and Liabilities .....	176

## STATISTICAL SECTION

Table of Contents .....	191
Financial Trends:	
Net Position by Component .....	192
Changes in Net Position .....	193
Fund Balances, Governmental Funds .....	195
Changes in Fund Balances, Governmental Funds .....	196
Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property .....	197
Direct and Overlapping Governments Property Tax Rates .....	198
Property Tax Levies and Collections .....	199
Principal Property Tax Payers .....	200
Debt Capacity:	
Ratios of General Bonded Debt Outstanding .....	201
Direct and Overlapping Governmental Activities Debt .....	202
Ratios of Outstanding Debt by Type .....	203
Legal Debt Margin Information .....	204
Revenue Bond Coverage for the Water Quality Enterprise .....	206
Additional Coverage Ratios for the Water Quality Enterprise .....	207
Operating Information:	
Operating and Capital Indicators by Function .....	208
Full-Time Equivalent County Government Employees by Function .....	209
Demographic and Economic Statistics:	
Demographic and Economic Indicators .....	210
Principal Employers of King County by Major Industry .....	211
Ten Largest Customers of the Water Quality Enterprise .....	212



## King County

Finance and Business Operations Division  
Department of Executive Services  
401 Fifth Ave.  
Seattle, WA 98104-2333

June 29, 2017

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

We are pleased to transmit to you the Comprehensive Annual Financial Report (CAFR) of King County, Washington for the fiscal year ended December 31, 2016. The governmental financial reporting model provides a picture of the County as a single unified entity reported under the accrual basis, while also providing traditional fund-based financial statements with added emphasis to major funds and budgetary reporting. Each perspective (government-wide and major fund) allows the reader to address relevant questions regarding the County's financial condition and results of operations, provides a basis for comparison between near-term and full accrual measures, and enhances the County's financial and operational accountability.

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

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

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal granting agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Once the audit has been completed, the County's 2016 Single Audit Report will be available online at <http://www.sao.wa.gov>.

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

### **Profile of the County**

The County ranks number one in population in the state of Washington and is the financial, economic and industrial center of the Pacific Northwest region. Located between the sparkling blue waters of Puget Sound and the snowcapped Cascade Mountains, the County consists of 2,307 square miles, ranking 11th in geographical size among Washington State's 39 counties. King County is nearly twice as large as the average county in the United States. With over 2 million people, it also ranks as the 13th most populous county in the nation. The County includes 39 incorporated cities, accounting for 87.5 percent of its population.

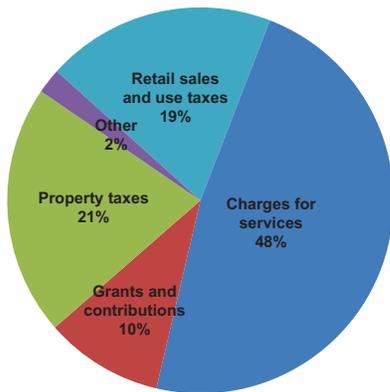
King County is organized under the executive-council form of county government. The Metropolitan King County Council is the policy-determining legislative body and the executive is the chief executive officer. Other elected County officials include the prosecuting attorney, sheriff, assessor, director of elections and Superior and District Court judges. The executive presents to the Council annual statements of the County's financial and governmental affairs, proposed budget and capital improvement plans. The executive signs, or authorizes the signing of, all deeds, contracts and other instruments on behalf of the County and appoints the director of each executive department.

King County provides vital services county-wide and other important services exclusively to unincorporated areas. Cities and other incorporated areas contract with the County for select services. Within appropriate jurisdictions, the County provides public transportation, wastewater treatment, waste disposal, elections, tax assessments and collections, law enforcement, criminal detention, court services, animal control, flood control, roads construction and maintenance, low-income housing, agricultural services, parks and recreation, land use planning and permitting, zoning, mental and physical health care, emergency medical and emergency 911 services, communications networks and other services.

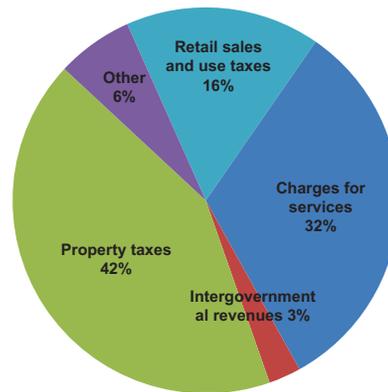
**Economic outlook**

Economic conditions have a direct impact on the County's revenues and the demand for services. The County's main revenue sources include taxes, charges for services and intergovernmental revenues (grants and other financial assistance). The largest of these are charges for services and property and retail sales and use taxes, comprising 47.8 percent, 21.0 percent and 19.2 percent of total revenues respectively. Retail sales taxes are dependent on the level of retail sales which generally track the business cycle. Taxable retail sales increased by 7.7 percent in King County in 2016. In the General Fund, property taxes made up the bulk of its revenues at 42.3 percent, followed by charges for services at 32.3 percent and retail sales and use taxes at 16.3 percent. The general fund, however, continues to be hampered by the structural gap between the statutorily limited property tax growth and a continuing increase in demand for services.

**2016 Countywide Revenue**



**2016 General Fund Revenues**

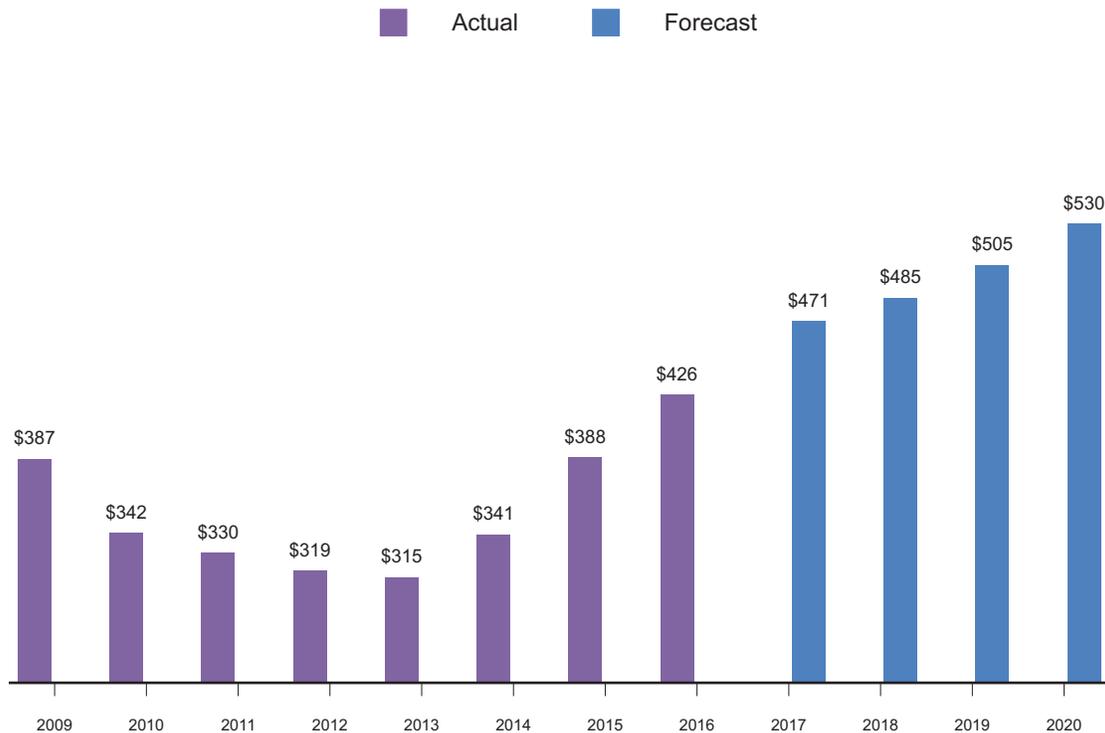


The County's economy is improving because of the unique and diverse composition of businesses in the region. The County's unemployment rate is very low and currently resides at 3.8 percent. Two prominent employers of the region, Starbucks and Microsoft, retain strong demand for their products and homegrown online retailer Amazon.com has continued to add employees.

Property taxes tend to be more stable since the amount of revenue received is based on the previous year's levy amount plus one percent, plus property tax on the value of new construction. Property taxes are levied primarily on real property owned by individuals and businesses. The King County assessor determines the fair market value of properties, which is intended to generally reflect 100 percent of the property's market value. Total assessed values of

real property continued to rise in 2016, increasing by 9.8 percent. In addition, there are positive signs for continued medium-term growth as shown in the following chart.

### King County Total Assessed Value (In millions)



## Major initiatives

### Best-Run Government

The County's goal is to be one of the best-run governments in the nation. The County is embracing continuous improvement, instituting management best practices, encouraging employees to innovate, and striving for second-to-none customer service. These strategies will enhance the overall employee experience and develop a talented and diverse workforce to meet the needs of staff today and into the future.

### Building Equity and Opportunity

King County is committed to addressing these issues in the hopes of molding a more inclusive society that will uplift all County residents through greater economic vitality, a better educated populace, a less expensive health care system, a lower cost criminal justice system, and an overall better government. The Office of Equity and Social Justice was created in early 2015. The Office is coordinating the County's efforts to use equity and social justice considerations to guide decision making, both internally (e.g., hiring and promotion practices) and externally (e.g., focusing services on historically disadvantaged groups). In 2016, the Office completed its first six-year strategic plan for equity and social justice, co-created with employees and community partners. The Plan is a blueprint for action and change that will guide the County's pro-equity policy direction, decision-making, planning, operations and services and workplace practices to advance equity and social justice within County government and in partnership with communities.

Best Starts for Kids (BSK) is a comprehensive set of programs to help children and youth succeed. It is a first of its kind program that will fund prevention and early intervention strategies for developing children in the hopes of mitigating the risk of being a burden to the County when they reach adulthood. County voters also approved BSK property tax

levy lid lift in November 2015 with a 56.2% “yes” vote. The levy will generate about \$65 million per year and cost the average King County property owner an estimated \$56 per year. This is part of the County’s emphasis on “upstream” strategies to improve lives and reduce the likelihood of children failing to succeed in school, using drugs or alcohol and possibly becoming involved with the criminal justice system. Research has conclusively shown that early childhood programs significantly improve outcomes and avoid costs later. In 2016, King County launched the first strategy funded by the initiative, Youth and Family Homelessness Prevention.

## **Confronting Climate Change**

King County is helping County residents make their communities less susceptible to wildfires, making highly-treated recycled water available to farmers and industries and restoring critical salmon habitats. King County is also reducing the carbon pollution that fuels climate change by: (1) increasing transit and sustainable transportation; (2) making it easier to reduce waste and recycle more; (3) protecting and restoring forests and farms; (4) reducing energy used in government operations and phasing out coal-fired electricity county-wide and (5) leading a coalition of cities representing 1.5 million people with a shared commitment to reduce carbon pollution.

King County and 13 cities are collaborating through the King County-Cities Climate Collaboration (K4C) to coordinate and enhance the effectiveness of local government climate and sustainability action. K4C won a 2016 Climate Leadership Award from the United States Environmental Protection Agency. K4C’s accomplishments include (1) supporting formal adoption of shared near and long-term county-wide greenhouse gas (GHG) emissions reduction targets of 25 percent by 2020, 50 percent by 2030 and 80 percent by 2050; (2) developing a comprehensive shared vision and policy framework for confronting climate change that addresses energy supply, green building, land use, forests and more; (3) mapping out specific action commitments to reduce emissions that are tailored to King County energy sources, city and county development patterns and local government areas of influence; (4) partnering on municipal policy and code changes, joint grant funding proposals and increased influence among other stakeholders at the state level; (5) exploring the potential to partner with local utilities and businesses to jointly invest in and develop a large-scale renewable energy project, such as wind or solar; and (6) sharing technical support and learning across K4C members.

## **Regional Mobility**

Demand for transit is at an all-time high, and the Central Puget Sound region is growing faster than anywhere in the United States. Recent studies project 30% more people by 2040. Roadways throughout the County are already congested during peak commute times, limiting the mobility of people who live, work and play in our beautiful region. As we continue to grow, public transportation will play an important role in reducing congestion, protecting our environment and getting more people where they need to go.

Mobility is now the number one concern of people in King County. King County Metro Transit is good for our economy, our environment, and our people. Metro Transit provides 400,000 daily rides and takes 175,000 cars off the road each weekday, carrying nearly half of downtown Seattle’s workforce to and from their jobs. Voters approved the Sound Transit 3 measure proposed by the Executive in November 2016. Upcoming expansions include light rail service to Everett, Tacoma, downtown Redmond, Kirkland, Issaquah, Ballard and West Seattle; bus rapid transit on I-405; and Sounder south expansions. By 2021, Sound Transit will complete light rail to Roosevelt and Northgate and in 2023 trains will reach Mercer Island, Bellevue, Overlake, Shoreline, Mountlake Terrace and Lynnwood. From there, Sound Transit will keep building until the agency has completed a 116-mile regional system.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King County for its comprehensive annual financial report for the fiscal year ended December 31, 2015. This was the 35th consecutive year in which the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

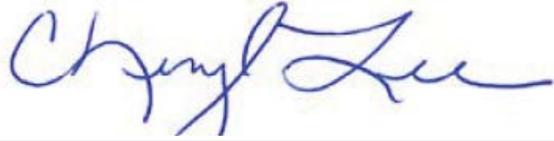
Finally, the preparation of this report would not have been possible without the efficient and dedicated services of the Financial Accounting Unit staff of the Finance and Business Operations Division. We would like to express our appreciation to all members of the division who assisted and contributed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

Respectfully submitted,



---

Ken Guy  
Finance Director  
Finance and Business Operations Division



---

Cheryl Lee, CPA  
Chief Accountant/Manager  
Financial Management Section Division



Government Finance Officers Association

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

Presented to

**King County  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**King County Executive  
Dow Constantine**



**METROPOLITAN KING COUNTY COUNCIL**

**Standing (left to right): Kathy Lambert, District 3, Dave Upthegrove, District 5,  
Claudia Balducci, District 6, Larry Gossett, District 2,  
Pete von Reichbauer, District 7, Jeanne Kohl-Welles, District 4  
Seated (left to right): Council Vice Chair Reagan Dunn, District 9,  
Council Chair Joe McDermott, District 8, Council Vice Chair Rod Dembowski, District 1**



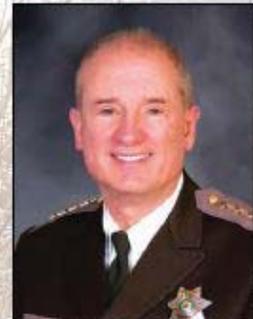
**King County  
Assessor  
John Wilson**



**King County  
Elections Director  
Julie Wise**



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



**King County  
Sheriff  
John Urquhart**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

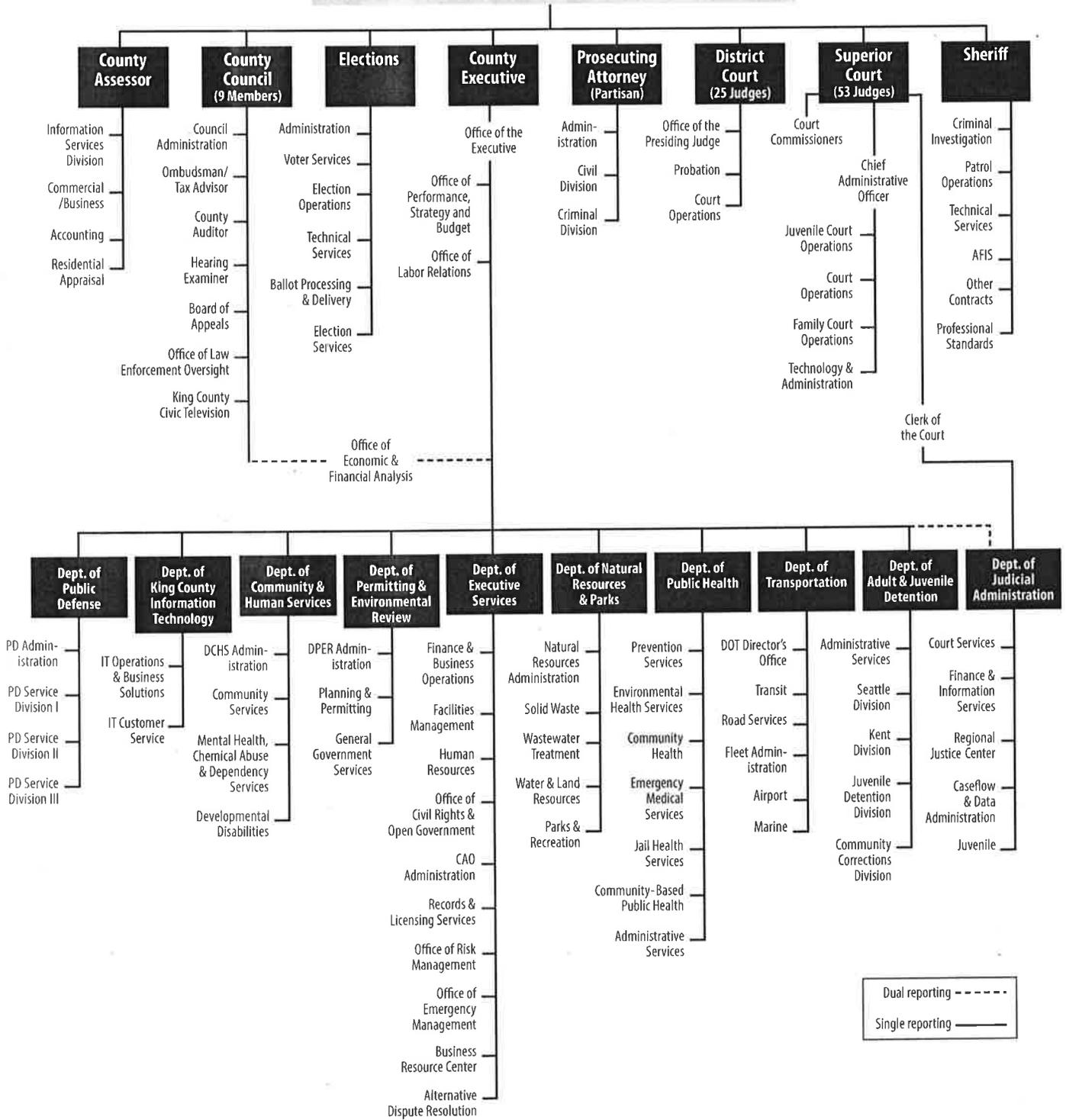
## ELECTED OFFICIALS

at time of publication

<b>Office</b>		<b>Official</b>
Council Vice Chair	District 1	<b>Rod Dembrowski</b>
Councilmember	District 2	<b>Larry Gossett</b>
Councilmember	District 3	<b>Kathy Lambert</b>
Councilmember	District 4	<b>Jeanne Kohl-Welles</b>
Councilmember	District 5	<b>Dave Upthegrove</b>
Councilmember	District 6	<b>Claudia Balducci</b>
Councilmember	District 7	<b>Pete von Reichbauer</b>
Council Chair	District 8	<b>Joe McDermott</b>
Council Vice Chair	District 9	<b>Reagan Dunn</b>
<b>Executive</b>		<b>Dow Constantine</b>
<b>Prosecuting Attorney</b>		<b>Dan Satterburg</b>
<b>Assessor</b>		<b>John Wilson</b>
<b>Elections Director</b>		<b>Julie Wise</b>
<b>Sheriff</b>		<b>John Urquhart</b>
<b>Presiding Judge</b>	King County Superior Court	<b>Laura Inveen</b>
<b>Chief Presiding Judge</b>	King County District Court	<b>Donna Tucker</b>

---

# The Electorate of King County



# Financial Section

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT





**Office of the Washington State Auditor  
Pat McCarthy**

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

June 27, 2017

Council and Executive  
King County  
Seattle, Washington

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of and for the year ended December 31, 2016, 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 78 percent, 22 percent, and 34 percent, or the Public Transportation Fund, a major fund, which represents 20 percent, 66 percent and 57 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 reports thereon have 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 reports 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, 2016, 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, 2016, the County has implemented the Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*; Statement No. 77, *Tax Abatement Disclosures*; and Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 14, budgetary comparison information on pages 114 through 115, pension plan information on pages 116 through 120, information on postemployment benefits other than pensions on page 121, and infrastructure modified approach information on pages 121 through 123 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as combining fund statements and schedules and supplementary information on pages 125 through 188 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 procedure performed as described above, and the reports 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 are presented for purposes of additional analysis and are 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, 2017, 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,



Pat McCarthy

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, 2016. 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, 2016, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$5,430.1 million (*net position*). Of this amount, \$479.0 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 13.0 percent or \$624.0 million because of new bus purchases and property acquisitions and capital projects. The governmental net position increased by 10.5 percent or \$245.6 million, and the business-type net position increased by 15.3 percent or \$378.3 million.
- At December 31, 2016, the County's governmental funds reported combined fund balances of \$846.7 million, an increase of \$141.9 million in comparison with the prior year. Approximately 5.7 percent or \$48.0 million of this amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of 2016, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) for the General Fund was \$123.8 million, or approximately 17.4 percent of total General Fund expenditures. Total fund balance for the General Fund increased 22.3 percent or \$22.9 million from the prior year.
- King County's total outstanding debt decreased by 0.6 percent or \$34.6 million in 2016. It issued new general obligation bonds totaling \$25.0 million and revenue bonds totaling \$881.2 million and reduced principal and refunded bonds in the amount of \$932.3 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; public safety; 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: Harborview Medical Center (HMC) and 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 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 technology services, employee benefits, facilities management, risk management, building development and management 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 governmental funds, 2) the current funding progress for pensions, 3) the current funding progress for other postemployment benefits, and 4) infrastructure assets reported

using the modified approach. The required supplementary information immediately follows the notes to the financial statements.

### **Combining statements**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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 \$5,430.0 million, at the close of the most recent fiscal year, as shown below.

	King County's Net Position (in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 1,346,736	\$ 1,288,299	\$ 2,032,013	\$ 1,967,071	\$ 3,378,749	\$ 3,255,370
Capital assets	3,046,055	3,016,943	5,968,158	5,817,230	9,014,213	8,834,173
Total Assets	4,392,791	4,305,242	8,000,171	7,784,301	12,392,962	12,089,543
<b>Deferred Outflows of Resources</b>	136,468	90,967	319,215	225,970	455,683	316,937
<b>Liabilities</b>						
Long-term liabilities	1,751,792	1,733,335	5,172,486	4,936,721	6,924,278	6,670,056
Other liabilities	182,366	241,414	241,759	500,299	424,125	741,713
Total Liabilities	1,934,158	1,974,749	5,414,245	5,437,020	7,348,403	7,411,769
<b>Deferred Inflows of Resources</b>	15,300	87,306	54,848	101,275	70,148	188,581
<b>Net Position</b>						
Net investment in capital assets	2,217,067	2,130,800	1,788,355	1,649,976	4,005,422	3,780,776
Restricted	700,986	401,317	244,689	243,658	945,675	644,975
Unrestricted	(338,252)	(197,963)	817,249	578,342	478,997	380,379
Total Net Position	\$ 2,579,801	\$ 2,334,154	\$ 2,850,293	\$ 2,471,976	\$ 5,430,094	\$ 4,806,130

By far, the largest portion of King County's net position, 73.8 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.

An additional portion of the King County's net position, 17.4 percent or \$945.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$479.0 million is unrestricted. A negative unrestricted net position represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources.

King County's overall net position increased 13.0 percent or \$624.0 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 \$245.6 million, or 10.5 percent from the prior fiscal year for an ending balance of \$2,579.8 million. Net position invested in capital assets comprises 86.0 percent of total net position, or \$2,217.1 million, an increase from the prior year of \$86.3 million. The increase is related to increases to capital assets and decreases to debt issued to acquire or construct capital assets during the year. Another portion of net position of \$701.0 million is restricted for specific purposes, including \$241.6 million for mental and physical health programs, \$220.6 million for capital projects and \$98.5 million for public safety services.

Governmental activities accounted for 39.4 percent of the total improvement in net position of the County. The total revenues for governmental activities were \$2,122.8 million, an increase of 8.7 percent or \$169.9 million from the prior year. Increases in property taxes contributed the largest portion, \$106.8 million, followed by charges for services with \$34.8 million. The uptick in property taxes was mainly due to new levies approved by voters, namely Best Starts for Kids and the Puget Sound Emergency Regional Network. Increases in charges for services were mostly attributed to increases in contracts with other local governments and increased grants and donations for mental and physical health services.

Expenses during the year lagged behind total revenues, only increasing by \$63.8 million, or 3.5 percent, in governmental activities. The largest increases occurred in mental and physical health by \$169.8 million. The increases in expenses in these areas correspond to the increases in revenues, as these increases represent the related expenses resulting from the increased service contracts with other local governments.

	Changes in Net Position (in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 794,180	\$ 759,342	\$ 1,110,882	\$ 889,476	\$ 1,905,062	\$ 1,648,818
Operating grants and contributions	218,760	189,325	58,374	30,643	277,134	219,968
Capital grants and contributions	29,709	18,113	89,336	92,242	119,045	110,355
General revenues						
Property taxes	809,365	702,563	28,118	27,511	837,483	730,074
Retail sales and use taxes	198,941	203,118	567,128	526,895	766,069	730,013
Other taxes	59,973	69,755	—	—	59,973	69,755
Unrestricted interest earnings	11,830	10,663	10,286	5,757	22,116	16,420
Total revenues	<u>2,122,758</u>	<u>1,952,879</u>	<u>1,864,124</u>	<u>1,572,524</u>	<u>3,986,882</u>	<u>3,525,403</u>
<b>Expenses (a)</b>						
General government	211,269	251,147	—	—	211,269	251,147
Public safety (c)	602,706	667,361	—	—	602,706	667,361
Physical environment	59,725	110,864	—	—	59,725	110,864
Transportation	89,345	84,139	—	—	89,345	84,139
Economic environment	116,757	101,942	—	—	116,757	101,942
Mental and physical health	678,492	508,706	—	—	678,492	508,706
Culture and recreation	84,838	50,699	—	—	84,838	50,699
Interest and other debt service costs	29,714	34,207	—	—	29,714	34,207
Airport	—	—	26,304	21,392	26,304	21,392
Public transportation	—	—	848,622	777,883	848,622	777,883
Solid waste	—	—	132,386	113,751	132,386	113,751
Water quality	—	—	467,987	448,832	467,987	448,832
Other enterprise activities	—	—	14,773	14,136	14,773	14,136
Total expenses	<u>1,872,846</u>	<u>1,809,065</u>	<u>1,490,072</u>	<u>1,375,994</u>	<u>3,362,918</u>	<u>3,185,059</u>
Increase in net position before transfers and special items	249,912	143,814	374,052	196,530	623,964	340,344
Transfers	(4,265)	305	4,265	(305)	—	—
Special items	—	(12,756)	—	—	—	(12,756)
Increase in net position	<u>245,647</u>	<u>131,363</u>	<u>378,317</u>	<u>196,225</u>	<u>623,964</u>	<u>327,588</u>
Net position, beginning of year (b)	<u>2,334,154</u>	<u>2,202,791</u>	<u>2,471,976</u>	<u>2,275,751</u>	<u>4,806,130</u>	<u>4,478,542</u>
Net position, end of year	<u>\$ 2,579,801</u>	<u>\$ 2,334,154</u>	<u>\$ 2,850,293</u>	<u>\$ 2,471,976</u>	<u>\$ 5,430,094</u>	<u>\$ 4,806,130</u>

a) Expenses for all functions include the allocation of indirect expenses from the general government function. The amount of indirect general government expenses allocated to each function is shown in a separate column on the government-wide Statement of Activities alongside the column that reflects the direct operating expenses incurred by each function. As a result of this allocation, the \$211.3 million general government expense above consists of \$247.8 million in direct program expenses reduced by indirect charges of \$36.5 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 and Restatements.

(c) In previous years, public safety was called law, safety and justice and included the Government's legal- and judicial-related expenses.

**Business-type Activities** King County's business-type activities reported a net position of \$2,850.3 million, increasing by 15.3 percent or \$378.3 million from the prior year. Of the total net position for business-type activities, 62.7 percent or \$1,788.4 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 8.6 percent or \$244.7 million of the total net position of business-type activities is restricted for capital projects, debt service, regulatory assets and environmental liabilities. The remaining 28.7 percent or \$817.2 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.

Business-type activities contributed to the County's net position by \$2,850.3 million in 2016, accounting for 60.6 percent of the total increase in net position of the County. The increase in net position was due increases to capital assets, including the purchase of new buses.

The change in total revenues handily outpaced the change in total expenses for business-type activities, increasing by \$291.6 million over an increase of \$114.1 million in expenses from the prior year. The majority of the increases in revenues occurred in charges for services by \$221.4 million, retail sales and use taxes by \$40.2 million and operating grants and contributions by \$27.7 million. Charges for services have increased from a combination of contracts related to Link light rail operations and transit services for the City of Seattle, in addition to ridership increases. The continuous improvement in the local economy and consumer confidence has contributed to the continuous increase in sales tax. Nearly all of the increase in operating grants and contributions is grants from the Federal Transit Administration.

The increase in expenses correspond to the increases in services provided, with the majority in Public Transportation, with a \$70.7 million increase. Other notable increases in expenses occurred in Water Quality, with \$19.2 million, mostly related to sewage disposal fees, and Solid Waste with \$18.6 million, related to increases in landfill closure and post-closure care costs.

## 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, 2016, the County's governmental funds reported a combined fund balance of \$846.7 million, an increase of 20.1 percent or \$141.9 million in comparison with the prior year. Approximately 5.7 percent or \$48.0 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, \$9.2 million, 2) restricted for particular purposes, \$700.4 million, 3) committed for particular purposes, \$20.5 million, or assigned for particular purposes, \$68.6 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 \$125.5 million. Unassigned fund balance totaled \$68.2 million, an increase of 0.1 percent or \$82 thousand. 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 \$710.3 million. Unassigned fund balance represents 17.4 percent of total General Fund expenditures, a large increase from the 10.0 percent in 2015.

Fund balance of the General Fund increased by 22.3 percent or \$22.9 million during 2016. The increase in fund balance was attributed to an increase in transfers in and a decrease to transfers out. Transfers in increased by 4160.2 percent or \$10.9 million and transfers out decreased by 6.4 percent or \$4.7 million. The large changes to transfer levels are attributed to the Office of Performance, Strategy and Budget's new method of providing support to other funds on a cost reimbursement basis to improve timely resource usage.

The **Health Fund**, a major special revenue fund, collectively reports the Behavioral Health, Public Health and Environmental Health Funds for the operations of programs for behavioral health, disease prevention and personal health promotion and population and environmental safety. At the end of 2016, it had a total fund balance of \$88.2 million, an increase of 25.4 percent or \$17.9 million from the prior year.

The large increase in fund balance for the current year was caused mainly by resources outpacing program expenditures in the Public Health Fund by \$16.6 million. Total revenues of the Public Health Fund increased by \$17.6 million or 13.3 percent, the majority of which is attributed to a \$16.9 million or 21.9 percent increase in intergovernmental revenues and a \$5.1 million or 10.2 percent increase in charges for services. Intergovernmental revenues increased mainly as a result of the reinstatement of the Medicaid Administrative Match program, increasing by \$15.1 million, increased program activity, namely homeless encounters, increasing by \$1.6 million and a new contribution from Harborview Medical Center for \$5.0 million. The bulk of the increase to charges for services occurred due to the increase in Federally Qualified Health Centers rates and visits, resulting in larger reimbursements, totaling \$4.9 million. The Fund also received \$2.6 million in proceeds from the sale of buildings not needed for operations. Overall expenditures increased slightly by \$6.9 million in response to the additional service contracts, substantially lower than the increase in revenues.

**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, 2016, the County's proprietary funds reported a combined net position of \$2,765.5 million, an increase of 15.4 percent or \$368.7 million in comparison with the prior year. The Public Transportation Enterprise net position increased 13.8 percent or \$229.7 million while the net position of the Water Quality Enterprise improved by 27.1 percent or \$136.2 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance and capital improvements of the County's public transportation system. At the end of 2016, the Public Transportation Enterprise had total net position of \$1,893.3 million of which 73.3 percent or \$1,387.2 million was invested in capital assets net of associated debt; 2.2 percent or \$42.3 million was restricted for capital projects and debt service; while 24.5 percent or \$463.8 million was unrestricted. Unrestricted net position increased from the prior year by 20.6 percent or \$79.4 million. The large increase is due to increases of \$36.5 million in services contracts, including Link light rail operations and transit services for the City of Seattle; \$27.5 million in intergovernmental revenues, mainly from grants from the Federal Transit Administration; and \$40.2 million in sales taxes from increased consumer spending.

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 2016, the Water Quality Enterprise reported total net position of \$639.4 million of which 24.1 percent or \$154.2 million was invested in capital assets net of the related debt; 31.7 percent or \$202.4 million was restricted for debt service and regulatory assets and environmental liabilities; and the remaining 44.2 percent or \$282.8 million was unrestricted. Unrestricted net position increased from the prior year by 155.9 percent or \$172.3 million, mainly due to the increase of \$132.9 million in nonoperating revenues from finalization of a legal judgment awarded. In addition, the increase of \$22.3 million of sewage disposal fees was due to increased activity and capacity charges.

### **General Fund Budgetary Highlights**

King County budgets on a biennial basis with each budget period beginning in an odd-numbered year. This is the second year of the 2015-2016 biennium for County operating funds. The biennial budget is a true 24-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 \$9.3 million in unexpected revenues and \$66.8 million in expenditures due to 2016 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 \$8.7 million; public safety by \$48.8 million; mental and physical health by \$3.0 million; capital outlay by \$1.3 million; and transfers out by \$5.0 million. The majority of the significant increases to public safety 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** Overall actual revenues in 2016 were higher than budgeted as expected, totaling \$58.4 million over expectations. Property taxes are by far the largest source, accounting for 42.4 percent. Charges for services, retail sales and use taxes and intergovernmental revenues are the other significant sources of revenues for the General Fund, with 24.3 percent, 15.8 percent and 9.8 percent of total actual 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 were \$33.4 million less than the final appropriation. Public safety and general government appropriations comprise the majority of total actual expenditures at 64.5 percent and 22.2 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, 2016, amounted to \$3,046.1 million for governmental activities and \$5,968.2 million for business-type activities totaling \$9,014.3 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 in progress. The total increase in capital assets over the previous year was \$180.0 million, net of depreciation.

Major capital asset events during 2016 included the following:

- Planning is underway on the voter-approved, \$210.0 million Children and Family Justice Center, which will replace the existing Youth Services Center. Construction will begin in summer 2017, with the new center anticipated to open in 2020.
- Public Transportation purchased and placed into service 210 new buses during the year at a cost of \$234.6 million. Water Quality brought new facilities into service during the year at a cost of \$109.8 million. This includes buildings at a cost of \$59.4 million and infrastructure at a cost of \$22.7 million.
- Significant land acquisitions for Parks, Open Spaces and Flood Control were also made in 2016.
- Puget Sound Emergency Network (PSERN) was approved by King County voter's in April 2015 with a budget of approximately \$273.0 million. This approval will replace the existing radio system that is over 20 years old. The new system as a whole will provide improved coverage, capacity, capability and connectivity of the Puget Sound Emergency Radio Network. Construction began in summer 2016 and is anticipated to be completed in 2020.

A summary of the 2016 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	
	2016	2015	2016	2015	2016	2015
Land and land rights	\$ 1,016.9	\$ 1,028.6	\$ 485.8	\$ 498.4	\$ 1,502.7	\$ 1,527.0
Buildings*	566.3	591.6	1,820.5	1,843.1 **	2,386.8	2,434.7
Leasehold Improvements*	13.4	14.5	3.9	3.8 **	17.3	18.3
Improvements other than buildings*	60.0	43.9	199.3	200.5 **	259.3	244.4
Infrastructure - roads and bridges	1,108.9	1,100.5	—	—	1,108.9	1,100.5
Infrastructure - other*	21.9	13.9	1,682.7	1,707.4	1,704.6	1,721.3
Equipment, software and art collection*	108.5	101.4	1,255.6	1,100.7	1,364.1	1,202.1
Construction in progress	150.2	122.6	520.4	463.4	670.6	586.0
Total	\$ 3,046.1	\$ 3,017.0	\$ 5,968.2	\$ 5,817.3	\$ 9,014.3	\$ 8,834.3

\* 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 182 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 six bridges at or below this threshold.

## Debt Administration

At the end of 2016, King County had a total of \$5,321.2 million in debt outstanding. Of this amount, \$1,944.8 million comprises debt backed by the full faith and credit of the County. The other \$3,376.4 million represents bonds secured by revenues generated by the debt-financed capital assets and state revolving loans. Below is a summary of the County's debt by type and activity.

	Outstanding Debt (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 849.4	\$ 905.1	\$ 1,077.0	\$ 1,113.8	\$ 1,926.4	\$ 2,018.9
Lease revenue bonds	18.4	27.0	—	—	18.4	27.0
Revenue bonds	—	—	3,170.4	3,130.5	3,170.4	3,130.5
State revolving loans	—	—	206.0	179.4	206.0	179.4
Total	\$ 867.8	\$ 932.1	\$ 4,453.4	\$ 4,423.7	\$ 5,321.2	\$ 5,355.8

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

The 2015 balances have been adjusted as follows: \$85.8 million increase in governmental activities and \$295.1 million increase in business-type activities to include the unamortized premium and discount. In addition, business-type activities was increased by \$179.4 to include the state revolving loans.

Total debt decreased over the previous year by 0.6 percent or \$34.6 million (a 6.9 percent or \$64.3 million decrease for governmental activities and a 0.7 percent or \$29.7 million increase for business-type activities). Governmental activities' outstanding debt decreased primarily due to \$71.8 million debt service payments and \$7.7 million of early bond defeasance offset by an increase of \$25.0 million in new limited general obligation bond issuances. Business-type activities' outstanding debt increased primarily due to the issuance of \$881.2 million in new and refunding sewer revenue bonds, with related net premiums and discounts of \$74.4 million, offset by \$83.2 million debt service payments and \$869.6 million in defeased and remarketed revenue bonds. State revolving loans increased by \$26.6 million.

During 2016, the County refinanced some of its existing governmental activities debt taking advantage of favorable interest rates. The County refinanced business-type debt in the amount of \$769.6 million of revenue bonds that is expected to decrease future aggregate debt service payments by \$168.9 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 \$11.8 billion, significantly higher than the County's outstanding net general obligation long-term liabilities of \$764.1 million. For metropolitan functions the debt limitation is \$11.8 billion and the County's outstanding net general obligation debt for metropolitan functions is \$928.5 million.

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

## ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

A broad-based economic expansion continues in the U.S. Retail sales increased moderately throughout 2016. Stock market values, relatively flat in 2015 and most of 2016, soared following the November election due to the prospect of a friendlier corporate earnings environment. Personal income is growing steadily and corporate profits are strong. The housing market is growing briskly and real manufacturing output is at an all-time high. The Blue Chip consensus forecast is for 2.3 percent growth in real GDP in 2017.

The employment outlook for King County is encouraging. Amazon continues to hire thousands of new employees in King County each year and boasts the most job openings in the area. The rest of the private sector continues to hire in earnest, and the unemployment rate is well below the long-term average.

The negative fiscal impacts from the real estate recession have been mitigated with assessed valuation and residential new construction entering their fourth consecutive year of growth. Locally, foreclosures have declined since 2011 and “underwater” homeowners (those that owe more on their mortgage than they could sell their homes for) have seen relief due to strong house price increases over the last five years. Continued elevated levels of multi-family permits foretell on-going construction of new apartment buildings in 2017 as builders race to meet elevated local demand. Commercial construction in select downtown areas should continue to flourish in 2017 as several major projects either break ground or continue their construction phase.

It took years to make up the lost ground in employment, personal income and taxable consumer spending left in the wake of the Great Recession. King County will continue to face numerous challenges, including volatile energy prices, rising employee and programmatic health care costs and the need to raise sufficient revenues to support utilities, the transit system and general government operations.

### **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 Financial Statements

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,141,072	\$ 1,527,176	\$ 2,668,248	\$ 337,319
Investments	2,552	—	2,552	45,211
Receivables, net	215,995	290,735	506,730	175,593
Internal balances	(62,701)	62,701	—	—
Inventory	2,331	31,740	34,071	10,625
Prepayments	9,788	5,981	15,769	15,884
Net pension asset	23,723	—	23,723	—
Capital assets:				
Nondepreciable assets	2,286,471	1,003,406	3,289,877	15,016
Depreciable assets, net	759,584	4,964,752	5,724,336	285,348
Deposits with other governments	—	—	—	600
Regulatory and utility assets, net of amortization	—	109,550	109,550	—
Other assets	13,976	4,130	18,106	20,000
<b>TOTAL ASSETS</b>	<b>4,392,791</b>	<b>8,000,171</b>	<b>12,392,962</b>	<b>905,596</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on refunding	25,191	242,249	267,440	—
Deferred outflows on pensions	111,277	76,966	188,243	326
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>136,468</b>	<b>319,215</b>	<b>455,683</b>	<b>326</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	120,956	141,820	262,776	100,848
Accrued liabilities	40,060	90,142	130,202	47,163
Unearned revenues	21,350	9,797	31,147	16,346
Noncurrent liabilities:				
Due within one year	133,365	125,419	258,784	2,582
Due in more than one year	1,618,427	5,047,067	6,665,494	21,189
<b>TOTAL LIABILITIES</b>	<b>1,934,158</b>	<b>5,414,245</b>	<b>7,348,403</b>	<b>188,128</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	344	—	344	—
Deferred inflows on pensions	14,956	8,598	23,554	28
Deferred inflows for rate stabilization	—	46,250	46,250	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>15,300</b>	<b>54,848</b>	<b>70,148</b>	<b>28</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,217,067	1,788,355	4,005,422	299,586
Restricted for:				
Capital projects	220,627	30,310	250,937	—
Debt service	—	182,811	182,811	—
General government	3,773	—	3,773	—
Public safety	98,524	—	98,524	—
Physical environment	17,523	—	17,523	—
Transportation	19,661	—	19,661	—
Economic environment	73,953	—	73,953	—
Mental and physical health	241,578	—	241,578	—
Culture and recreation	22,727	—	22,727	—
Regulatory assets and environmental liabilities	—	31,568	31,568	—
Expendable	—	—	—	55,597
Nonexpendable	2,620	—	2,620	2,534
Unrestricted	(338,252)	817,249	478,997	360,049
<b>TOTAL NET POSITION</b>	<b>\$ 2,579,801</b>	<b>\$ 2,850,293</b>	<b>\$ 5,430,094</b>	<b>\$ 717,766</b>

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

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units Total
						Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>									
Governmental activities:									
General government	\$ 247,781	\$ (36,512)	\$ 193,326	\$ 25,203	\$ 11,235	\$ 18,495	\$ —	\$ 18,495	\$ —
Public safety	601,306	1,400	105,833	17,463	—	(479,410)	—	(479,410)	—
Physical environment	58,431	1,294	49,120	2,796	2,229	(5,580)	—	(5,580)	—
Transportation	87,477	1,868	8,946	15,311	14,911	(50,177)	—	(50,177)	—
Economic environment	115,857	900	34,628	6,269	—	(75,860)	—	(75,860)	—
Mental and physical health	672,626	5,866	393,430	151,667	—	(133,395)	—	(133,395)	—
Culture and recreation	83,851	987	8,897	51	1,334	(74,556)	—	(74,556)	—
Interest and other debt service costs	29,714	—	—	—	—	(29,714)	—	(29,714)	—
Total governmental activities	<u>1,897,043</u>	<u>(24,197)</u>	<u>794,180</u>	<u>218,760</u>	<u>29,709</u>	<u>(830,197)</u>	<u>—</u>	<u>(830,197)</u>	<u>—</u>
Business-type activities:									
Airport	25,943	361	20,289	1	4,803	—	(1,211)	(1,211)	—
Public Transportation	831,164	17,458	342,737	57,349	83,039	—	(365,497)	(365,497)	—
Solid Waste	129,960	2,426	131,234	465	73	—	(614)	(614)	—
Water Quality	464,345	3,642	605,887	—	53	—	137,953	137,953	—
Institutional Network	1,929	52	3,493	—	—	—	1,512	1,512	—
Marine	7,193	160	2,496	559	1,358	—	(2,940)	(2,940)	—
Radio Communications Services	5,341	98	4,746	—	10	—	(683)	(683)	—
Total business-type activities	<u>1,465,875</u>	<u>24,197</u>	<u>1,110,882</u>	<u>58,374</u>	<u>89,336</u>	<u>—</u>	<u>(231,480)</u>	<u>(231,480)</u>	<u>—</u>
Total primary government	<u>\$ 3,362,918</u>	<u>\$ —</u>	<u>\$ 1,905,062</u>	<u>\$ 277,134</u>	<u>\$ 119,045</u>	<u>\$ (830,197)</u>	<u>\$ (231,480)</u>	<u>\$ (1,061,677)</u>	<u>\$ —</u>
<b>Component Units</b>	<u>\$ 979,857</u>		<u>\$ 958,228</u>	<u>\$ 25,091</u>	<u>\$ 6,174</u>				<u>\$ 9,636</u>
General revenues:									
Property taxes						\$ 809,365	\$ 28,118	\$ 837,483	\$ —
Retail sales and use taxes						198,941	567,128	766,069	—
Business and other taxes						42,410	—	42,410	—
Penalties and interest - delinquent taxes						17,563	—	17,563	—
Interest earnings						11,830	10,286	22,116	308
Transfers						(4,265)	4,265	—	—
Total general revenues and transfers						<u>1,075,844</u>	<u>609,797</u>	<u>1,685,641</u>	<u>308</u>
Change in net position						<u>245,647</u>	<u>378,317</u>	<u>623,964</u>	<u>9,944</u>
Net position - January 1, 2016 (Restated)						<u>2,334,154</u>	<u>2,471,976</u>	<u>4,806,130</u>	<u>707,822</u>
Net position - December 31, 2016						<u>\$ 2,579,801</u>	<u>\$ 2,850,293</u>	<u>\$ 5,430,094</u>	<u>\$ 717,766</u>

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)

	GENERAL FUND	HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 80,231	\$ 97,876	\$ 661,949	\$ 840,056
Investments	—	—	2,552	2,552
Taxes receivable-delinquent	7,879	57	8,709	16,645
Accounts receivable, net	13,122	5,633	10,717	29,472
Interest receivable	11,497	—	—	11,497
Due from other funds	1,896	248	6,993	9,137
Due from other governments, net	57,459	31,826	67,236	156,521
Inventory	—	564	142	706
Prepayments	—	30	5,855	5,885
Advances to other funds	—	—	4,475	4,475
Notes receivable	—	—	13,976	13,976
<b>TOTAL ASSETS</b>	<b>\$ 172,084</b>	<b>\$ 136,234</b>	<b>\$ 782,604</b>	<b>\$ 1,090,922</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,331	\$ 20,916	\$ 63,534	\$ 92,781
Due to other funds	4,339	535	7,245	12,119
Interfund short-term loans payable	—	—	36,275	36,275
Due to other governments	2,200	3,412	3,671	9,283
Wages payable	18,133	4,162	6,688	28,983
Taxes payable	180	7	35	222
Unearned revenues	—	5,060	14,660	19,720
Custodial accounts	78	—	5,792	5,870
Advances from other funds	—	13,880	4,475	18,355
<b>TOTAL LIABILITIES</b>	<b>33,261</b>	<b>47,972</b>	<b>142,375</b>	<b>223,608</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	344	344
Unavailable revenue-property taxes	6,404	43	6,839	13,286
Unavailable revenue-other receivables	6,940	5	83	7,028
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,344</b>	<b>48</b>	<b>7,266</b>	<b>20,658</b>
<b>FUND BALANCES</b>				
Nonspendable	—	594	8,617	9,211
Restricted	1,659	87,620	611,073	700,352
Committed	20,497	—	37	20,534
Assigned	35,128	—	33,468	68,596
Unassigned	68,195	—	(20,232)	47,963
<b>TOTAL FUND BALANCES</b>	<b>125,479</b>	<b>88,214</b>	<b>632,963</b>	<b>846,656</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 172,084</b>	<b>\$ 136,234</b>	<b>\$ 782,604</b>	<b>\$ 1,090,922</b>

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

Total fund balances - governmental funds	\$ 846,656
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	2,799,258
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	355,872
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	44,169
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,466,154)
<b>Net position of governmental activities</b>	<b>\$ 2,579,801</b>

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, 2016**  
(IN THOUSANDS)

	<u>GENERAL FUND</u>	<u>HEALTH FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 334,446	\$ 3,164	\$ 469,650	\$ 807,260
Retail sales and use taxes	128,582	—	70,359	198,941
Business and other taxes	4,264	17	38,128	42,409
Penalties and interest-delinquent taxes	17,563	—	—	17,563
Licenses and permits	5,712	14,546	3,267	23,525
Intergovernmental revenues	21,422	106,986	101,715	230,123
Charges for services	255,363	309,569	210,881	775,813
Fines and forfeits	8,191	196	602	8,989
Interest earnings	3,881	614	4,604	9,099
Miscellaneous revenues	10,743	4,107	53,279	68,129
<b>TOTAL REVENUES</b>	<u>790,167</u>	<u>439,199</u>	<u>952,485</u>	<u>2,181,851</u>
<b>EXPENDITURES</b>				
Current:				
General government	208,575	—	72,872	281,447
Public safety	467,661	—	125,118	592,779
Physical environment	—	—	59,074	59,074
Transportation	—	—	89,075	89,075
Economic environment	406	—	116,340	116,746
Mental and physical health	31,638	459,227	186,792	677,657
Culture and recreation	—	—	81,317	81,317
Debt service:				
Principal	—	—	57,641	57,641
Interest and other debt service costs	203	155	35,307	35,665
Payment to escrow agent	—	—	8,417	8,417
Capital outlay	1,861	771	78,049	80,681
<b>TOTAL EXPENDITURES</b>	<u>710,344</u>	<u>460,153</u>	<u>910,002</u>	<u>2,080,499</u>
Excess (deficiency) of revenues over (under) expenditures	79,823	(20,954)	42,483	101,352
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,119	40,672	249,498	301,289
Transfers out	(68,094)	(4,489)	(221,526)	(294,109)
General government debt issued	—	—	25,025	25,025
Premium on bonds sold	—	—	3,764	3,764
Sale of capital assets	2	2,648	1,977	4,627
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(56,973)</u>	<u>38,831</u>	<u>58,738</u>	<u>40,596</u>
Net change in fund balances	22,850	17,877	101,221	141,948
Fund balances - January 1, 2016 (Restated)	102,629	70,337	531,742	704,708
Fund balances - December 31, 2016	<u>\$ 125,479</u>	<u>\$ 88,214</u>	<u>\$ 632,963</u>	<u>\$ 846,656</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(IN THOUSANDS)**

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

Net change in fund balances - total governmental funds	\$	141,948
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.		43,454
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.		(4,809)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		1,411
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.		36,552
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.		19,580
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.		7,511
Change in net position of governmental activities	\$	245,647

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 2)

	<b>BUSINESS-TYPE ACTIVITIES</b>				
	<b>PUBLIC TRANSPOR- TATION</b>	<b>WATER QUALITY</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 683,808	\$ 383,232	\$ 109,571	\$ 1,176,611	\$ 309,105
Restricted cash and cash equivalents	8,009	19,748	6,494	34,251	294
Accounts receivable, net	29,342	44,755	11,959	86,056	1,578
Due from other funds	833	1,292	965	3,090	1,415
Interfund short-term loans receivable	—	—	—	—	38,567
Property tax receivable-delinquent	480	—	22	502	—
Due from other governments	201,759	—	2,392	204,151	282
Inventory of supplies	20,875	8,760	2,102	31,737	1,628
Prepayments and other assets	280	315	178	773	3,902
<b>Total current assets</b>	<b>945,386</b>	<b>458,102</b>	<b>133,683</b>	<b>1,537,171</b>	<b>356,771</b>
Noncurrent assets					
Restricted assets:					
Cash and cash equivalents	42,253	217,093	44,787	304,133	3,798
Due from other governments	26	—	—	26	—
<b>Total restricted assets</b>	<b>42,279</b>	<b>217,093</b>	<b>44,787</b>	<b>304,159</b>	<b>3,798</b>
Capital assets:					
Nondepreciable assets	233,297	587,996	182,113	1,003,406	25,490
Depreciable assets, net	1,244,697	3,493,548	216,286	4,954,531	231,529
<b>Total capital assets</b>	<b>1,477,994</b>	<b>4,081,544</b>	<b>398,399</b>	<b>5,957,937</b>	<b>257,019</b>
Other noncurrent assets:					
Prepayments	5,206	2	—	5,208	—
Notes receivable	405	—	—	405	—
Advances to other funds	—	—	—	—	13,880
Regulatory and other utility assets, net of amortization	—	109,550	—	109,550	—
Other assets	—	3,725	—	3,725	—
<b>Total other noncurrent assets</b>	<b>5,611</b>	<b>113,277</b>	<b>—</b>	<b>118,888</b>	<b>13,880</b>
<b>Total noncurrent assets</b>	<b>1,525,884</b>	<b>4,411,914</b>	<b>443,186</b>	<b>6,380,984</b>	<b>274,697</b>
<b>TOTAL ASSETS</b>	<b>2,471,270</b>	<b>4,870,016</b>	<b>576,869</b>	<b>7,918,155</b>	<b>631,468</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows on refunding	3,067	237,604	1,578	242,249	—
Deferred outflows on pensions	60,224	9,849	6,893	76,966	15,068
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>63,291</b>	<b>247,453</b>	<b>8,471</b>	<b>319,215</b>	<b>15,068</b>

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

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

DECEMBER 31, 2016

(IN THOUSANDS)

(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 78,117	\$ 26,767	\$ 9,208	\$ 114,092	\$ 11,308
Retainage payable	4,093	2,049	3,438	9,580	9
Estimated claim settlements	—	—	—	—	58,281
Due to other funds	—	16	488	504	1,018
Interest payable	317	68,116	522	68,955	147
Interfund short-term loans payable	—	—	2,292	2,292	—
Wages payable	15,999	2,983	2,199	21,181	4,612
Compensated absences payable	9,531	608	204	10,343	964
Taxes payable	4	14	420	438	4
Unearned revenues	7,093	2,594	110	9,797	192,064
Pollution remediation	—	6,928	—	6,928	—
General obligation bonds payable	11,730	21,105	5,785	38,620	6,605
Revenue bonds payable	—	52,015	—	52,015	3,895
Capital leases payable	126	—	—	126	—
State revolving loan payable	—	13,565	—	13,565	—
Landfill closure and post-closure care	—	—	3,031	3,031	—
Other liabilities	—	17,698	791	18,489	1,719
Total current liabilities	<u>127,010</u>	<u>214,458</u>	<u>28,488</u>	<u>369,956</u>	<u>280,626</u>
Noncurrent liabilities					
Compensated absences payable	41,421	10,865	5,634	57,920	15,706
Other postemployment benefits	10,903	1,583	1,318	13,804	2,560
Net pension liability	372,844	51,568	34,534	458,946	80,453
General obligation bonds payable	79,497	801,363	157,434	1,038,294	10,890
Revenue bonds payable	—	3,118,433	—	3,118,433	14,429
Capital leases payable	2,514	—	—	2,514	—
State revolving loans payable	—	192,424	—	192,424	—
Landfill closure and post-closure care	—	—	123,246	123,246	—
Estimated claim settlements	—	—	—	—	111,079
Pollution remediation	599	39,949	315	40,863	—
Other liabilities	—	—	623	623	—
Total noncurrent liabilities	<u>507,778</u>	<u>4,216,185</u>	<u>323,104</u>	<u>5,047,067</u>	<u>235,117</u>
TOTAL LIABILITIES	<u>634,788</u>	<u>4,430,643</u>	<u>351,592</u>	<u>5,417,023</u>	<u>515,743</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows on rate stabilization	—	46,250	—	46,250	—
Deferred inflows on pensions	6,504	1,217	877	8,598	1,830
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,504</u>	<u>47,467</u>	<u>877</u>	<u>54,848</u>	<u>1,830</u>
<b>NET POSITION</b>					
Net investment in capital assets	1,387,194	154,182	236,758	1,778,134	221,494
Restricted for:					
Capital projects	30,310	—	—	30,310	—
Debt service	11,968	170,843	—	182,811	—
Regulatory assets and environmental liabilities	—	31,568	—	31,568	—
Unrestricted	463,797	282,766	(3,887)	742,676	(92,531)
TOTAL NET POSITION	<u>\$ 1,893,269</u>	<u>\$ 639,359</u>	<u>\$ 232,871</u>	<u>2,765,499</u>	<u>\$ 128,963</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				84,794	
Net position of business-type activities				<u>\$ 2,850,293</u>	

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)

	<b>BUSINESS-TYPE ACTIVITIES</b>				<b>INTERNAL SERVICE FUNDS</b>
	<b>PUBLIC TRANSPOR- TATION</b>	<b>WATER QUALITY</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	
<b>OPERATING REVENUES</b>					
I-Net fees	\$ —	\$ —	\$ 2,771	\$ 2,771	\$ —
Airfield fees	—	—	3,604	3,604	—
Hangar, building and site rentals and leases	—	—	16,605	16,605	—
Radio services	—	—	4,451	4,451	—
Solid waste disposal charges	—	—	123,343	123,343	—
Passenger fares	176,856	—	2,478	179,334	—
Service contracts	139,496	—	—	139,496	—
Sewage disposal fees	—	381,513	—	381,513	—
Other operating revenues	24,573	83,028	451	108,052	529,248
<b>TOTAL OPERATING REVENUES</b>	<b>340,925</b>	<b>464,541</b>	<b>153,703</b>	<b>959,169</b>	<b>529,248</b>
<b>OPERATING EXPENSES</b>					
Personal services	480,939	54,401	62,430	597,770	130,193
Materials and supplies	61,918	16,595	7,897	86,410	13,714
Contract services and other charges	37,260	16,402	22,414	76,076	324,008
Utilities	5,148	15,452	4,322	24,922	—
Purchased transportation	58,747	—	—	58,747	—
Internal services	73,292	35,848	20,769	129,909	25,921
Environmental related amortization	—	3,707	—	3,707	—
Depreciation and amortization	132,726	172,598	16,729	322,053	15,716
<b>TOTAL OPERATING EXPENSES</b>	<b>850,030</b>	<b>315,003</b>	<b>134,561</b>	<b>1,299,594</b>	<b>509,552</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(509,105)</b>	<b>149,538</b>	<b>19,142</b>	<b>(340,425)</b>	<b>19,696</b>
<b>NONOPERATING REVENUES</b>					
Sales tax	567,128	—	—	567,128	—
Property tax	26,936	—	1,182	28,118	—
Intergovernmental	57,349	—	—	57,349	—
Interest earnings	4,889	4,019	1,300	10,208	2,826
DNRP administration	—	—	6,280	6,280	—
Other nonoperating revenues	1,812	134,379	3,300	139,491	3,818
<b>TOTAL NONOPERATING REVENUES</b>	<b>658,114</b>	<b>138,398</b>	<b>12,062</b>	<b>808,574</b>	<b>6,644</b>
<b>NONOPERATING EXPENSES</b>					
Interest	1,535	131,042	2,504	135,081	1,941
DNRP administration	—	—	6,629	6,629	—
Loss (Gain) on disposal of capital assets	(1,383)	19,100	787	18,504	183
Landfill closure and post-closure care	—	—	28,583	28,583	—
Other nonoperating expenses	1,722	1,532	1,165	4,419	20
<b>TOTAL NONOPERATING EXPENSES</b>	<b>1,874</b>	<b>151,674</b>	<b>39,668</b>	<b>193,216</b>	<b>2,144</b>
Income (loss) before contributions and transfers	147,135	136,262	(8,464)	274,933	24,196
Capital grants and contributions	83,039	50	6,465	89,554	4,326
Transfers in	—	—	5,006	5,006	1,663
Transfers out	(469)	(150)	(223)	(842)	(13,008)
<b>CHANGE IN NET POSITION</b>	<b>229,705</b>	<b>136,162</b>	<b>2,784</b>	<b>368,651</b>	<b>17,177</b>
NET POSITION - JANUARY 1, 2016	1,663,564	503,197	230,087		111,786
NET POSITION - DECEMBER 31, 2016	<u>\$ 1,893,269</u>	<u>\$ 639,359</u>	<u>\$ 232,871</u>		<u>\$ 128,963</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				9,666	
Change in net position of business-type activities				<u>\$ 378,317</u>	

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

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 2)

	<b>BUSINESS-TYPE ACTIVITIES</b>				<b>INTERNAL SERVICE FUNDS</b>
	<b>PUBLIC</b>	<b>WATER QUALITY</b>	<b>NONMAJOR</b>	<b>TOTAL</b>	
	<b>TRANSPOR- TATION</b>		<b>ENTERPRISE FUNDS</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 344,991	\$ 462,654	\$ 148,808	\$ 956,453	\$ 534,491
Cash payments to suppliers	(236,387)	(78,905)	(55,413)	(370,705)	(388,101)
Cash payments for employee services	(478,806)	(51,658)	(59,358)	(589,822)	(131,157)
Other receipts	—	—	7,446	7,446	2,349
Other payments	—	(8,995)	(7,794)	(16,789)	—
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(370,202)</b>	<b>323,096</b>	<b>33,689</b>	<b>(13,417)</b>	<b>17,582</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating grants and subsidies received	639,716	—	2,399	642,115	—
Interfund loan principal amounts loaned to other funds	—	—	—	—	(38,567)
Interfund loan principal repayments from other funds	—	—	608	608	929
Interfund advance principal loaned to other funds	—	—	—	—	(13,880)
Interfund advance principal repayments from other funds	—	—	—	—	27,969
Grants to others	(1,720)	(948)	—	(2,668)	—
Transfers in	—	—	5,006	5,006	1,663
Transfers out	(469)	(150)	(223)	(842)	(13,008)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>637,527</b>	<b>(1,098)</b>	<b>7,790</b>	<b>644,219</b>	<b>(34,894)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(276,678)	(171,138)	(49,194)	(497,010)	(4,519)
Proceeds from capital debt	—	89,151	—	89,151	—
Proceeds from short-term interfund loan	—	—	2,292	2,292	—
Principal paid on capital debt	(11,420)	(78,980)	(5,470)	(95,870)	(14,170)
Interest paid on capital debt	(3,955)	(170,028)	(6,816)	(180,799)	(2,010)
Capital grants and contributions	57,704	50	6,307	64,061	—
Other capitalized payments	—	—	(608)	(608)	—
Proceeds from disposal of capital assets	1,790	72	473	2,335	586
Landfill closure and post-closure care	—	—	(4,209)	(4,209)	—
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(232,559)</b>	<b>(330,873)</b>	<b>(57,225)</b>	<b>(620,657)</b>	<b>(20,113)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	4,889	4,019	1,300	10,208	2,824
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>4,889</b>	<b>4,019</b>	<b>1,300</b>	<b>10,208</b>	<b>2,824</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>39,655</b>	<b>(4,856)</b>	<b>(14,446)</b>	<b>20,353</b>	<b>(34,601)</b>
CASH AND CASH EQUIVALENTS - JANUARY 1, 2016	694,415	624,929	175,298	1,494,642	347,798
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016	<b>\$ 734,070</b>	<b>\$ 620,073</b>	<b>\$ 160,852</b>	<b>\$ 1,514,995</b>	<b>\$ 313,197</b>

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, 2016**  
(IN THOUSANDS)  
(PAGE 2 OF 2)

	<b>BUSINESS-TYPE ACTIVITIES</b>				<b>INTERNAL SERVICE FUNDS</b>
	<b>PUBLIC TRANSPOR- TATION</b>	<b>WATER QUALITY</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (509,105)	\$ 149,538	\$ 19,142	\$ (340,425)	\$ 19,696
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	132,726	172,598	16,729	322,053	15,716
Other nonoperating revenue (expense)	1,812	134,379	(348)	135,843	—
(Increases) decreases in assets:					
Accounts receivable, net	2,509	(7,738)	(1,664)	(6,893)	767
Due from other funds	(309)	(118)	(24)	(451)	(603)
Due from other governments, net	3,930	—	230	4,160	(196)
Inventory	(1,730)	(335)	(377)	(2,442)	42
Prepayments	280	59	(59)	280	(542)
Other assets	49	135	—	184	—
(Increases) decreases in deferred outflows of resources:					
Deferred outflows on pensions and refunding	(28,071)	(4,862)	(3,448)	(36,381)	(6,912)
Increases (decreases) in liabilities:					
Accounts payable	1,857	5,744	(709)	6,892	(1,683)
Retainage payable	(153)	18	1,073	938	4
Due to other funds	(44)	(95)	(52)	(191)	791
Wages payable	3,401	364	312	4,077	553
Taxes payable	(235)	2	(124)	(357)	(6)
Unearned revenues	(3,924)	527	(3,645)	(7,042)	(837)
Claims and judgments payable	—	—	—	—	(13,758)
Compensated absences	(4,387)	208	(431)	(4,610)	120
Other postemployment benefits	816	116	100	1,032	262
Net pension liability	66,987	12,683	10,584	90,254	14,397
Customer deposits and other liabilities	4	(134,360)	445	(133,911)	(845)
Increases (decreases) in deferred inflows of resources:					
Deferred inflows on pension	(36,615)	(5,767)	(4,045)	(46,427)	(9,384)
Total adjustments	138,903	173,558	14,547	327,008	(2,114)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (370,202)</b>	<b>\$ 323,096</b>	<b>\$ 33,689</b>	<b>\$ (13,417)</b>	<b>\$ 17,582</b>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Public Transportation capital grants on account increased by \$25.3 million in 2016.

Water Quality issued bonds in 2016 to refund debt issued from 2006 to 2011. The \$870.9 million bond proceeds were placed in escrow for the defeasance of \$769.5 million of outstanding revenue and LTGO bond principal and \$130.6 million of interest. The \$100.0 million of fixed rate junior lien bonds issued in 2015 were remarketed in 2016 to junior lien variable rate demand sewer revenue bonds.

Nonmajor Enterprise Funds received \$214 thousand of capital assets from other funds and transferred \$181 thousand of capital assets to other funds.

Internal Service Funds received \$3.0 million of capital assets from other funds and transferred \$21 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, 2016**  
(IN THOUSANDS)

	<b>INVESTMENT TRUST FUNDS</b>	<b>AGENCY FUNDS</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ —	\$ 176,180
Assets held in trust:		
External investment pool participants	—	3,047,667
External impaired investment pool participants	—	3,381
Investments	3,048,705	6,885
Taxes receivable - delinquent	—	66,684
Accounts receivable	—	12,997
Interest receivable	2,344	—
Assessments receivable	—	4,256
Notes and contracts receivable	—	51
<b>TOTAL ASSETS</b>	<b>\$ 3,051,049</b>	<b>\$ 3,318,101</b>
<b>LIABILITIES</b>		
Warrants payable	\$ —	\$ 101,471
Accounts payable	—	1,987
Wages payable	—	15,125
Custodial accounts - County agencies	—	93,960
Due to special districts/other governments	—	3,105,558
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>\$ 3,318,101</b>
<b>NET POSITION</b>		
Held in trust for pool participants	<b>\$ 3,051,049</b>	

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, 2016**  
 (IN THOUSANDS)

	<b>INVESTMENT TRUST FUNDS</b>
<b>ADDITIONS</b>	
Contributions	\$ 6,959,121
Net investment earnings:	
Interest	24,857
(Decrease) in the fair value of investments	(1,799)
<b>TOTAL ADDITIONS</b>	<b>6,982,179</b>
<b>DEDUCTIONS</b>	
Distributions	7,130,292
<b>TOTAL DEDUCTIONS</b>	<b>7,130,292</b>
Change in net position	(148,113)
Net position - January 1, 2016	3,199,162
Net position - December 31, 2016	<b>\$ 3,051,049</b>

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

**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)

	<b>Harborview Medical Center</b>	<b>Cultural Development Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 312,374	\$ 24,945	\$ 337,319
Investments	—	45,211	45,211
Receivables, net	174,711	882	175,593
Inventory	10,625	—	10,625
Prepayments	15,550	334	15,884
Nondepreciable assets	15,016	—	15,016
Depreciable assets, net	285,348	—	285,348
Deposits with other governments	600	—	600
Other assets	19,926	74	20,000
<b>TOTAL ASSETS</b>	<b>834,150</b>	<b>71,446</b>	<b>905,596</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on pensions	—	326	326
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>—</b>	<b>326</b>	<b>326</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	100,376	472	100,848
Accrued liabilities	47,163	—	47,163
Unearned revenues	—	16,346	16,346
Noncurrent liabilities:			
Due within one year	1,341	1,241	2,582
Due in more than one year	12,951	8,238	21,189
<b>TOTAL LIABILITIES</b>	<b>161,831</b>	<b>26,297</b>	<b>188,128</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pensions	—	28	28
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>28</b>	<b>28</b>
<b>NET POSITION</b>			
Net investment in capital assets	299,586	—	299,586
Restricted for:			
Expendable	10,150	45,447	55,597
Nonexpendable	2,534	—	2,534
Unrestricted	360,049	—	360,049
<b>TOTAL NET POSITION</b>	<b>\$ 672,319</b>	<b>\$ 45,447</b>	<b>\$ 717,766</b>

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

**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Harborview Medical Center	Cultural Development Authority	Total
<b>Component Units:</b>							
Harborview Medical Center	\$ 949,084	\$ 958,013	\$ 6,300	\$ 6,174	\$ 21,403	\$ —	\$ 21,403
Cultural Development Authority	30,773	215	18,791	—	—	(11,767)	(11,767)
Total Component Units	<u>\$ 979,857</u>	<u>\$ 958,228</u>	<u>\$ 25,091</u>	<u>\$ 6,174</u>	<u>\$ 21,403</u>	<u>\$ (11,767)</u>	<u>\$ 9,636</u>
General revenues:							
Interest earnings					\$ —	\$ 308	\$ 308
Total general revenues					—	308	308
Change in net position					21,403	(11,459)	9,944
Net position - January 1, 2016					650,916	56,906	707,822
Net position - December 31, 2016					<u>\$ 672,319</u>	<u>\$ 45,447</u>	<u>\$ 717,766</u>

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

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

## Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies .....	34
Note 2 - Reconciliation of Government-wide and Fund Financial Statements.....	47
Note 3 - Stewardship, Compliance and Accountability .....	51
Note 4 - Deposits and Investments.....	53
Note 5 - Receivables.....	61
Note 6 - Tax Revenues .....	62
Note 7 - Capital Assets .....	69
Note 8 - Restricted Assets .....	72
Note 9 - Pension Plans .....	73
Note 10 - Postemployment Health Care Plan.....	84
Note 11 - Risk Management .....	86
Note 12 - Leases.....	89
Note 13 - Landfill Closure and Post-closure Care.....	91
Note 14 - Pollution Remediation .....	92
Note 15 - Liabilities .....	94
Note 16 - Interfund Balances and Transfers .....	101
Note 17 - Related Party Transactions .....	103
Note 18 - Restrictions, Components of Fund Balance and Changes in Equity.....	104
Note 19 - Legal Matters, Financial Guarantees and Other Commitments.....	108
Note 20 - Subsequent Events .....	112

## 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 FCZD.

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 FCZD board because the County Council members are the ex officio supervisors of the district; and (3) the County can impose its will on FCZD. FCZD financial presentation is as a blended component unit because the two governing boards are substantively the same and there is a financial benefit relationship between the County and FCZD. FCZD contracts with King County Department of Natural Resources and Parks for flood control projects and programs. During 2016, FCZD reimbursed the County \$43.6 million for such projects and programs.

FCZD issues its own financial statements, which are audited by the State Auditor's Office. Financial statements of 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. In 2016, King County made lease payments of \$6.4 million for the King Street Center building and \$6.9 million for the Ninth and Jefferson building.

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 and 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 - "Liabilities" reports on all the general obligation bonds issued by the County as of December 31, 2016, including bonds reported by HMC as of June 30, 2016.

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), doing business as 4Culture

Cultural Development Authority of King County (CDA) is a public authority organized pursuant to Revised Code of Washington (RCW) 35.21.730 through 35.21.759 and King County Ordinance 14482. CDA commenced operations on January 1, 2003 and began doing business as 4Culture on April 4, 2004. CDA operates as a corporation for public purposes and 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. CDA receives funds from King County through the Public Art Program where one percent of certain County construction project budgets are allocated to 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) 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 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 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 CDA at 4Culture, 101 Prefontaine Place South, Seattle, Washington 98104.

### **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 are 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, 2016, 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 2016, the WDC reimbursed King County approximately \$2.4 million for the Employment and Education Resource Program in eligible program costs. King County has a \$230 thousand 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: Behavioral Health Fund, Public Health Fund and Environmental Health Fund. The Behavioral Health Fund is part of the King County Mental Health Regional Support Network and provides for the operations of the involuntary treatment program, the provision of mental health services for children and adults, community services for these individuals and criminal justice-related programs to reduce jail populations. Its main sources of funding are federal and state grants, charges for services and property taxes. The Public Health Fund accounts for public health programs. It supports clinical health services/primary care assurance, management and business practice and targeted community health services. Its main sources of funding are federal and state grants, charges for services and private grant sources. The Environmental Health Fund accounts for activities related to population and environmental safety such as food and disease outbreak prevention. Its main sources of funding are license and permit fees and charges for services.

### **Major Enterprise Funds**

The County reports the following major enterprise funds:

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

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

#### Nonmajor Governmental Funds

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

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

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

#### Nonmajor Proprietary Funds

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

#### Internal Service and Fiduciary Funds

Internal Service Funds are used to account for the provision of motor pool, data processing, risk management, construction and facilities management, financial, employee benefits program and other services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The Wastewater Equipment Rental Fund was established to exclusively serve the Water Quality Enterprise. It is consolidated for reporting purposes with business-type activities in the government-wide financial statements.

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

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

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

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

#### **Measurement Focus and Basis of Accounting**

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably estimated. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues from property taxes to be available if they are collected within 60 days of the end of the current fiscal period. All other accrued revenue sources are determined to be available if collected within 12 months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales and use taxes, business and occupation taxes, federal grants-in-aid, and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collected within one year. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria are met. Expenditure-driven grant revenue is considered available if it can be collected at the same time cash is disbursed to cover the associated grant expenditure.

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

### **New Accounting Standards**

GASB Statement No. 72 - Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This was implemented by the County in 2016.

GASB Statement No. 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify--in the context of the current governmental financial reporting environment--the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This was implemented by the County in 2016.

GASB Statement No. 77 - Tax Abatement Disclosures. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This was implemented by the County in 2016.

GASB Statement No. 79 - Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. If an external investment pool meets the criteria in this Statement and measures

all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The County implemented this Statement in 2016.

## **Terminology**

### **Expenditure Functions**

General Government - Provided by the legislative, judicial 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, Prosecuting Attorney's Office, Superior Court, District Court, Public Defense, Judicial Administration, Adult and Juvenile Detention, Performance Strategy and Budget, Information and Technology, Records and Licensing Services, Elections and Assessments.

Public Safety - Essential to the safety of the public, including expenditures for law enforcement, detention and/or correction, protective inspections and emergency services. This function includes the Sheriff's Office and Emergency Medical Services.

Physical Environment - Provided to achieve a satisfactory living environment for the community and the individual. This function includes Natural Resources and Surface Water Management.

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, Planning and Community Development, River Improvement, Animal Control and River and Flood Control Construction.

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, Historical Preservation, Arts and Cultural Development and Law Library.

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; Interest receivable; Notes receivable; and Due from other governments, net.
- The liability account *Accounts payable and other current liabilities* combines Accounts payable, Retainage payable, Due to other governments, Contracts payable, Custodial accounts and Other liabilities.
- The liability account *Accrued liabilities* combines Wages payable, Taxes payable and Interest payable.

- The liability account *Noncurrent liabilities* includes Claims and judgments payable, Estimated claim settlements, General obligation 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.

### 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 within 60 days of the end of the fiscal period.

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, assessments on local improvement districts and abatement revenues and an allowance for uncollectible amounts from violations reported by the Code Enforcement Section on property within the County. 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.

### 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.

### Inventory

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 and development 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 \$154.4 million and \$14.4 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 acquisition price. Expenditures for normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item, or extend its useful life beyond the original estimate, are expensed as incurred. Expenditures for repairs and upgrades that materially add to the value or life of an asset are capitalized. Costs incurred to extend the life of governmental infrastructure assets are considered preservation costs and are therefore not capitalized.

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

Capital assets and their components useful lives are as follows:

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

#### 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.

#### 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 3 - 15	\$5,000
February 16 - March 10	\$50,000
March 11 - 20	\$100,000
March 21 - April 10	\$1,000,000

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.

#### Long-term Obligations (See Note 15 - "Liabilities")

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 costs.

#### 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 - "Liabilities." 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 2016, interest earned on bond proceeds was insignificant.

#### Net Pension Liability

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. 41). The deferred inflows of resources on pensions are reported in the government-wide Statement of Net Position.

The deferred inflows of resources on 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*-advanced grants is reported on the government-wide Statement of Net Position and the governmental funds Balance Sheet, representing grants received before meeting time requirements, but after all other eligibility requirements have been met. 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.

## 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."

Long-term liabilities reported for governmental activities:	
Bonds payable	\$ (761,517)
Unamortized premiums on bonds sold	(70,381)
Accrued interest payable	(6,126)
Compensated absences	(86,161)
Net pension liability	(474,313)
Deferred inflows on pensions	(13,126)
Other postemployment benefits	(54,530)
Total adjustments related to long-term liabilities	<u>\$ (1,466,154)</u>

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

Capital assets reported for governmental activities:	
Nondepreciable	\$ 2,286,471
Depreciable	759,584
Less: Capital assets in governmental internal service funds (all internal service funds except Wastewater Equipment Replacement)	<u>(246,797)</u>
Total adjustments related to capital assets	<u>\$ 2,799,258</u>

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

Long-term assets reported for governmental activities:	
Earned but unavailable taxes and assessments	\$ 14,694
Net pension asset	23,723
Bond refunding - component unit	189,115
Deferred outflows on refunding (to be amortized as interest expense)	25,190
Deferred outflows on pensions	96,210
Earned but unavailable court fines and penalties	6,940
Total adjustments related to long-term assets	<u>\$ 355,872</u>

Another element of that reconciliation states, "Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position."

Internal service funds reported for governmental activities:	
Net position of the governmental activities internal service funds	\$ 106,566
Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	(57,372)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	<u>(5,025)</u>
Total adjustments related to internal service funds	<u>\$ 44,169</u>

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

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

Capital outlay reported for governmental activities:

Capital outlay	\$ 80,681
Depreciation expense	(37,227)
Total adjustments related to capital outlay	<u>\$ 43,454</u>

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

Miscellaneous capital asset transactions reported for governmental activities:

The statement of activities report the gain or loss on the sale of capital assets , while gross proceeds increase financial resources in the governmental funds. The difference is the net book value of capital assets sold.	\$ (14,311)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds	9,502
Total adjustments related to miscellaneous capital asset transactions	<u>\$ (4,809)</u>

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

Revenues reported for governmental activities:

Unavailable revenue-property taxes	\$ 2,107
Payment of receivable from component unit	(2,199)
Unavailable revenue-charges for services	(6,505)
Unavailable revenue-fines and forfeits	10,570
Transfers out	(2,562)
Total adjustments related to revenues	<u>\$ 1,411</u>

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

Debt issuance or refundings reported for governmental activities:

Issuance of general government debt	\$ (25,025)
Premium on bonds sold	(3,764)
Principal repayments	65,341
Total adjustments related to debt issuance or refundings	<u>\$ 36,552</u>

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

Expenses reported for governmental activities:	
Compensated absences	\$ (131)
Other postemployment benefits	(4,344)
Interest on long-term debt	8,593
Pension expense	12,453
LEOFF special funding	3,009
Total adjustments related to expenses	<u>\$ 19,580</u>

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

Internal service funds reported for governmental activities:	
Investment interest earnings	\$ 2,732
Revenues related to services provided to outside parties	2,700
Expenses related to services provided to outside parties	(2,600)
Loss on disposal of capital assets	(334)
Interest on long-term debt	(1,925)
Capital contributions	4,238
Transfers in	1,662
Transfers out	(13,008)
Internal service fund gains allocated to governmental activities	14,046
Total adjustments related to internal service funds	<u>\$ 7,511</u>

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

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

Consolidation of internal service fund activities related to enterprise funds:	
Net position of the business-type activities internal service fund	\$ 22,397
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	57,372
Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	5,025
Total adjustments related to consolidation of internal service funds for enterprise funds	<u>\$ 84,794</u>

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

The description of the reconciliation is “Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.”

Consolidation of internal service fund activities related to enterprise funds:	
Investment interest earnings	\$ 78
Revenues related to services provided to outside parties	51
Expenses related to services provided to outside parties	(49)
Gain on disposal of capital assets	151
Capital contributions	3,886
Transfers in	1
Internal service fund gains allocated to business-type activities	5,548
Total adjustments related to consolidation of internal service funds for enterprise funds	<u>\$ 9,666</u>

## Note 3

### Stewardship, Compliance and Accountability

#### Budgetary Basis of Accounting

Biennial budgets are adopted on the modified accrual basis of accounting for the General Fund, Health Fund, nonmajor special revenue funds and debt service funds. The capital projects funds, except the Roads Improvement Districts Construction Fund, are controlled by multi-year budgets. Budgets for the blended component units are approved under the authority of their respective governing bodies.

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 paid in the given budget period for the acquisition of goods and services.

The King County Council enacts appropriations by ordinance, generally at the appropriation unit level. The Grants Fund is appropriated at the fund level. These are the legal levels of budgetary control. Unless otherwise provided by the appropriation ordinances, all unexpended and unencumbered operating appropriations lapse at the end of the biennium. The budgetary comparison schedules (budgetary basis) include variances at the appropriation level of expenditure level.

#### Excess of Expenditures over Appropriations

##### Human Potential - Special Revenue

The expenditures in the Byrne 2013 JAG Grant appropriation unit exceeded appropriations by \$79 thousand. In the 2015-2016 biennium, the Byrne JAG funds were budgeted for the most recent awards, which were awarded for fiscal years 2014 and 2015. Awards from prior years are covered under the contingency in the Grants Fund. Beginning in the 2017-2018 biennium, all Byrne JAG grants will be explicitly budgeted and accounted for in the Grants Fund.

##### Economic Growth - Special Revenue

The Economic Growth - Special Revenue Fund had two occurrences of expenditures exceeding appropriations - CDBG Greenbridge Loan and Revolving Loans. When the Section 108 loan was approved a decade ago, the loan repayment was allocated among many County agencies and funds. Agencies transferred money into this fund to pay their share of the loan. The CDBG Greenbridge Loan fund would make the debt service payment for all funds from the accumulated transfers. Since the other funds have appropriations for the debt payments, payments from the CDBG Greenbridge Loan fund were not appropriated. Treatment of this fund will be considered for the 2017-2018 biennium.

The Housing Opportunity Loans fund was originally set up to collect repayments of non-federal funds in the Housing Repair program, which could not be co-mingled with the federal funds for housing repair. There were no expenditures planned and thus, no appropriation authority set up. The Fund was later used to pay for emergency and immediate health and safety home repairs in the housing repair program, not covered by federal funds. New rules allow for the co-mingling of funds, thus, plans to close this fund are set for 2017.

##### Built Environment - Special Revenue

The Roads Construction Transfer appropriation unit expenditures exceeded appropriations by \$1.3 million. Funding from the fund was appropriated via a revenue account transfer, rather than an operating transfer out. Actual spending was made through an operating transfer out.

##### Limited GO Bond Redemption

Payments made in 2015-2016 to the fiscal agent from debt service funds were authorized by the County ordinance no. 14480 for 2015E bonds. Although the payments were authorized by an ordinance and the revenue to cover the payments was available, \$7.5 million was not appropriated as required. As a result, expenditures exceeded appropriations in the Limited General Obligation Bond Redemption fund by \$1.2 million.

**Deficit Fund Equity**Nonmajor Governmental Funds

## Financial Stewardship - Special Revenue

The Financial Stewardship - Special Revenue fund has two funds that report deficit fund balances. The Risk Abatement fund reports a total fund balance deficit of nearly \$10.5 million. In December 2016 a judgment directed King County to pay Washington State Department of Retirement Systems (DRS) \$10.5 million in interest payments. The Risk Abatement fund made the payment to DRS in 2016 while the bonds to support the transaction will not be available to replenish the fund until June 2017.

The Long-Term Lease fund reports a total fund balance deficit of \$1.2 million. This is due to revenue assumptions made during 2015-2016 budget development. Plans ended up being revised during the biennium so projected revenues did not materialize. The deficit will be resolved through collection of funds from tenants in County buildings during the 2019-2020 biennium.

## Built Environment - Special Revenue

The Department of Permitting and Environmental Review fund reports fund balance deficit of \$463 thousand. This is the result of a permitting revenue shortfall. Some of the shortfall was intentional: the King County Council decided to draw down fund balance in the 2015-2016 biennium rather than increase permit fees to match the budgeted expenditures of the fund in the 2015-2016 biennium. County Council increased permitting fees for the 2017-2018 biennium in order to ensure cost recovery of operations and rebuild fund balance. Attaining the target fund balance level in conformity with the King County financial policies will require at least four years or longer, depending upon the actual level of permitting activity.

## Financial Stewardship - Capital Projects

The Building Repair and Replacement fund reports a total fund balance deficit of \$5.1 million. The fund reflects an interfund borrowing to finance the King Street Consolidation Project expenditures, which will be supported by a five-year payback coming from tenant charges.

## Environmental Sustainability Fund - Capital Projects

The FMD Parks and Parks Facility Rehabilitation funds report a total fund balance deficit of \$749 thousand. The REET (Real Estate Excise Tax) Fund is the funding source of the two funds. Upon expenditure, the Performance Strategy and Budget Office reimburses dollar amount for the actual expenditures. Expenditures were made towards the end of the reporting period. Transfers from the REET Fund are scheduled to be made in 2017.

Internal Service Funds

The County implemented GASB Statement Nos. 68 and 71 in 2015, which requires reporting its share of net pension liabilities. As a result, the following funds have deficit net positions at December 31, 2016 (in thousands):

<b>Fund:</b>	<b>Total Net Position</b>
Business Resource Center	\$ (1,726)
Construction and Facilities Management	(18,389)
Financial Management Services	(12,382)
King County Geographic Information Systems	(2,817)
King County Information Technology Services	(20,239)

## Building Development and Management Corporations Fund

The net position deficit of \$7.5 million is the result of the depreciation on capital assets being greater than the principal payments on the lease revenue bonds, and bond interest expenses exceeding rent collected in the initial years of a building's operation. When bond payments become progressively larger the deficit will be reduced.

## Note 4

### Deposits and Investments

#### Deposits

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

**Custodial credit risk - Deposits** The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositories in 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, 2016, the County's total deposits, excluding the equity in the component units, were \$155.1 million in carrying amount and \$152.9 million in bank balance, of which \$3.8 million was exposed to custodial credit risk as uninsured and uncollateralized as shown in the following schedule (in thousands):

	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>Uninsured and Uncollateralized</b>
Demand deposits	\$ 151,276	\$ 149,047	\$ —
Money Market accounts	3,828	3,828	3,828
Total deposits	<u>\$ 155,104</u>	<u>\$ 152,875</u>	<u>\$ 3,828</u>

The money market accounts in the schedule above are comprised of cash held with trustees for two Washington 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 (the Trustee) is invested in United States Government Money Market accounts. All of the \$3.8 million cash balance held with the Trustee is exposed to custodial credit risk as uninsured and uncollateralized.

#### Investments

**King County Investment Pool** - The King County Investment Pool (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 EFC, which serves the role of the County Finance Committee as defined in RCW 36.48.070.

The Investment Pool Advisory Committee (IPAC) was created by Ordinance 16280 to provide input to the EFC on matters related to the County Investment Pool. The IPAC has not been vested with decision-making authority for the Pool; it makes recommendations to the EFC on agenda items related to the Pool.

The King County Investment Policy is designed to help King County meet the objectives of the Pool. The objectives of the County's investment policy are to invest public funds in a manner which will preserve the safety and liquidity of all investments within the Pool while obtaining a reasonable return within established investment guidelines. The portfolio should be managed in a manner that is responsive to the public trust and consistent with state law. The Pool is guided by the following principles:

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

Investment Instruments - Statutes authorize King County to invest in:

- Savings or time accounts in designated qualified public depositories; and certificates, notes or bonds of the United States.
- Other obligations of the United States, its agencies, or in any corporation wholly owned by the United States 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 and corporate notes (within the policies established by the State Investment Board).
- Debt instruments of local and state general obligations.
- General obligation 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.

LGIP participants may withdraw funds from the LGIP on any business day and must notify the LGIP of any withdrawal over \$1.0 million no later than 9 A.M. on the same day the withdrawal is made. The State Treasurer also may suspend redemptions if the New York Stock Exchange suspends trading or closes, if U.S. bond markets are closed, if the SEC declares an emergency or if it has determined irrevocably to liquidate the LGIP and suspend withdrawals and payments of withdrawal proceeds in order to facilitate the permanent termination of the LGIP in an orderly manner.

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. 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 including purchase interest was \$6,051.2 million. Excluding \$339.7 million of equity in the component unit, the net total investment was \$5,711.5 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 \$12.8 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, 2016 (dollars in thousands):

<b>KING COUNTY INVESTMENT POOL</b>				
<b>Investment Type</b>	<b>Fair Value</b>	<b>Principal</b>	<b>Average Interest Rate</b>	<b>Effective Duration (Yrs)</b>
Repurchase Agreements	\$ 100,000	\$ 100,000	0.46%	0.011
Commercial Paper	249,505	249,850	0.82%	0.176
U.S. Agency Discount Notes	440,879	441,500	0.61%	0.266
Corporate Notes	959,115	960,465	1.46%	1.437
U.S. Treasury Notes	2,456,511	2,454,000	0.96%	1.472
U.S. Agency Notes	1,203,362	1,207,559	0.47%	1.339
U.S. Agency Collateralized Mortgage Obligations	6,070	5,683	4.12%	2.717
State Treasurer's Investment Pool	<u>634,558</u>	<u>634,558</u>	0.50%	0.005
Total investments in Pool	<u>\$6,050,000</u>	<u>\$6,053,615</u>	0.96%	1.122

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 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, 5.7 percent, Federal National Mortgage Association, 7.5 percent, Federal Home Loan Bank, 5.2 percent, and Federal Farm Credit Bank, 8.9 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, 2016, the effective duration of the main Pool was 1.122 years.

**Credit risk - 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 and corporate notes (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements and the LGIP.

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

#### Credit Quality Distribution

<u>Investment Type</u>	<u>AAA or A-1</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>	<u>Total</u>
Repurchase Agreements	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Commercial Paper	249,505	—	—	—	249,505
U.S. Agency Discount Notes	440,879	—	—	—	440,879
Corporate Notes	—	415,003	544,112	—	959,115
U.S. Agency Notes	—	1,203,362	—	—	1,203,362
U.S. Agency Collateralized Mortgage Obligations	—	6,070	—	—	6,070
State Treasurer's Investment Pool	—	—	—	634,558	634,558
Total investments	<u>\$ 790,384</u>	<u>\$ 1,624,435</u>	<u>\$ 544,112</u>	<u>\$ 634,558</u>	<u>\$ 3,593,489</u>

The main Pool's policies limit the maximum amount that can be invested in various securities. The following table summarizes the Pool's diversification policy:

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

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Security Type Limit</u>	<u>Single Issuer Limit</u>	<u>Minimum Credit Rating</u>
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency <sup>(1)</sup>	5 Years	100%	35%	N/A
U.S. Federal Agency MBS <sup>(2)</sup>	5 Year WAL	25%	25%	N/A
Certificates of Deposit <sup>(3)</sup>	1 Year	25%	5%	A-1 or P-1
Municipal Securities <sup>(4)</sup>	5 Years	20%	5%	A
Corporate Securities	5 Years	25%	5%	A <sup>(5)</sup>
Commercial Paper	270 Days	25%	5%	A-1/P-1 <sup>(6)</sup>
Repurchase Agreements <sup>(7)</sup>	60 Days	100%	25%	A-1 or P-1
Bankers' Acceptances	180 Days	25%	5%	A-1/P-1 <sup>(8)</sup>
State LGIP	N/A	25%	25%	N/A

N/A = Not applicable

(1) Senior debt only

(2) MBS counts towards 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 percent collateralization program.

(4) County policy limits purchases to general obligation bonds rated A or better by Standard & Poor's or Moody's.

(5) Must be rated A or better by both Standard and Poor's and Moody's.

(6) Must be rated in top credit category by Standard & Poor's and Moody's. Maturities > 100 days must have a long-term rating of A or higher.

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

(8) Bankers' acceptances must be rated in top credit category by Standard & Poor's and Moody's.

At year-end the Pool was in compliance. The Pool's actual composition consisted of Repurchase Agreements, 1.6 percent, Commercial Paper, 4.1 percent, U.S. Agency Discount Notes, 7.3 percent, Corporate Notes, 15.9 percent, U.S. Treasury Notes, 40.6 percent, U.S. Agency Notes, 19.9 percent, U.S. Agency Collateralized Mortgage Obligations, 0.1 percent, and the State Treasurer's Investment Pool, 10.5 percent.

### Fair Value Hierarchy

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of inputs in valuing the County's investments as of December 31, 2016 (in thousands):

	Fair Value 12/31/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservabl e Inputs (Level 3)
<b>Investments by fair value level</b>				
Commercial Paper	\$ 249,505	\$ —	\$ 249,505	\$ —
U.S. Agency Discount Notes	440,879	—	440,879	—
Corporate Notes	959,115	—	959,115	—
U.S. Treasury Notes	2,456,511	2,456,511	—	—
U.S. Agency Notes	1,203,362	—	1,203,362	—
U.S. Agency Collateralized Mortgage Obligations	6,070	—	6,070	—
Subtotals	5,315,442	\$ 2,456,511	\$ 2,858,931	\$ —
<b>Investments measured at amortized cost (not subject to fair value hierarchy)</b>				
Repurchase Agreements	100,000			
State Treasurer's Investment Pool	634,558			
Subtotal investments measured at cost	734,558			
Total investments in Investment Pool	\$ 6,050,000			

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

Commercial Paper, U.S. Agency Discount Notes, Corporate Notes, U.S. Agency Notes and U.S. Agency Collateralized Mortgage Obligations are valued using standard inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

State Treasurer's Investment Pool and Repurchase Agreement are overnight securities and are not subject to GASB Statement No. 72.

### 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.

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 2016, the County received a “tail” payment of \$1.8 million for Rhinebridge. At year-end, the amount reserved for the County totaled \$592 thousand for the Cheyne and Rhinebridge restructurings. The “estimated fair value” of \$592 thousand was based on the value of the cash retained by the receivers as of December 31, 2016.

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, 2016, was \$5.8 million and the book value was \$9.4 million. 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 2016, VFNC Trust distributed a total of \$1.5 million to the County. Including all the receipts to date brings the cash recovery rate on the original Victoria investment to 84 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.

The impaired investments in commercial paper recorded at fair value total \$5.8 million, are based on market price of the underlying securities that are held by VFNC Trust and the cash value retained by the receivers as of December 31, 2016 and are classified in Level 3 inputs. These prices are provided by the collateral agent.

### **King County Investment Pool and Impaired Investment Pool Condensed Statements**

The King County Investment Pool (the main Pool) and the Impaired Investment Pool's Condensed Statements of Net Position and Changes in Net Position as of December 31, 2016 (in thousands) are as follows:

#### **Condensed Statement of Net Position**

	<b>Total</b>	<b>Main Pool</b>	<b>Impaired Pool</b>
Net position held in trust for pool participants	<u>\$ 6,059,385</u>	<u>\$ 6,053,547</u>	<u>\$ 5,838</u>
Equity of internal pool participants	\$ 3,008,336	\$ 3,005,880	\$ 2,456
Equity of external pool participants	3,051,049	3,047,667	3,382
Total equity	<u>\$ 6,059,385</u>	<u>\$ 6,053,547</u>	<u>\$ 5,838</u>

#### **Condensed Statement of Changes in Net Position**

Net Position - January 1, 2016	\$ 6,184,195	\$ 6,176,204	\$ 7,991
Net change in investments by pool participants	<u>(124,810)</u>	<u>(122,657)</u>	<u>(2,153)</u>
Net Position - December 31, 2016	<u>\$ 6,059,385</u>	<u>\$ 6,053,547</u>	<u>\$ 5,838</u>

### **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, HMC's deposits may not be recovered. As of June 30, 2016, all of the deposits were covered entirely by the FDIC or

fully collateralized under the PDPC collateral pool. Accordingly, the HMC has no custodial credit risk for its deposits shown in the following table (in thousands):

**Harborview Medical Center  
As of June 30, 2016**

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash in other banks	\$ 3,016	\$ 2,938
Equity in Investment Pool	309,358	311,659
Total	<u>\$ 312,374</u>	<u>\$ 314,597</u>

Cultural Development Authority of King County (CDA)

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

Investments - 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 laws authorize 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 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.

CDA is also authorized to invest in the 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.

Fair Value Hierarchy - CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following is a summary of inputs in valuing CDA's investments as of December 31, 2016 (in thousands):

	Fair Value 12/31/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservabl e Inputs (Level 3)
<b>Investments by fair value level</b>				
U.S. Treasury Notes	\$ 4,355	\$ 4,355	\$ —	\$ —
Federal Home Loan Mortgage Corp Debentures	5,432	—	5,432	—
Federal National Mortgage Association Notes	11,392	—	11,392	—
Federal Home Loan Bank Bonds	17,591	—	17,591	—
Federal Farm Credit Bank Bonds	3,736	—	3,736	—
Subtotal investments at fair value	<u>42,506</u>	<u>\$ 4,355</u>	<u>\$ 38,151</u>	<u>\$ —</u>
<b>Investments measured at amortized cost (not subject to fair value hierarchy)</b>				
State Treasurer's Investment Pool	23,664			
Other/Money Market Fund	2,705			
Subtotal investments measured at cost	<u>26,369</u>			
Total CDA investments	<u>\$ 68,875</u>			

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agency bonds are valued using issuer spreads scales by Interactive Data based on the new issue market, secondary trading, and dealer quotes and are classified in Level 2 of the fair value hierarchy.

State Treasurer's Investment Pool and money market funds investments are recorded at amortized cost.

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, 2016 (in thousands):

<b>Cultural Development Authority Investments By Type</b>						
<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>	<u>Concentration</u>	
U.S. Treasury Notes	\$ 4,355	\$ 4,236	3.49%	1.506	6%	
Federal Home Loan Mortgage Corp Debentures	5,432	5,420	1.71%	1.246	8%	
Federal National Mortgage Association Notes	11,392	11,493	1.61%	2.528	17%	
Federal Home Loan Bank Bonds	17,591	17,564	2.32%	2.552	26%	
Federal Farm Credit Bank Bonds	3,736	3,733	1.71%	1.246	5%	
State Treasurer's Investment Pool	23,664	23,664	0.5%	0.003	34%	
Other/Money Market Fund	2,705	2,705	0.01%	0.003	4%	
Subtotal investments	<u>68,875</u>	<u>\$ 68,815</u>	<u>1.48%</u>	<u>1.332</u>	<u>100%</u>	
Less: State Treasurer's Investment Pool (Cash Equivalent)	(23,664)					
Total Investments per Statement of Net Position	<u>\$ 45,211</u>					

**Interest rate risk - Investments** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, CDA manages its exposure to interest rate risk by setting maturity and effective duration limits for its portfolio. As of December 31, 2016, the combined weighted average effective duration of the CDA's portfolio was 1.332 years.

**Credit risk -** Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2016, all issuers of investments in CDA's 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, 2016, CDA had concentrations greater than 5 percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal Home Loan Banks, 25.5 percent, Federal National Mortgage Association, 16.5 percent, Federal Home Loan Mortgage Corp, 7.9 percent, and Federal Farm Credit Bank, 5.4 percent.

### **Nonfinancial Assets**

Pursuant to GASB Statement No. 72, *Fair Value Measurement and Application*, King County evaluated its capital assets and determined that certain capital assets should be reclassified as nonfinancial assets. The evaluation of the capital assets is based on the facts and circumstances at the initial implementation of Statement No. 72, rather than based on the intention of the initial acquisition of the capital assets. King County used a \$1.0 million fair value threshold to reclassify capital assets originally acquired for operations and subsequently changed to investment purposes. The fair value is determined based on comparable sales in the area or average per acre value of similar size and layout in the vicinity during 2016. At December 31, 2016, the total fair value of capital assets reclassified to nonfinancial assets was \$2.6 million.

## 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):

<b>Governmental</b>	<b>General Fund</b>	<b>Health Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Accounts receivable:				
Accounts receivable	\$ 50,372	\$ 8,817	\$ 12,954	\$ 72,143
Estimated uncollectible	(37,250)	(3,184)	(2,237)	(42,671)
Accounts receivable, net	<u>\$ 13,122</u>	<u>\$ 5,633</u>	<u>\$ 10,717</u>	<u>\$ 29,472</u>
Due from other governments:				
Due from other governments	\$ 57,469	\$ 32,463	\$ 67,243	\$ 157,175
Estimated uncollectible	(10)	(637)	(7)	(654)
Due from other governments, net	<u>\$ 57,459</u>	<u>\$ 31,826</u>	<u>\$ 67,236</u>	<u>\$ 156,521</u>

<b>Proprietary</b>	<b>Public Transportation</b>	<b>Water Quality</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
Current assets:					
Accounts receivable:					
Accounts receivable	\$ 29,444	\$ 45,570	\$ 12,284	\$ 87,298	\$ 1,625
Estimated uncollectible	(102)	(815)	(325)	(1,242)	(47)
Accounts receivable, net	<u>\$ 29,342</u>	<u>\$ 44,755</u>	<u>\$ 11,959</u>	<u>\$ 86,056</u>	<u>\$ 1,578</u>

## Note 6

### Tax Revenues

#### 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 \$1.32976 per \$1,000 of assessed value for the 2016 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 2016 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 percent limitation described above, aggregate regular property tax levies by all taxing districts except the State, port districts and public utility districts are subject to a rate limitation of \$5.90 per \$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 percent or 100 percent plus inflation, but if the inflation rate is less than 1 percent, 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 2016, the county-wide flood control zone district levy rate was \$0.12980 and the county-wide ferry district levy rate was \$0.00279 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 table on the following page compares the allocation of the 2016 and 2015 Countywide, Conservation Futures, Unlimited Tax GO Bonds, 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 2016 countywide assessed valuation was \$426.3 billion, a \$38.1 billion increase from 2015; the assessed valuation for the unincorporated area levy was \$36.8 billion, an increase of \$554.0 million from 2015.

## ALLOCATION OF 2016 AND 2015 TAX LEVIES

	2016 Original Taxes Levied (in thousands)	2016 Levy Rate (per thousand)	2015 Original Taxes Levied (in thousands)	2015 Levy Rate (per thousand)
<b>Countywide Levy</b>				
<b>Assessed Value:</b>				
	\$426,335,605,837 <sup>(a)</sup>			
Items Within Operating Levy: <sup>(b)</sup>				
General Fund	\$ 336,454	\$ 0.79209	\$ 327,699	\$ 0.84772
Veterans' Relief	2,837	0.00668	2,759	0.00714
Human Services	6,367	0.01499	6,196	0.01603
Intercounty River Improvement	50	0.00012	50	0.00013
Limited GO Bonds Debt Service	—	—	6	—
Automated Fingerprint Identification System	20,240	0.04765	19,594	0.05069
Parks Levy	67,940	0.15995	65,765	0.17014
Veterans and Human Services	17,924	0.04219	17,350	0.04488
Children and Family Justice Center	23,825	0.05609	23,081	0.05971
Best Start for Kids	29,727	0.14000	—	—
Radio Communications	59,456	0.07000	—	—
Marine Operating (Ferry)	1,186	0.00279	1,182	0.00306
<b>Total Operating Levy</b>	<b>566,006</b>	<b>1.33255</b>	<b>463,682</b>	<b>1.19950</b>
Public Transportation <sup>(c)</sup>	26,956	0.06346	26,255	0.06792
<b>Conservation Futures Levy</b>				
Conservation Futures Levy <sup>(d)</sup>	10,140	0.02058	10,104	0.02614
Farmland and Park Debt Service	8,741	0.02387	8,284	0.02143
<b>Total Conservation Futures Levy</b>	<b>18,881</b>	<b>0.04445</b>	<b>18,388</b>	<b>0.04757</b>
<b>Unlimited Tax GO Bonds</b>				
(Voter-approved Excess Levy)	16,818	0.03981	11,618	0.03023
<b>Total Countywide Levy</b>	<b>628,661</b>	<b>1.48027</b>	<b>519,943</b>	<b>1.34522</b>
<b>EMS Levy</b>				
<b>Assessed Value:</b>				
	\$242,938,385,808 <sup>(a)</sup>			
EMS Levy	73,781	0.28235	73,111	0.30217
<b>Unincorporated County Levy</b>				
<b>Assessed Value:</b>				
	\$36,841,203,784 <sup>(a)</sup>			
County Road Fund <sup>(e)</sup>	82,424	2.25000	81,183	2.25000
<b>Total County Tax Levies<sup>(f)</sup></b>	<b>\$ 784,866</b>		<b>\$ 674,237</b>	

(a) Assessed value for taxes payable in 2016.

(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) 2016 and 2015 original tax levies exclude \$55.1 million and \$53.6 million, respectively, of the Flood Control Zone District, a blended component unit.

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 2015 and 2016, the tax rate was \$0.05069 and \$0.04765 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 2015 and 2016 tax year rate for the Parks levy lid lift is \$0.17014 and \$0.15995 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 2015 and 2016 tax rate is \$0.04488 and \$0.04219 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 2015 and 2016 is \$0.05971 and \$0.05609 per \$1,000 assessed value.

A new regular property tax levy for the Puget Sound Emergency Radio Network (PSERN) 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 \$0.04445 per \$1,000 of assessed value in 2016.

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 2016 rate is 0.28235 per \$1,000 of assessed value.

### **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.

### **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.

### **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

### **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.

### **Tax Abatements**

As of December 31, 2016, the County provides tax abatements through three programs - the Current Use Programs, Historic Preservation Program and the Single-family Dwelling Improvement Program. All of these programs are property tax abatements. The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. As a result, tax abatement programs related to property taxes shift the tax burden to individual taxpayers rather than to the municipality.

#### **Current Use Programs**

The Current Use Programs provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland via four programs on their property pursuant to RCW 84.33.130 and RCW 84.34.010.

*Public Benefit Rating System (PBRS)* enrollment and associated tax savings are based on a point system. Points are awarded for each PBRS resource category a property qualifies for such as protecting buffers to streams and wetlands, ground water protection, preserving significant wildlife habitat, conserving farmland and native forestland and preserving historic landmarks.

*Timber Land* enrollment requires a property to have between five and 20 acres of manageable forestland, and be zoned RA, F or A. Land participating in this program must be devoted primarily to the growth, harvest and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan.

*Farm and Agricultural Land* enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes.

*Forestland* enrollment requires a property to have more than 20 acres of eligible forestland primarily devoted to the growth and harvest of timber.

An owner of land desiring current use classification must submit an application to the County Assessor. Once enrolled, a participating property is assessed at a "current use" value, which is lower than the "highest and best use" assessment value that would otherwise apply to the property.

When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected. Regarding the PBRs and Farm and Agricultural Land programs, when land no longer qualifies for current use, both the assessed valuation before and after the removal of classification is listed on tax rolls and taxes are allocated according to that part of the year to which each assessed valuation applies. Except as provided in the statute, an additional tax, applicable interest and penalty must be imposed which are due and payable 30 days after the owner is notified of the additional tax. The amount of additional tax, applicable interest and penalty is determined as follows: (a) the amount of additional tax is equal to the difference between the property tax paid as "open space land," "farm and agricultural land" or "timberland" and the amount of tax otherwise due and payable for the seven years last past had the land not been so classified; (b) the amount of applicable interest is equal to the interest upon the amounts of the additional tax paid at the same statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the land had been assessed at a value; (c) the amount of the penalty is equal to 20 percent of the amount of the additional tax and applicable interest due. The penalty may not be imposed if the removal satisfies the conditions allowed in the chapter.

When land is removed from the special classification in the Timber Land and Forestland programs, a compensating tax is due equal to (a) the difference, if any, between the amount of tax last levied on the land as designated forestland and an amount equal to the new assessed valuation of the land when removed from classification multiplied by the dollar rate of the last levy extended against the land, multiplied by (b) a number equal to: (i) the number of years the land was designated under RCW 84.34, if the total number of years the land was designated under RCW 84.33 and classified under RCW 84.34 is less than 10; or (ii) 10 minus the number of years the land was classified under RCW 84.34, if the total number of years the land was designated under RCW 84.33 and classified under RCW 84.34 is at least 10.

#### Historic Preservation Program

The Historic Preservation Program provides property tax abatements through the legislature's encouragement to maintain, improve and preserve privately owned historic landmarks pursuant to Chapter 84.26 RCW. The property must meet four criteria to qualify for special valuation to receive a reduction in property taxes. The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2).

An owner of property desiring special valuation shall apply to the assessor of the County in which the property is located upon forms prescribed by the Department of Revenue and supplied by the County Assessor. The application form shall include a statement that the applicant is aware of the potential tax liability involved when the property ceases to be eligible for special valuation. Applications shall be made no later than October 1 of the calendar year preceding the first assessment year for which classification is requested.

The County Assessor shall, for 10 consecutive assessment years following the calendar year in which application is made, place a special valuation on property classified as eligible historic property. The entitlement of property to the special valuation provisions of this section shall be determined as of January 1. If property becomes disqualified for the special valuation for any reason, the property shall receive the special valuation for that part of any year during which it remained qualified or the owner was acting in good faith belief that the property was qualified. At the conclusion of special valuation, the cost shall be considered new construction.

Whenever property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, there shall be added to the tax an additional tax equal to (a) the cost multiplied by the levy rate in each year the property was subject to special valuation; plus (b) interest on the amounts of the additional tax at the statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the property had not been valued as historic property under this chapter; plus (c) a penalty equal to 12 percent of the amount determined in (a) and (b).

#### Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program provides property tax abatements to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement. Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

Below summarizes the tax abatement programs and the total amount of taxes abated.

<b>Tax Abatement Program</b>	<b>Total Amount of Taxes Abated (in thousands)</b>
Current Use	\$ 7,782
Single-family Dwelling Improvement	121
Historic Preservation	1

State of Washington Tax Abatements

County tax revenues were reduced under agreements entered into by the state of Washington. The State has not determined the County's share of abatements at this time.

# Note 7

## Capital Assets

### Primary Government

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

	Balance 1/1/2016	Additions	Retirements	Transfers / Reclassifications	Balance 12/31/2016
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 590,009	\$ 8,965	\$ (3,363)	\$ (25,272)	\$ 570,339
Rights-of-way and easements	438,643	4,074	(4)	3,863	446,576
Infrastructure - road and bridges	1,100,462	8,531	(98)	—	1,108,895
Art collections	11,116	14	—	(662)	10,468
Work in progress	122,593	37,998	—	(10,398)	150,193
Total capital assets not being depreciated	2,262,823	59,582	(3,465)	(32,469)	2,286,471
Capital assets being depreciated:					
Buildings	1,041,189	21	(3,738)	947	1,038,419
Leasehold improvements	19,076	—	—	—	19,076
Improvements other than buildings	63,280	40	(3,818)	21,860	81,362
Infrastructure – levees	15,456	—	(1)	8,475	23,930
Furniture, machinery and equipment	150,031	15,899	(5,438)	927	161,419
Software	104,750	8,554	(28)	—	113,276
Total capital assets being depreciated	1,393,782	24,514	(13,023)	32,209	1,437,482
Less accumulated depreciation for:					
Buildings	(449,611)	(27,036)	4,517	—	(472,130)
Leasehold improvements	(4,618)	(1,106)	1	—	(5,723)
Improvements other than buildings	(19,382)	(2,445)	524	(39)	(21,342)
Infrastructure – levees	(1,585)	(426)	—	—	(2,011)
Furniture, machinery and equipment	(111,703)	(10,922)	7,629	13	(114,983)
Software	(52,763)	(8,975)	29	—	(61,709)
Total accumulated depreciation	(639,662)	(50,910)	12,700	(26)	(677,898)
Total capital assets being depreciated, net	754,120	(26,396)	(323)	32,183	759,584
Governmental activities capital assets, net	\$ 3,016,943	\$ 33,186	\$ (3,788)	\$ (286)	\$ 3,046,055
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 460,794	\$ —	\$ (14,951)	\$ 2,175	\$ 448,018
Rights-of-way and easements	30,852	—	—	426	31,278
Art collections	3,701	(175)	—	221	3,747
Work in progress	463,357	459,266	—	(402,260)	520,363
Total capital assets not being depreciated	958,704	459,091	(14,951)	(399,438)	1,003,406
Capital assets being depreciated:					
Buildings	3,293,463	7,747	(920)	61,588	3,361,878
Leasehold improvements	6,766	—	—	541	7,307
Improvements other than buildings	345,635	7,126	(2,569)	5,828	356,020
Rights-of-way - temporary easement	7,635	—	—	—	7,635
Infrastructure – water quality	2,238,131	1	—	22,655	2,260,787
Furniture, machinery and equipment	2,435,001	11,999	(96,395)	307,763	2,658,368
Software	152,032	1	(3,083)	1,323	150,273
Total capital assets being depreciated	8,478,663	26,874	(102,967)	399,698	8,802,268
Less accumulated depreciation for:					
Buildings	(1,450,397)	(91,743)	747	—	(1,541,393)
Leasehold improvements	(3,046)	(360)	—	—	(3,406)
Improvements other than buildings	(145,099)	(12,280)	673	—	(156,706)
Rights-of-way - temporary easement	(927)	(218)	—	—	(1,145)
Infrastructure – water quality	(530,650)	(47,484)	—	—	(578,134)
Furniture, machinery and equipment	(1,402,987)	(150,765)	95,073	26	(1,458,653)
Software	(87,031)	(14,069)	3,021	—	(98,079)
Total accumulated depreciation	(3,620,137)	(316,919)	99,514	26	(3,837,516)
Total capital assets being depreciated, net	4,858,526	(290,045)	(3,453)	399,724	4,964,752
Business-type activities capital assets, net	\$ 5,817,230	\$ 169,046	\$ (18,404)	\$ 286	\$ 5,968,158

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):

	2016
<b>Governmental Activities</b>	
General government	\$ 22,013
Public safety	9,927
Physical environment	651
Transportation	269
Economic environment	11
Mental and physical health	836
Culture and recreation	3,520
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	13,683
Total depreciation - governmental activities	<u>\$ 50,910</u>
<b>Business-type Activities</b>	
Water Quality	\$ 172,598
Public Transportation	132,726
Solid Waste	9,209
King County International Airport	5,511
Institutional Network	251
Radio Communications	720
Marine Fund	1,038
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on its usage of the assets	2,033
Total depreciation and amortization expense - business-type activities	<u>324,086</u>
Less amortization - Water Quality other assets	<u>(7,167)</u>
Total depreciation - business-type activities	<u>\$ 316,919</u>

## Infrastructure

### Roads and Bridges Infrastructure Valuation

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

### Rights-of-Way

Historical costs for infrastructure-related rights-of-way were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indices 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 - \$74.7 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - \$54.4 million is committed to ensuring the continued operation, reliability and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises - \$8.5 million is committed to improving the County's solid waste regional landfill and transfer stations and \$2.0 million for Airport facility improvements within the County.

### Capital Projects Funds

\$201.0 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) technology initiatives to improve business efficiency, emergency preparedness and network security; (4) flood control projects to protect the ecosystem and public property; (5) preservation of roads construction of bridges; and (6) 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, 2016 (in thousands):

	<b>Balance</b>				<b>Balance</b>
	<b>7/1/2015</b>	<b>Additions</b>	<b>Retirement</b>	<b>Transfers</b>	<b>6/30/2016</b>
Capital assets not being depreciated:					
Land	\$ 1,586	\$ 846	\$ —	\$ —	\$ 2,432
Work in progress	12,653	17,189	—	(17,258)	12,584
Total capital assets not being depreciated	<u>14,239</u>	<u>18,035</u>	<u>—</u>	<u>(17,258)</u>	<u>15,016</u>
Capital assets being depreciated:					
Buildings	413,590	6,110	—	—	419,700
Improvements other than buildings	15,139	959	—	—	16,098
Equipment	428,175	19,121	(9,030)	—	438,266
Total capital assets being depreciated	<u>856,904</u>	<u>26,190</u>	<u>(9,030)</u>	<u>—</u>	<u>874,064</u>
Less accumulated depreciation for:					
Buildings	(188,400)	(13,577)	—	—	(201,977)
Improvements other than buildings	(6,794)	(907)	—	—	(7,701)
Equipment	(368,690)	(19,037)	8,689	—	(379,038)
Total accumulated depreciation	<u>(563,884)</u>	<u>(33,521)</u>	<u>8,689</u>	<u>—</u>	<u>(588,716)</u>
HMC capital assets, net	<u>\$ 307,259</u>	<u>\$ 10,704</u>	<u>\$ (341)</u>	<u>\$ (17,258)</u>	<u>\$ 300,364</u>

HMC owns other properties (net book value of \$19.9 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 summarized below (in thousands):

#### **Proprietary Funds**

<u>Public Transportation</u> - restricted for future construction projects, debt service and obligations.	\$ 50,288
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	236,841
<u>King County International Airport</u> - restricted for construction projects and obligations.	695
<u>Radio Communications Services</u> - restricted for construction projects and obligations.	6
<u>Solid Waste</u> - restricted for construction projects, landfill closure and post-closure care costs.	50,580
<u>Building Development &amp; Management Corporations</u> - restricted for construction projects and debt service.	3,828
<u>Construction &amp; Facilities Management</u> - restricted for construction projects and obligations.	9
<u>King County Information Technology Services</u> - restricted for construction projects.	255
Total Proprietary Funds restricted assets	<u><u>\$ 342,502</u></u>

#### **Component Unit - Harborview Medical Center (HMC)**

<u>HMC Construction Fund</u> - restricted for construction projects, seismic, public safety and other improvements and furnishings of HMC buildings.	\$ 4,737
<u>HMC Special Purpose Fund</u> - restricted donations, gifts, and bequests from various sources for specific uses.	7,857
Total HMC restricted assets	<u><u>\$ 12,594</u></u>

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

<u>Public Arts Projects Fund</u> - restricted for the one percent for public art programs operated for the benefit of King County.	\$ 16,346
<u>Cultural Grant Awards Fund</u> - restricted for arts and heritage cultural programs.	55,100
Total CDA restricted assets	<u><u>\$ 71,446</u></u>

## Note 9

### Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts - All Plans (in thousands)	
Pension liabilities	\$ 1,013,713
Pension assets	23,723
Deferred outflows of resources	188,243
Deferred inflows of resources	23,554
Pension expense/expenditures	113,892

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) Plan 1 and 2; 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 98504-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

SCERS is 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 Plan 1 and Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

#### **PERS Plan 1**

**Benefits Provided:** 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 (OSA) 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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through December 2016	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 \$1.9 million for the year ended December 31, 2016.

**PERS Plans 2 and 3**

**Benefits Provided:** 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 Plan 2 members are vested after completing five years of eligible service. PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 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, PERS 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:** 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. PERS 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 employer contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through December 2016	11.18%	6.12%
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 \$109.2 million for the year ended December 31, 2016.

**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 and Cannabis 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.

**Benefits Provided:** 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:** PSERS Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes 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 2016 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through December 2016	11.54%	6.59%

The County's actual contributions to the plan were \$4.0 million for the year ended December 31, 2016.

**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**

**Benefits Provided:** 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                    1.0% 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 Plan 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions:** Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2**

**Benefits Provided:** 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 Plan 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 Plan 2 members are vested after the completion of five years of eligible service.

**Contributions:** 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 includes 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 2016 were as follows:

LEOFF 2		
Actual Contribution Rates:	Employer	Employee
January through December 2016	5.23%	8.41%

The County's actual contributions to the plan were \$4.7 million for the year ended December 31, 2016.

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, 2016, the State contributed \$60.4 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.

**Benefits Provided:** SCERS provides retirement, disability, and death 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 10.03 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 15.23 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 2016 were as follows:

SCERS		
Actual Contribution Rates:	Employer	Employee
January through December 2016	15.23%	10.03%

The County’s actual contributions to the plan were \$0.5 million for the year ended December 31, 2016.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, 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 lowered the assumed valuation interest rate from 7.8% to 7.7% for all systems except LEOFF Plan 2 and updated the assumed administrative factors.
- The OSA corrected how valuation software calculates nonduty disability benefits for LEOFF Plan 2 active members.
- The OSA added new LEOFF Plan 2 benefit definition within its valuation software to model legislation signed into law during the 2015 legislative session. The law now pays the Labor & Industries (L&I) duty-related death survivor benefit from each system's respective trust fund upon remarriage of the survivor. Before this legislation, the L&I survivor benefit ended when the survivor of a duty-related death remarried.
- The OSA changed the way it values the basic minimum COLA in PERS Plan 1. Calculation of this COLA is now included in its valuation software instead of using an external model.

### **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 Plan 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 Plans 2 and 3, PSERS Plan 2, SERS Plans 2 and 3, and TRS Plans 2 and 3 employers, whose rates include a component for the PERS Plan 1 or TRS Plan 1 liability). 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, 2016, 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-term Expected Real Rate of Return</b>
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%
	<b>100%</b>	

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, 2015 are summarized in the chart that follows:

Asset Class	% Long-term Expected Real Rate of Return Arithmetic
Equity: Public	4.6%
Equity: Private	6.3%
Fixed Income: Broad	0.8%
Fixed Income: Credit	3.6%
Real Assets: Real Estate	3.3%
Real Assets: Infrastructure	3.3%
Diversifying Strategies	3.3%

### **Sensitivity of Net Pension Liability (Asset)**

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 (Asset) (in thousands)			
Plans	1% Decrease (6.5%)	Current Discount Rate	1% Increase (8.5%)
PERS 1	\$ 576,265	\$ 477,872	\$ 393,198
PERS 2/3	975,558	529,855	(275,820)
PSERS 2	20,917	4,817	(6,651)
LEOFF 1	(3,671)	(6,180)	(8,324)
LEOFF 2	49,195	(17,543)	(67,845)
SCERS	1,566	1,169	835

### **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 December 31, 2016, the County reported a total pension liability of \$1,013.7 million and total pension asset of \$23.7 million for its proportionate share of the net pension liabilities as follows:

Total Pension Liability (Asset) (in thousands)	
PERS 1	\$ 477,872
PERS 2/3	529,855
PSERS 2	4,817
LEOFF 1	(6,180)
LEOFF 2	(17,543)
SCERS	1,169

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 - County's proportionate share	\$ (17,543)
LEOFF 2 - State's proportionate share of the net pension liability/(asset) associated with King County	(11,437)
TOTAL	\$ (28,980)

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

Collective Net Pension Liabilities			
	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	8.76%	8.9%	0.13%
PERS 2/3	10.36%	10.52%	0.16%
PSERS 2	9.88%	11.33%	1.45%
LEOFF 1	0.6%	0.6%	0%
LEOFF 2	2.9%	3.02%	0.11%
SCERS	0.12%	0.09%	-0.03%

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 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2016, 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 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.725 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2016, the County recognized pension expense as follows:

Pension Expense (in thousands)	
PERS 1	\$ (16,886)
PERS 2/3	120,394
PSERS 2	5,127
LEOFF 1	(761)
LEOFF 2	5,776
SCERS	242
TOTAL	\$ 113,892

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ —	\$ —
Net difference between projected and actual investment earnings on pension plan investments	12,032	—
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	25,117	—
<b>TOTAL</b>	<b>\$ 37,149</b>	<b>\$ —</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ 28,214	\$ 17,491
Net difference between projected and actual investment earnings on pension plan investments	64,839	—
Changes of assumptions	5,477	—
Changes in proportion and differences between contributions and proportionate share of contributions	5,052	5,096
Contributions subsequent to the measurement date	30,574	—
<b>TOTAL</b>	<b>\$ 134,156</b>	<b>\$ 22,587</b>

<b>PSERS 2</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ 1,641	\$ —
Net difference between projected and actual investment earnings on pension plan investments	994	—
Changes of assumptions	19	—
Changes in proportion and differences between contributions and proportionate share of contributions	125	15
Contributions subsequent to the measurement date	1,139	—
<b>TOTAL</b>	<b>\$ 3,918</b>	<b>\$ 15</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ —	\$ —
Net difference between projected and actual investment earnings on pension plan investments	628	—
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	—	—
<b>TOTAL</b>	<b>\$ 628</b>	<b>\$ —</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ 2,404	\$ —
Net difference between projected and actual investment earnings on pension plan investments	6,304	—
Changes of assumptions	66	—
Changes in proportion and differences between contributions and proportionate share of contributions	193	775
Contributions subsequent to the measurement date	2,114	—
<b>TOTAL</b>	<b>\$ 11,081</b>	<b>\$ 775</b>

SCERS	Deferred Outflows of Resources	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	\$ 1	\$ —
Net difference between projected and actual investment earnings on pension plan investments	143	—
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	705	176
Contributions subsequent to the measurement date	461	—
<b>TOTAL</b>	<b>\$ 1,310</b>	<b>\$ 176</b>

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, 2017. 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)
2017	\$ (2,963)
2018	(2,962)
2019	11,050
2020	6,907
2021	—
2022	—

Year ended December 31:	PERS 2/3 (in thousands)
2017	\$ (179)
2018	(179)
2019	50,307
2020	31,046
2021	—
2022	—

Year ended December 31:	PSERS 2 (in thousands)
2017	\$ 342
2018	342
2019	955
2020	752
2021	350
2022	23

Year ended December 31:	LEOFF 1 (in thousands)
2017	\$ (130)
2018	(130)
2019	544
2020	344
2021	—
2022	—

Year ended December 31:	LEOFF 2 (in thousands)
2017	\$ (194)
2018	(194)
2019	5,100
2020	3,477
2021	3
2022	—

Year ended December 31:	SCERS (in thousands)
2017	\$ 156
2018	156
2019	156
2020	148
2021	57
2022	—

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)**

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

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

**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. CDA's net pension liability and deferred outflows of resources related to pensions at December 31, 2016 were \$1.7 million and \$0.3 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 \$70.9 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, 2016 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, 2016, 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, 2016 (in thousands):

	2016
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	(3,556)
Annual OPEB cost (expense)	11,542
Contributions made	(5,899)
Increase in net OPEB obligation	5,643
Net OPEB obligation - beginning of year	65,251
Net OPEB obligation - end of year	<u>\$ 70,894</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$ 11,838	43.5%	\$ 59,607
12/31/2015	11,543	51.1%	65,251
12/31/2016	11,542	51.1%	70,894

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2016 (in thousands) is as follows:

Actuarial accrued liability (AAL) – Unit Credit	\$ 167,417
Actuarial value of plan assets	—
Unfunded actuarial accrued liability (UAAL)	<u>\$ 167,417</u>
Funded ratio (actuarial value of plan assets ÷ AAL)	0.00%
Covered payroll	\$ 1,121,962
UAAL as a percentage of covered payroll	14.9%

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 No. 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, 2016 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)**

All University employees, including medical center employees, are eligible for participation in healthcare and life insurance programs administered by the WSHCA (Washington State Health Care Authority). HMC 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.

The Office of the State Actuary determines total OPEB obligations at the State level using individual state employee data, including age, retirement eligibility, and length of service. Information to support actuarial calculation at the division, department, or component unit level is not available. The State is ultimately responsible for the obligation; therefore, the annual required contribution (ARC) is not recorded at the University or its departments, divisions, agencies or component units.

## Note 11

### Risk Management

The County uses three internal service funds to account for and finance property/casualty, workers' compensation and employee medical, pharmacy, dental, and vision benefits self-insurance programs. The County contracts with a plan administrator to process medical, pharmacy, vision 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, 2016, is \$75.6 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 \$6.5 million SIR for all other County agencies.

Effective July 1, 2016, the County renewed the property insurance policy. This policy has a blanket limit of \$500.0 million above a \$250 thousand per occurrence deductible and provides an overall earthquake sublimit of \$100.0 million and a flood sublimit of \$250.0 million.

In 2016, the County purchased a cyber liability policy with a \$30.0 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	\$2.5 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 (includes King County Ferry District)	\$150 million	\$2.5 thousand
Cyber Liability	\$30 million	\$1 million per claim
Parks Swimming Pools General Liability	\$7.5 million	None

In 2016, there were two settlements that exceeded the SIR. In 2014 and 2015, there were no settlements that exceeded insurance coverage.

With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques.

Changes in the Insurance Fund's estimated claims liability in 2015 and 2016 (in thousands):

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2015	\$ 72,773	\$ 27,430	\$ (11,638)	\$ 88,565
2016	88,565	20,731	(33,741)	75,555

### **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 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, 2016, the total claim liability is \$70.2 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, 2016, was \$2.5 million. In the prior three years, there has been no settlement in excess of the insurance coverage.

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

Changes in the Safety and Workers' Compensation Fund's claims liability in 2015 and 2016 (in thousands) are shown below:

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2015	\$ 75,699	\$ 12,605	\$ (15,194)	\$ 73,110
2016	73,110	13,463	(16,389)	70,184

### **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, dental and vision plans are self-insured. The life, AD&D, and LTD benefit programs are fully insured. Interfund premiums are determined on a per employee, per month basis.

The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2016, is \$23.6 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2015 and 2016 (in thousands) are shown below:

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2015	\$ 18,541	\$ 162,218	\$ (159,316)	\$ 21,443
2016	21,443	171,225	(169,047)	23,621

### **Component Unit - Harborview Medical Center (HMC)**

Harborview Medical Center (HMC) is exposed to risk of loss related to professional and general liability, property loss and injuries to employees. HMC participates in risk pools managed by the University to mitigate risk of loss related to these exposures.

#### **Professional and General Liability:**

The University's professional liability program currently includes self-insured and commercial reinsurance coverage components. HMC's annual funding to the professional liability program is determined by the University administration using information from an annual actuary study. Various participants in the program contribute to the self-insurance fund and share in the expenses of the program. HMC's contribution to the professional liability program was \$3.4 million in 2016 and 2015, recorded in supplies and other expense on the Statements of Revenues, Expenses and Changes in Net Position.

#### **Professional and General Liability:**

HMC personnel are employees of the University. Benefit costs are pooled centrally for all University employees. Annually the University reviews total employee benefit costs and prepares standard benefit load rates by employment classification. These benefit costs cover employee healthcare costs, workers' compensation, employment taxes and retirement plans.

### **Component Unit - Cultural Development Authority of King County**

#### **Insurance Fund**

Cultural Development Authority of King County (CDA) carries comprehensive general liability, auto liability and employee benefit liability coverage with a limit of \$20.0 million per occurrence and no aggregate limit. Commercial property losses are covered up to the replacement cost on file with Enduris Washington. CDA also carries Public Official Errors and Omissions Liability coverage with a limit of \$20.0 million per occurrence and an aggregate limit of \$20.0 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. CDA also offers insurance with American Family Life Assurance Company (AFLAC) and MetLife. With the AFLAC and MetLife coverage, 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 under Business-type Activities.

Capital assets and outstanding liabilities relating to capital lease agreement contracts as of December 31, 2016 (in thousands) is as follows:

	<b>Business-type Activities</b>	
	<b>Capital</b>	<b>Capital Leases</b>
	<b>Assets</b>	<b>Payable</b>
Leasehold improvements	\$ 4,881	\$ 2,640
Less: Depreciation	(2,411)	—
Totals	<u>\$ 2,470</u>	<u>\$ 2,640</u>

Future minimum lease payments under capital lease agreements and the present value of the net minimum lease payments are shown below as of December 31, 2016 (in thousands):

	<b>Minimum Lease</b>
	<b>Payments</b>
2017	\$ 255
2018	255
2019	255
2020	255
2021	255
2022-2026	1,275
2027-2031	1,169
Total minimum lease payments	<u>3,719</u>
Less: Amount representing interest	<u>(1,079)</u>
Present value of net minimum lease payments	<u>\$ 2,640</u>

#### Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year ended December 31, 2016 for long-term operating expenses for office space, equipment and other operating leases amount to \$19.3 million. The patterns of future lease payment requirements are systematic and rational. Future minimum lease payments for these leases are shown in the table below (in thousands):

<b>Year</b>	<b>Office</b>		<b>Other</b>		<b>Total</b>
	<b>Space</b>				
2017	\$ 13,873	\$	4,399	\$	18,272
2018	12,741		4,227		16,968
2019	12,299		3,881		16,180
2020	11,610		3,295		14,905
2021	11,005		2,189		13,194
2022-2026	38,396		6,057		44,453
2027-2031	2,943		2,837		5,780
2032-2036	—		2,037		2,037
2037-2041	—		1,582		1,582
2042-2046	—		1,582		1,582

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 International 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, 2016 (in thousands):

	<b>Governmental</b>	<b>Business-type Activities</b>	
	<b>Activities</b>	<b>Airport</b>	<b>Other</b>
Land	\$ 621	\$ 150	\$ —
Buildings	394	246	424
Less: Depreciation	(394)	(136)	(114)
Total cost of property under lease	<u>\$ 621</u>	<u>\$ 260</u>	<u>\$ 310</u>

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2016 (in thousands):

<b>Year</b>	<b>Governmental</b>	<b>Business-type Activities</b>		<b>Total</b>
	<b>Activities</b>	<b>Airport</b>	<b>Other</b>	
2017	\$ 2,899	\$ 12,240	\$ 143	\$ 15,282
2018	2,590	11,988	114	14,692
2019	2,222	11,725	83	14,030
2020	1,935	11,070	51	13,056
2021	1,409	10,741	51	12,201
2022-2026	6,160	52,102	59	58,321
2027-2031	5,399	43,480	59	48,938
2032-2036	2,388	16,971	59	19,418
2037-2041	2,253	16,111	58	18,422
2042-2046	2,253	15,580	35	17,868

## 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 \$126.3 million reported as landfill closure and post-closure care liability as of December 31, 2016, represents the cumulative percentage reported based on the amount that each of the landfills has been filled to date as follows (dollars in thousands):

Landfill	Percent Filled	Estimated Liability	Estimated Remaining Liability	Estimated Year of Closure
Cedar Hills	80.1%	\$ 101,465	\$ 73,691	2027
Closed	100%	15,475	—	Closed
Custodial	100%	9,337	—	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, 2016, cash and cash equivalents of \$42.0 million were held in the Landfill Reserve Fund and \$5.2 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 2016 do not include potential costs of cleanup that may arise out of the legal issues described in Note 19 - "Legal Matters, Contingent Liabilities and Other Commitments." The likelihood of negative outcomes in these matters, the amount of liabilities that may arise and the resultant allocation among potentially responsible parties (PRP), cannot be reasonably estimated at this time.

The major sites where the County is conducting remediation activities are:

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

Both projects can result in additional cleanup efforts if future regulatory orders are declared. These potential cleanup liabilities, however, cannot be reasonably estimated at this time. Ongoing regulatory action may identify other PRPs for the Lower Duwamish Waterway cleanup.

There are no estimated recoveries at this time that will reduce the amount of these obligations. The total pollution remediation liability at December 31, 2016 stands at \$46.9 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 \$599 thousand at December 31, 2016. 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, 2016.

*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. 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 10 years. As of December 31, 2016, the County completed the first phase of Interim Action Cleanup Plan with approval from the DOE, costing approximately \$600 thousand. The cleanup included removing invasive vegetation and surface soil on 3 acres immediately south of SW 260<sup>th</sup> St, adding a compost cap, and replanting the area with native trees and shrubs. The cleanup costs that incurred in 2016 were capitalized. The remaining remediation requirements are being evaluated in coordination with DOE.

*Washington Air National Guard Site Investigation* - The Washington Air National Guard (WANG) site is located at 6736 Ellis Avenue South in Seattle, Washington. The WANG site occupies approximately 7.5 acres, adjacent to the northwest boundary of the North Boeing Field Georgetown Steam Plant (NBF/GTSP). The WANG site was developed during World War II by the War Department, and served as an aircraft factory school between 1943 and 1948. During environmental investigations at the site, a dissolved Trichloroethene (TCE) plume was identified in shallow groundwater in the southern portion of the site. In May 2016, the Washington State Department of Ecology (DOE) recommended that King County conduct an investigation to determine if the source of recent increases in TCE concentrations in groundwater monitoring wells at the NBF/GTSP site is from the WANG site. The site investigation work will be conducted in three phases: soil and groundwater data collection, soil and groundwater sampling, and quarterly groundwater monitoring. The Airport reported a pollution remediation liability of \$315 thousand at December 31, 2016.

## Note 15

### Liabilities

#### Short-term Debt Instruments and Liquidity

At December 31, 2016, King County has no short-term debt outstanding.

**CHANGES IN SHORT-TERM DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

	<u>Balance</u> <u>01/01/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/16</u>
<b>Business-type activities:</b>				
Junior lien sewer revenue bonds	\$ 100,000	\$ —	\$ (100,000)	\$ —
Business-type activities short-term debt	<u>\$ 100,000</u>	<u>\$ —</u>	<u>\$ (100,000)</u>	<u>\$ —</u>

#### Long-term Debt

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

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

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

The following tables summarize long-term debt issuances and amounts outstanding:

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

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/16
<b>I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT</b>					
IA. Limited Tax General Obligation Bonds (LTGO)					
2006 LTGO Refunding 1996B, 1997G and 1999A Bonds (Partial)	12/14/2006	1/1/2019	4.00-5.00%	\$ 38,330	\$ 7,195
2006 LTGO HUD Section 108 Bonds – Greenbridge Project	9/14/2006	8/1/2024	4.96-5.70%	6,783	1,822
2007C LTGO (Payoff BAN2006A) Bonds	11/1/2007	1/1/2028	4.00-4.50%	10,695	1,515
2007D LTGO (Payoff BAN2006B) Bonds	11/1/2007	1/1/2028	4.00-5.00%	34,630	3,185
2007E LTGO Peoplesoft/Oracle Upgrade Bonds (Partial)	11/27/2007	12/1/2017	4.00-5.00%	3,070	375
2009B2 LTGO Capital Facilities Project Bonds	5/12/2009	6/1/2029	2.00-5.13%	34,810	24,670
2009C LTGO Refunding 1993B Bonds	12/10/2009	1/1/2024	4.50%	17,150	16,975
2010A LTGO Refunding 2001 and 2002 Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	21,445	4,370
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2030	2.85-6.05%	17,355	11,765
2010C LTGO (RZEDBs) (Taxable) Bonds	12/1/2010	12/1/2030	4.58-6.05%	23,165	23,165
2010D LTGO (QECCBs) (Taxable) Bonds	12/1/2010	12/1/2025	5.43%	2,825	2,825
2011 LTGO Refunding 2002, 2003A, and 2003B Bonds	8/1/2011	6/1/2023	2.00-5.00%	25,700	16,495
2011B LTGO Flood Planning/Payoff BAN2010B Bonds	12/1/2011	12/1/2019	2.00-4.00%	5,725	5,725
2011C LTGO Flood Planning/Payoff BAN2010C (Taxable) Bonds	12/1/2011	12/1/2017	0.03-1.85%	15,530	2,000
2011D LTGO (Maury Island/Open Space Acquisition) Bonds	12/21/2011	12/1/2031	2.00-3.50%	21,895	14,710
2012A LTGO (ABT Project) Bonds	3/29/2012	7/1/2022	3.00-5.00%	65,935	48,700
2012B LTGO (S. Park Bridge) Bonds	5/8/2012	9/1/2032	3.00-5.00%	28,065	24,320
2012C LTGO Refunding 2004B and 2005 Bonds	8/28/2012	1/1/2025	5.00%	54,260	50,540
2012D LTGO Refunding 2002BOP Lease (HMC) Bonds	11/29/2012	12/1/2031	2.00-5.00%	41,810	35,600
2012E LTGO SE District Court Relocation Bonds (Partial)	12/19/2012	12/1/2027	2.00-5.00%	3,000	2,345
2012F LTGO (QECCBs) (Taxable) KCCF HVAC Project (Partial)	12/19/2012	12/1/2022	2.20%	3,010	3,010
2013 Multi-Modal LTGO Variable Rate Refunding 2009A Bonds	8/6/2013	6/1/2029	Variable <sup>(b)</sup>	41,460	35,180
2013B LTGO Refunding 2005 GHP Lease Bonds	12/19/2013	12/1/2026	3.00-5.00%	42,820	37,170
2014A LTGO Refunding 2005 GHP Lease Bonds	2/26/2014	12/1/2032	5.00%	34,815	34,420
2014B LTGO (Tall Chief Acquisition/SWM) Bonds	6/24/2014	6/1/2034	2.00-5.00%	15,395	15,180
2015B LTGO (FED TAX-EXEMPT) Bonds	10/13/2015	12/1/2030	2.50-5.00%	27,355	25,345
2015C LTGO Refunding 2007C and 2007D Bonds	10/13/2015	1/1/2028	3.00-5.00%	25,970	25,695
2015E LTGO Refunding 2006A NJB and 2007 KSC Lease Bonds	12/17/2015	12/1/2036	4.00-5.00%	172,320	172,320
2016A LTGO Bond 4Culture Building	3/10/2016	12/1/2030	1.50-5.00%	22,450	22,450
2016B LTGO Bond (Taxable) 4Culture Building	3/10/2016	12/1/2019	0.50-1.30%	2,575	2,315
Total Payable From Limited Tax GO Redemption Fund				860,348	671,382
Payable From Internal Service Funds					
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2030	4.58-6.05%	7,125	4,450
2012E LTGO (IT Business Empowerment) Bonds (Partial)	12/19/2012	12/1/2027	2.00-5.00%	22,405	13,045
Total Payable From Internal Service Funds				29,530	17,495
Total Limited Tax General Obligation Debt				889,878	688,877
IB. Unlimited Tax General Obligation Bonds (UTGO)					
Payable From Unlimited Tax GO Redemption Fund					
2009A UTGO Refunding 2001(HMC) Bonds	12/10/2009	12/1/2020	4.30-5.00%	19,570	7,855
2012 UTGO Refunding 2004 (HMC) and 2004B (HMC) Bonds	8/14/2012	12/1/2023	2.00-5.00%	94,610	78,115
2013 UTGO Refunding 2003 Bonds	7/2/2013	6/1/2019	3.00-5.00%	8,660	4,165
Total Payable From Unlimited Tax GO Bond Redemption Fund				122,840	90,135
IC. Lease Revenue Bonds <sup>(a)</sup>					
Payable From Internal Service Funds					
2006A NJB Properties – HMC	12/5/2006	12/1/2036	5.00%	179,285	5
2006B NJB Properties – HMC (Taxable)	12/5/2006	12/1/2036	5.51%	10,435	9,125
2007 King Street Center Project Refunding 1997	3/8/2007	6/1/2025	4.00-5.00%	62,400	3,635
Total Lease Revenue Bonds Payable from Internal Service Funds				252,120	12,765
<b>TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT</b>				<b>1,264,838</b>	<b>791,777</b>

## SCHEDULE OF LONG-TERM DEBT

(IN THOUSANDS)

(PAGE 2 OF 2)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/16
<b>II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT</b>					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
2007E LTGO (Solid Waste) Bonds (Partial)	11/27/2007	12/1/2017	4.00-5.00%	\$ 40,635	\$ 1,900
2008 LTGO (WQ) Refunding 1998B Bonds	2/12/2008	1/1/2034	3.25-5.25%	236,950	213,460
2009 LTGO (Transit) Refunding 1998A Bonds	2/18/2009	12/1/2019	2.00-4.00%	48,535	14,850
2009B LTGO (WQ) Capital Improvement Projects Bonds	4/8/2009	7/1/2039	5.00-5.25%	300,000	28,795
2010A LTGO Refunding 2001 (Airport) Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	5,110	2,700
2010B LTGO (BABs) (Transit) Taxable Bonds	12/1/2010	12/1/2030	2.85-6.05%	20,555	18,375
2010D LTGO (QECBs) (Transit) Taxable Bonds	12/1/2010	12/1/2020	4.33%	3,000	3,000
2010A Multi-Modal LTGO (WQ) Bonds	1/12/2010	1/1/2040	Variable <sup>(b)</sup>	50,000	50,000
2010B Multi-Modal LTGO (WQ) Bonds	1/12/2010	1/1/2040	Variable <sup>(b)</sup>	50,000	50,000
2012A LTGO (WQ) Refunding 2005A Bonds	4/18/2012	1/1/2025	2.00-5.00%	68,395	67,755
2012B LTGO (WQ) Refunding 2005A Bonds	8/2/2012	1/1/2029	5.00%	41,725	41,725
2012C LTGO (WQ) Refunding 2005A Bonds	9/19/2012	1/1/2034	5.00%	53,405	53,405
2012D LTGO (Transit) Refunding 2002 and 2004 Bonds	10/16/2012	6/1/2034	2.00-5.00%	71,670	51,585
2012F LTGO (WQ) (South Plant Pump) Bonds	12/19/2012	12/1/2022	2.20%	3,010	3,010
2013 LTGO (Solid Waste) Bonds	2/27/2013	12/1/2040	3.10-5.00%	77,100	70,370
2014C LTGO & Refunding 2007E (Solid Waste) Bonds	7/30/2014	12/1/2034	2.00-5.00%	25,515	24,070
2015A LTGO (WQ) Refunding 2009B2 Bonds	2/18/2015	7/1/2038	2.00-5.00%	247,825	247,725
2015B LTGO (FED Tax-Exempt) (Solid Waste) Bonds	10/13/2015	12/1/2025	5.00%	60	55
2015D LTGO & Ref2007E (Solid Waste) Bonds	11/5/2015	12/1/2040	3.00-5.00%	50,595	49,885
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>1,394,085</u>	<u>992,665</u>
IIB. Revenue Bonds, Capital Leases and Loans					
Payable From Enterprise Funds					
2001A WQ Revenue Junior Lien Variable Rate Demand Bonds	8/6/2001	1/1/2032	Variable <sup>(c)</sup>	50,000	50,000
2001B WQ Revenue Junior Lien Variable Rate Demand Bonds	8/6/2001	1/1/2032	Variable <sup>(c)</sup>	50,000	50,000
2006B2 WQ Revenue and Refg 1999-1, 02A & 96C WQ-LTGO Bonds	11/30/2006	1/1/2036	3.50-5.00%	193,435	4,330
2007 WQ Revenue (Capital Improvement Projects) Bonds	6/26/2007	1/1/2047	5.00%	250,000	1,750
2008 WQ Revenue (Capital Improvement Projects) Bonds	8/14/2008	1/1/2048	5.00-5.75%	350,000	3,605
2009 WQ Revenue (Capital Improvement Projects) Bonds	8/12/2009	1/1/2042	4.00-5.25%	250,000	4,850
2010 WQ Revenue & Refunding 2001 Bonds	7/19/2010	1/1/2050	2.00-5.00%	334,365	108,625
2011 WQ Revenue (Capital Improvement Projects) Bonds	1/25/2011	1/1/2041	5.00-5.125	175,000	66,925
2011B WQ Revenue Refunding 2001, 2002A, 2002B, and 04A Bonds	10/5/2011	1/1/2041	1.00-5.00%	494,270	254,620
2011C WQ Revenue Refunding 2001, 2002A, and 2004A Bonds	11/1/2011	1/1/2035	3.00-5.00%	32,445	16,485
2011 WQ Revenue Junior Lien Variable Rate Demand Bonds	10/26/2011	1/1/2042	Variable <sup>(c)</sup>	100,000	100,000
2012 WQ Revenue and Refunding 2004A Bonds	4/18/2012	1/1/2052	5.00%	104,445	104,445
2012B WQ Revenue and Refunding 2004A Bonds	8/2/2012	1/1/2035	4.00-5.00%	64,260	64,260
2012C WQ Revenue and Refunding 2004A and 2006 Bonds	9/19/2012	1/1/2033	2.50-5.00%	65,415	65,415
2012 WQ Revenue Junior Lien Variable Rate Demand Bonds	12/27/2012	1/1/2043	Variable <sup>(c)</sup>	100,000	100,000
2013A WQ Revenue Refg 2003, 2006, and 2005 WQ-LTGO Bonds	4/9/2013	1/1/2035	2.00-5.00%	122,895	117,000
2013B WQ Revenue and Refunding 2004B Bonds	10/29/2013	1/1/2044	2.00-5.00%	74,930	63,030
2014A WQ Revenue Refunding 2007 Bonds	7/8/2014	1/1/2047	5.00%	75,000	75,000
2014B WQ Revenue Refg 2004B, 2006, 2006B, 2007 and 2008 Bonds	8/12/2014	7/1/2035	1.00-5.00%	192,460	190,790
2015A WQ Revenue Refunding 2007, 2008, and 2009 Bonds	2/18/2015	7/1/2047	3.00-5.00%	474,025	473,190
2015B WQ Revenue & Refunding 2006 Bonds	11/17/2015	1/1/2046	4.00-5.00%	93,345	89,380
2015AB WQ Revenue Junior Lien Variable Rate Demand Bonds	11/24/15	01/01/46	Variable <sup>(c)</sup>	100,000	100,000
2016A WQ Revenue & Refunding 2007, 2008, 2009, 2010 Bonds	2/17/2016	7/1/2041	4.00-5.00%	281,535	281,535
2016B WQ Revenue & Refunding 2006-2, 2010, 2011A, 2011B, 2011C Bonds	10/12/2016	7/1/2049	4.00-5.00%	499,655	499,655
2000-2016 State of Washington Revolving Loans	Various	Various	0.50-3.10%	195,906	205,989
2000 Public Transp. Park and Ride Capital Leases	03/30/00	12/31/2031	5.00%	4,722	2,640
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				<u>4,728,108</u>	<u>3,093,519</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT</b>				<u>6,122,193</u>	<u>4,086,184</u>
<b>TOTAL LONG-TERM DEBT</b>				<u>\$ 7,387,031</u>	<u>\$ 4,877,961</u>

(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 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.

(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.

The following tables display the scheduled debt service payments for the next five years and in five-year increments thereafter:

**DEBT SERVICE REQUIREMENTS TO MATURITY**  
(IN THOUSANDS)

<b>GOVERNMENTAL ACTIVITIES</b>								
Year	General Obligation Bonds		Lease Revenue Bonds		Total			
	Principal	Interest	Principal	Interest	Principal	Interest		
2017	\$ 66,617	\$ 33,343	\$ 3,895	\$ 594	\$ 70,512	\$ 33,937		
2018	68,048	30,508	275	489	68,323	30,997		
2019	70,060	27,561	290	474	70,350	28,035		
2020	62,422	24,542	310	458	62,732	25,000		
2021	63,806	21,680	325	440	64,131	22,120		
2022-2026	240,814	68,160	1,910	1,913	242,724	70,073		
2027-2031	147,105	29,115	2,495	1,327	149,600	30,442		
2032-2036	60,140	6,541	3,265	559	63,405	7,100		
<b>TOTAL</b>	<b>\$ 779,012</b>	<b>\$ 241,450</b>	<b>\$ 12,765</b>	<b>\$ 6,254</b>	<b>\$ 791,777</b>	<b>\$ 247,704</b>		

<b>BUSINESS-TYPE ACTIVITIES</b>						<b>DEBT SERVICE REQUIREMENTS TO MATURITY</b>		
Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 38,620	\$ 45,946	\$ 65,706	\$ 124,394	\$ 104,326	\$ 170,340	\$ 174,838	\$ 204,277
2018	40,280	44,084	64,905	128,466	105,185	172,550	173,508	203,547
2019	42,175	42,129	67,369	125,848	109,544	167,977	179,894	196,012
2020	44,460	40,222	72,109	123,094	116,569	163,316	179,301	188,316
2021	35,400	38,245	69,502	120,169	104,902	158,414	169,033	180,534
2022-2026	203,635	163,373	397,879	551,395	601,514	714,768	844,238	784,841
2027-2031	224,550	109,819	463,343	455,204	687,893	565,023	837,493	595,465
2032-2036	201,330	56,024	636,957	322,662	838,287	378,686	901,692	385,786
2037-2041	162,215	22,245	481,119	206,392	643,334	228,637	643,334	228,637
2042-2046	—	—	626,705	93,301	626,705	93,301	626,705	93,301
2047-2051	—	—	138,060	15,003	138,060	15,003	138,060	15,003
2052-2056	—	—	9,865	247	9,865	247	9,865	247
<b>TOTAL</b>	<b>\$ 992,665</b>	<b>\$ 562,087</b>	<b>\$ 3,093,519</b>	<b>\$ 2,266,175</b>	<b>\$ 4,086,184</b>	<b>\$ 2,828,262</b>	<b>\$ 4,877,961</b>	<b>\$ 3,075,966</b>

Long-term liability activity is reported by King County within governmental activities and business-type activities. The summary of changes in long-term liabilities for the year ended December 31, 2016 is as follows (in thousands):

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds payable:					
General obligation (GO) bonds	\$ 825,298	\$ 25,025	\$ (71,311)	\$ 779,012	\$ 66,617
Lease revenue bonds <sup>(a)</sup>	20,965	—	(8,200)	12,765	3,895
Unamortized bonds premium and discount	85,768	3,764	(13,592)	75,940	—
Total bonds payable	<u>932,031</u>	<u>28,789</u>	<u>(93,103)</u>	<u>867,717</u>	<u>70,512</u>
Other liabilities:					
Compensated absences liability	102,600	119,930	(119,672)	102,858	4,572
Net pension liability	463,102	257,312	(165,647)	554,767	—
Other postemployment benefits	52,479	5,122	(511)	57,090	—
Estimated claims settlements and other liabilities	183,118	215,301	(229,059)	169,360	58,281
Total other liabilities	<u>801,299</u>	<u>597,665</u>	<u>(514,889)</u>	<u>884,075</u>	<u>62,853</u>
Total Governmental activities long-term liabilities	<u>\$ 1,733,330</u>	<u>\$ 626,454</u>	<u>\$ (607,992)</u>	<u>\$ 1,751,792</u>	<u>\$ 133,365</u>
<b>Business-type activities:</b>					
Bonds payable:					
GO bonds	\$ 1,018,955	\$ —	\$ (26,290)	\$ 992,665	\$ 38,620
Revenue bonds	2,830,165	881,190	(826,465)	2,884,890	52,015
Unamortized bonds premium and discount	295,087	102,618	(27,898)	369,807	—
Total bonds payable	<u>4,144,207</u>	<u>983,808</u>	<u>(880,653)</u>	<u>4,247,362</u>	<u>90,635</u>
Other liabilities:					
Capital leases	2,760	—	(120)	2,640	126
State revolving loans	179,388	39,151	(12,550)	205,989	13,565
Compensated absences liability	72,873	85,018	(89,628)	68,263	10,343
Net pension liability	368,692	197,732	(107,478)	458,946	—
Other postemployment benefits	12,772	1,696	(664)	13,804	—
Landfill closure and post-closure care liability	101,903	28,583	(4,209)	126,277	3,031
Pollution remediation	52,920	3,307	(8,436)	47,791	6,928
Customer deposits	1,206	1,530	(1,322)	1,414	791
Total other liabilities	<u>792,514</u>	<u>357,017</u>	<u>(224,407)</u>	<u>925,124</u>	<u>34,784</u>
Total Business-type activities long-term liabilities	<u>\$ 4,936,721</u>	<u>\$ 1,340,825</u>	<u>\$ (1,105,060)</u>	<u>\$ 5,172,486</u>	<u>\$ 125,419</u>

<sup>(a)</sup>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.

Governmental activities estimated claims settlements of \$169.4 million are liquidated by internal service funds. Governmental activities compensated absences, net pension liability and other postemployment benefits are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably, General Fund, Public Health Fund and County Road Fund.

### 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, 2016 (in thousands):

2016 ASSESSED VALUE (2017 TAX YEAR)	<u>\$ 471,456,288</u>
Debt limit of limited tax general obligations for metropolitan functions	
0.75 % of assessed value	\$ 3,535,922
Less: Net limited tax general obligation indebtedness for metropolitan functions	<u>(928,514)</u>
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 2,607,408</u>
Debt limit of limited tax general obligations for general county purposes and metropolitan functions	
1.5 % of assessed value	\$ 7,071,844
Less: Net limited tax general obligation indebtedness for general county purposes	\$ (676,045)
Net limited tax general obligation indebtedness for metropolitan functions	<u>(928,514)</u>
Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions	<u>(1,604,559)</u>
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 5,467,285</u>
Debt limit of total general obligations for metropolitan functions	
2.5% of assessed value	\$ 11,786,407
Less: Net total general obligation indebtedness for metropolitan functions	<u>(928,514)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 10,857,893</u>
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	\$ 11,786,407
Less: Net unlimited tax general obligation indebtedness for general county purposes	\$ (88,092)
Net limited tax general obligation indebtedness for general county purposes	<u>(676,045)</u>
Total net general obligation indebtedness for general county purposes	<u>(764,137)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 11,022,270</u>

### **Refunding and Defeasing General Obligation Bond Issues - 2016**

Defeasance of Limited Tax General Obligation Bonds, 2016 - On December 15, 2016, the County defeased \$7.7 million of limited tax general obligation 2010E (federal tax-exempt) bonds using funding source from King County ITS.

### **Refunding Sewer Revenue Bond Issues - 2016**

Sewer Revenue Refunding Bonds, 2016A - On February 17, 2016, the County issued \$281.5 million in sewer revenue bonds, 2016A with an effective interest cost of 3.3 percent to advance refund \$278.8 million of outstanding sewer revenue bonds, 2007, 2008, 2009 and 2010 bonds, with an effective interest rate of 5.1 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 2007, 2008, 2009 and 2010 sewer revenue 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 \$35.4 million. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2042, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$65.0 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 \$39.6 million.

Sewer Revenue Refunding Bonds, 2016B - On October 12, 2016, the County issued \$499.7 million in sewer revenue and refunding bonds, 2016B of which \$457.1 million with an effective interest cost of 3.1 percent was to currently refund \$120.9 million of outstanding 2006 (Second Series) sewer revenue bonds and to advance refund \$369.8 million

of outstanding 2010, 2011A, 2011B and 2011C, sewer revenue bonds. The average coupon interest rate of all the refunded bonds was 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 2006-2, 2010, 2011A, 2011B and 2011C sewer revenue 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 \$50.3 million. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2050, using the outstanding principal balance method. This refunding was undertaken to reduce total debt service payments by \$103.9 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 \$73.9 million.

#### **Prior Year Refunded and Defeasance of Debt**

As of December 31, 2016, King County has 16 refunded and defeased bond issues outstanding, consisting of eight limited tax general obligation bonds total \$347.0 million and eight sewer revenue bonds total \$1,361.6 million. In prior years, the County defeased these bonds by placing the proceeds of the new bonds in an irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, the payments of principal and interest on these old 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 County's financial statement.

## Note 16

### Interfund Balances and Transfers

#### Interfund Balances

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 1,425
	All Others	471
Health Fund	All Others	248
	General Fund	2,781
Nonmajor Governmental Funds	Nonmajor Governmental Funds	3,558
	All Others	654
	General Fund	565
Public Transportation Enterprise	All Others	268
	Nonmajor Governmental Funds	805
Water Quality Enterprise	General Fund	487
	Nonmajor Governmental Funds	665
Nonmajor Enterprise Funds	All Others	300
	Nonmajor Governmental Funds	36,924
Internal Service Funds	Nonmajor Enterprise Funds	2,646
	All Others	412
		<u>\$ 52,209</u>
Total interfund balances		

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

#### Advances from/to other funds (in thousands)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 4,475
Internal Service Funds	Health Fund	13,880
Total advances from/to other funds		<u>\$ 18,355</u>

All of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2017.

**Interfund Transfers (in thousands)**

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Health Fund	\$ 28,378
	Nonmajor Governmental Funds	39,289
	All Others	427
Health Fund	Nonmajor Governmental Funds	4,489
Nonmajor Governmental Funds	General Fund	11,119
	Health Fund	12,294
	Nonmajor Governmental Funds	191,870
	Nonmajor Enterprise Funds	5,006
	Internal Service Funds	1,236
Public Transportation Enterprise	All Others	469
Water Quality Enterprise	All Others	150
Nonmajor Enterprise Funds	All Others	223
Internal Service Funds	Nonmajor Governmental Funds	13,008
Total interfund transfers		<u>\$ 307,958</u>

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

## Note 17

### Related Party Transactions

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly occupancy fee and rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth and Jefferson Building (NJB). 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 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 2016, the primary government received \$13.0 million in building lease and occupancy revenues from HMC. In addition, HMC made \$5.6 million in payments to King County Department of Health for mission-related purposes.

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 2016, the King County primary government transferred \$358 thousand to the CDA. CDA spent \$1.1 million on art projects for which the County recorded a corresponding decrease in receivables from 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 \$44 thousand in 2016.

## Note 18

### Components of Fund Balance, Changes in Equity and Restrictions

#### 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, 2016, it had a committed fund balance of \$20.4 million.

A summary of governmental fund balances at December 31, 2016, is as follows (in thousands):

	General Fund	Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	\$ —	\$ 564	\$ 142	\$ 706
Prepayments	—	30	5,855	5,885
Youth Sports Facilities Grant Endowment	—	—	2,620	2,620
Total Nonspendable Fund Balance	—	594	8,617	9,211
Restricted for:				
Crime Victim Compensation Program	83	—	—	83
Dispute Resolution	41	—	—	41
Drug Enforcement	1,510	—	—	1,510
Real Property Title Assurance	25	—	—	25
Building Repair and Replacement	—	—	279	279
Health	—	87,620	—	87,620
Emergency Medical Services	—	—	42,922	42,922
Conservation Futures	—	—	30,052	30,052
Farmland and Open Space Acquisitions	—	—	2,024	2,024
Flood Control Zone District	—	—	62,325	62,325
Open Space King County Bond	—	—	498	498
Enhanced 911 Emergency Telephone System	—	—	27,935	27,935
Puget Sound Emergency Radio Network	—	—	13,038	13,038
Youth Service Facility Construction	—	—	61,732	61,732
Law Library	—	—	278	278
Alcoholism and Substance Abuse Services	—	—	3	3
Best Starts for Kids	—	—	49,183	49,183
Children and Families Services	—	—	1,170	1,170
Parks Capital Funding	—	—	45,556	45,556
Real Estate Excise Tax Capital	—	—	24,977	24,977
Road Construction and Improvement	—	—	29,713	29,713
Surface Water Management	—	—	8,307	8,307
SWM CIP Non-bond Subfund	—	—	9,216	9,216
Developmental Disabilities	—	—	8,521	8,521
Miscellaneous Grants	—	—	1,668	1,668
Veterans and Human Services	—	—	3,130	3,130
Veterans' Relief	—	—	258	258
Mental Illness and Drug Dependency	—	—	15,674	15,674
Employment and Education Resources	—	—	1,633	1,633
Community Development Block Grant	—	—	59,123	59,123
Parks and Recreation	—	—	16,079	16,079
Parks Trust and Contributions	—	—	5	5
Road Improvement Districts Construction	—	—	7	7
Arts and Culture	—	—	1,151	1,151
County Roads Operating	—	—	17,867	17,867
Permit and Environmental Review	—	—	690	690
Historical Preservation and Programs	—	—	66	66
Green River Flood Mitigation	—	—	930	930
Intercounty River Improvement	—	—	10	10
King County Flood Control Operating	—	—	31	31
Local Hazardous Waste	—	—	15,416	15,416
Noxious Weed Control	—	—	1,233	1,233
Transfer of Development Credit Program	—	—	4,226	4,226
Recorder's Operations and Management	—	—	1,840	1,840
Treasurer's Operations and Management	—	—	196	196
Animal Services	—	—	1,495	1,495
Urban Restoration and Habitat	—	—	350	350

A summary of governmental fund balances at December 31, 2016, continues (in thousands) (page 2 of 2):

	General Fund	Health Fund	Nonmajor Governmental Funds	Total
Restricted for - continued:				
Information and Telecommunication Capital	—	—	13,236	13,236
Renton Maintenance Facility	—	—	14,043	14,043
Automated Fingerprint ID System	—	—	22,987	22,987
Total Restricted Fund Balance	<u>1,659</u>	<u>87,620</u>	<u>611,073</u>	<u>700,352</u>
Committed for:				
Antiprofitteering Program	69	—	—	69
Rainy Day Reserve	20,428	—	—	20,428
Urban Restoration and Habitat	—	—	37	37
Total Committed Fund Balance	<u>20,497</u>	<u>—</u>	<u>37</u>	<u>20,534</u>
Assigned for:				
Capital Projects	11,894	—	—	11,894
Inmate Welfare	3,806	—	—	3,806
Information and Telecommunication Capital	—	—	12,233	12,233
Debt Services	—	—	13,227	13,227
Long Term Leases	—	—	60	60
Major Maintenance Reserve	—	—	5,479	5,479
Regional Justice Projects	—	—	357	357
Urban Restore Habitat Restoration	—	—	300	300
Youth Sports Facility Grant	—	—	1,812	1,812
General Government	16,500	—	—	16,500
Public Safety	2,928	—	—	2,928
Total Assigned Fund Balance	<u>35,128</u>	<u>—</u>	<u>33,468</u>	<u>68,596</u>
Unassigned for:				
General Fund	68,195	—	—	68,195
Long Term Leases	—	—	(2,793)	(2,793)
Building Repair and Replacement	—	—	(5,076)	(5,076)
Parks Facility Rehabilitation	—	—	(749)	(749)
Permit and Environmental Review	—	—	(1,152)	(1,152)
Renton Maintenance Facility	—	—	(10,462)	(10,462)
Total Unassigned Fund Balance	<u>68,195</u>	<u>—</u>	<u>(20,232)</u>	<u>47,963</u>
Total Fund Balance	<u>\$ 125,479</u>	<u>\$ 88,214</u>	<u>\$ 632,963</u>	<u>\$ 846,656</u>

### Restatements of Beginning Balances

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

GOVERNMENTAL ACTIVITIES	Total		Nonmajor
	Governmental Activities	Governmental Funds	Governmental Funds
<b>Changes in Net Position or Fund Balance</b>			
Net position/fund balance - January 1, 2016	\$ 2,315,680	\$ 685,968	\$ 513,002
GASB Statement No. 72 implementation	2,249	2,515	2,515
Home Repair Loans - accounting correction	16,225	16,225	16,225
Net position/fund balance - January 1, 2016 (Restated)	<u>\$ 2,334,154</u>	<u>\$ 704,708</u>	<u>\$ 531,742</u>

Governmental activities - Pursuant to GASB Statement No. 72 *Fair Value Measurement and Application*, the County assessed capital assets originally purchased for operations at its current usage or purpose. Two parcels meeting the \$1.0 million fair value threshold were identified as investments held for sale. The assets were retired from operations and reported in the original funds as investments. Historical costs of the properties total \$226 thousand and fair value

at the beginning of the period total \$2.2 million. The change in accounting method results in an adjustment of \$2.2 million to beginning net position in the Governmental Activities and \$2.5 million to beginning fund balance, \$1.0 million to Farmland and Open Space Acquisition Fund reported under Environmental Sustainability - Capital Projects and \$1.5 million to County Roads Construction Fund reported under Economic Growth - Capital Projects.

Nonmajor Governmental Funds - In prior years, Miscellaneous Grants Fund had recorded home repair loans as unearned loans repayment. These loans repayments were previously treated as program income. In 2016, the overstated liability was corrected resulting in an increase to the beginning fund balance by \$16.2 million reported under Economic Growth - Special Revenue.

### **Restricted Net Position**

#### Component Unit - Harborview Medical Center (HMC)

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 expendable net position - \$45.4 million is restricted by RCW 67.28.180.3 and King County ordinance to be used only for the arts and heritage cultural program awards fund and special account, for which the amount is derived according to a specified formula.

## Note 19

### Legal Matters, Financial Guarantees and Other Commitments

#### Pending Litigation and Other Claims

King County and its agencies are parties to routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits that could significantly impact expenditures and future budgets. The County's threshold for disclosure of loss contingencies is \$1.0 million.

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:

*Brightwater Central Conveyance Contract* - The County sued the prime contractor of the Brightwater Central Tunnel, including the contractor's sureties, and sought damages for his 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, he continued to appeal the judgment to the Court of Appeals which 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. The Surety and Fidelity Association of America and four construction industry trade groups submitted amici briefs on behalf of the contractor. The Supreme Court denied the contractor's Petition for Review, finalizing the status of the \$129.0 million paid to Wastewater Treatment Division (WTD). The Supreme Court accepted review of the Surety's petition on the attorneys' fees and costs awards of approximately \$15.0 million. King County responded and the Washington State Association of Municipal Attorneys, the Washington State Association of Counties and the Washington State Association for Justice submitted briefs as amici. The Washington Supreme Court heard oral argument on January 10, 2017. King County is awaiting a decision.

*Denny Way CSO Model Toxic Control Act Cleanup* - A potential requirement for additional cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The King County WTD has already performed interim cleanup costing \$3.6 million to comply with an agreed order issued by the Washington State Department of Ecology (DOE). There are no current plans underway for additional cleanup; however, under WAC 173-204, monitoring will be implemented at the site. DOE 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.

*East Waterway Operable Unit of the Harbor Island Superfund Site* - 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 Environmental Protection Agency (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.

*Meal Periods for Transit Operators* - A class action lawsuit alleging violations of state law regarding meal periods for transit operators was filed. King County filed a motion for summary judgment regarding liability, which was denied. The County's motion for discretionary review of this decision was granted. The Court of Appeals affirmed the order denying the County's motion for summary judgment. The case has been returned to the Superior Court and has been bifurcated into two phases regarding liability and damages. The class has been certified and notices have been sent to class members. King County is vigorously defending the litigation.

*Fremont Siphon Replacement and Odor Control Project* - WTD 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 Fremont across the canal to Queen Anne, in the vicinity of Seattle Pacific University and the King County Laboratory. The amount the contractor claims for repairs for himself and the subcontractor is \$1.4 million. The builders risk insurer is adjusting a claim for those repair costs.

*Defective Centrifuges* - WTD engaged in an energy services contract involving the Washington State Department of Enterprise Services. The contractor's installation of four new centrifuges was significantly defective in terms of dewatering capability despite being more energy efficient. Contractual penalties were imposed on the contractor for failure to achieve compliance with the contract. Liquidated damages for the delay in contract completion were imposed. These amounts totaling approximately \$736 thousand were withheld from payment to the contractor. The contractor filed suit against King County in December 2016 to comply with a contract limitation. The claim seeks \$1.9 million. There is no contractual requirement to participate in alternative dispute resolution and WTD does not think the case is appropriate for mediation. WTD will file an answer and counterclaim for damages, in addition to the withheld liquidated damages for delay and the penalties for non-compliant centrifuge performance.

*Lower Duwamish Waterway* - EPA issued an administrative order that required King County, City of Seattle, Boeing and 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 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 not know their respective shares of cleanup costs and no consent decree has been negotiated, we are unable to determine the schedule or cost of any required remediation. In addition, we are unable to determine the extent to which King County and Wastewater Treatment Division will be responsible for the cost of such remediation.

*South Park Landfill Model Toxics Control Act Cleanup* - 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.

*North Creek Interceptor Sewer Improvement Project* - A claim submitted by a contractor against WTD over the project to repair and replace two miles of pipeline serving the rapidly developing area in the vicinity of Canyon Park and address untreated overflows into buildings and a wetland. Pursuant to an agreement with DOE that mandates WTD install a bypass system because this capital project is not completed by the onset of the 2016 wet season. The contractor has submitted a request for change order for approximately \$1.5 million asserting that the contract dewatering and open-faced shield tunneling specifications are defective. The contractor also asserted that he was constructively suspended and stopped tunneling. King County found the contractor in default, terminated the contract and made demand upon the performance bond surety. King County Executive declared an emergency and WTD procured a \$20.0 million completion contract pursuant to the waiver of statutory procurement requirements. In December 2016 King County initiated suit in King County Superior Court against the contractor to recover the additional costs to complete the project. The contractor filed a second lawsuit in Snohomish County Superior Court to enjoin the default termination. King County obtained a dismissal of this lawsuit and the contractor is appealing that decision to Division One of the Court of Appeals. The contractor moved to change venue in the King County action, was denied and appealed that decision. Discretionary review was granted and both appeals are now consolidated. WTD responded to an appellate motion to allow trial court jurisdiction to impose an observer for the contractor at the site. WTD is responding to its sixth Public Records Act request on this project.

*Murray CSO Control Project* - This a project to construct a one million-gallon below grade combined sewage storage tank and connection of the tank to the existing Murray Avenue Pump Station and influent sewers. The contractor has submitted a total of three claims to the County on this project. On Claim 7, the contractor alleges that it encountered a differing site condition during work associated with manhole 1 and asserts it is entitled to \$2.0 million and 47 calendar days. On Claim 6, the contractor asserts it is entitled to \$52 thousand and 30 calendar days related to changes to certain Motor Control Centers (MCCs) despite the fact that a bilateral change order regarding the MCCs was executed by the contractor and the County. On Claim 4, the contractor asserts it is entitled to \$154 thousand and four calendar days due to issues associated with 4Culture artwork installation. The parties have agreed to mediate all three claims and the mediation has been scheduled for October 18, 2017.

*Audit of Public Health* - A federal audit of Public Health-Seattle and King County questioned \$5.7 million in costs under the Ryan White federal grant program for 2012-2013 due to alleged shortcomings in recordkeeping and monitoring of grant subrecipients. \$2.0 million was accrued in 2016.

*Minimum Wage for Jurors* - Class action complaint was filed in Pierce County Superior Court alleging that King County is required to pay minimum wage for jurors. The 42-page complaint includes nine causes of action and seeks to certify four distinct classes. King County is responding to plaintiffs' discovery requests and is vigorously defending this matter. No trial date has been set.

*Former King County Maple Valley Maintenance Shop Site Cleanup* - The County owned and/or operated a road maintenance facility on the Maple Valley property from approximately the 1940s to the 1980s. The current property owner has investigated the nature and extent of the environmental contamination and plans to move forward with site remediation. Estimated costs for site investigation and cleanup range from \$581 thousand to \$1.4 million, and the property owner has indicated it will look to the County to share in the costs based on the County's status as a potentially liable party.

### **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 \$200.0 million in total commitment. At the end of 2016, there are 13 contingent loan agreements outstanding totaling \$132.4 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, 2016 and the standards prescribed under GASB Statement No. 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 2016. 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 and hold 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

In February 2017, the County deposited cash in an irrevocable escrow to defease \$5.1 million of outstanding 2008 and 2009 sewer revenue bonds. With the defeasance of these bonds, revised covenants in the bond ordinance that establish the minimum ratings for surety bonds that the County may use as qualified investments in lieu of cash in the Bond Reserve have become effective.

King County Wastewater Treatment Division (WTD) experienced a major equipment failure at its West Point Treatment Plant (WPTP) on February 9, 2017. This incident resulted in significant flooding and severe damage to the treatment plant and the discharge of untreated stormwater and wastewater into Puget Sound. The plant resumed the ability to treat its wastewater to the secondary level in late April 2017, which required beneficial bacteria to break down organic solids and remove pollutants from water that is disinfected, dechlorinated and returned to Puget Sound. The WPTP resumed compliance with its state and federal environmental permits the week of May 8, 2017, with effluent discharges to Puget Sound meeting or surpassing strict standards for pollutant removal. Plans are underway to replace temporary equipment and complete long-term repairs by the end of 2017. With the secondary process now fully functional, water from the treatment process now complies with permits administered by Washington State Department of Ecology because more than 90 percent of its typical pollutants are removed before discharge to Puget Sound. Most of the restoration costs for the WPTP are expected to be covered by insurance, with full restoration work scheduled for completion by the end of 2017. A local engineering firm estimates total restoration costs at \$40.0 to \$57.0 million, which includes risk allowances related to unknown equipment replacement costs and other factors.

In June 2017, the County issued \$31.2 million of limited tax general obligation bonds to provide financing for the capital improvement program of the Solid Waste Division.

On June 1, 2017, the final outstanding maturity of the lease revenue bonds for the King Street Center building was paid off. Per the terms of the lease supporting such bonds, upon this final retirement, the County exercised its option to purchase the building.

Required Supplementary Information

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**I. Budget to Actual - Major Fund**

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)

**2015-2016 BUDGETED AMOUNTS (BIENNIAL)**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 651,383	\$ 651,383	\$ 659,745	\$ 8,362
Retail sales and use taxes	226,867	226,867	245,198	18,331
Business and other taxes	18,991	18,991	16,627	(2,364)
Penalties and interest - delinquent taxes	42,200	42,200	37,599	(4,601)
Licenses and permits	9,256	9,727	10,683	956
Intergovernmental revenues	166,728	168,448	152,875	(15,573)
Charges for services	327,974	335,096	377,119	42,023
Fines and forfeits	15,699	15,699	15,097	(602)
Interest earnings	—	—	6,057	6,057
Miscellaneous revenues	27,321	27,321	22,042	(5,279)
Sale of capital assets	60	60	83	23
Transfers in	337	337	11,378	11,041
<b>TOTAL REVENUES</b>	<u>1,486,816</u>	<u>1,496,129</u>	<u>1,554,503</u>	<u>58,374</u>
<b>EXPENDITURES</b>				
Current:				
General government	331,794	340,473	339,861	612
Public safety	966,386	1,015,203	988,541	26,662
Economic environment	1,103	1,103	859	244
Mental and physical health	56,909	59,941	59,033	908
Debt service:				
Principal	68	68	—	68
Interest and other debt service costs	7	7	266	(259)
Capital outlay	1,676	2,948	3,653	(705)
Transfers out	141,801	146,773	140,878	5,895
<b>TOTAL EXPENDITURES</b>	<u>1,499,744</u>	<u>1,566,516</u>	<u>1,533,091</u>	<u>33,425</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (12,928)</u>	<u>\$ (70,387)</u>	21,412	<u>\$ 91,799</u>
Adjustment from budgetary basis to GAAP basis <sup>(a)</sup>			859	
Net change in fund balance			22,271	
Fund balance - January 1, 2015			103,208	
Fund balance - December 31, 2016			<u>\$ 125,479</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues:				
Recognition of unrealized loss on investments			\$ (480)	
Adjustments to expenditures:				
Non-budgeted revenues			1,339	
Adjustment from budgetary basis to GAAP basis			<u>\$ 859</u>	

**HEALTH FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)

**2015-2016 BUDGETED AMOUNTS (BIENNIAL)**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 6,278	\$ 6,278	\$ 6,239	\$ (39)
Business and other taxes	—	—	37	37
Licenses and permits	32,264	32,032	30,963	(1,069)
Intergovernmental revenues	182,918	185,069	189,138	4,069
Charges for services	508,431	573,387	577,110	3,723
Fines and forfeits	75	225	475	250
Interest earnings	938	938	1,119	181
Miscellaneous revenues	13,258	13,611	9,667	(3,944)
Transfers in	71,189	75,610	73,059	(2,551)
<b>TOTAL REVENUES</b>	<u>815,351</u>	<u>887,150</u>	<u>887,807</u>	<u>657</u>
<b>EXPENDITURES</b>				
Current:				
Mental and physical health	811,002	882,223	847,370	34,853
Debt service:				
Interest and other debt service costs	—	80	222	(142)
Capital outlay	—	1,406	862	544
Transfers out	—	449	5,525	(5,076)
<b>TOTAL EXPENDITURES</b>	<u>811,002</u>	<u>884,158</u>	<u>853,979</u>	<u>30,179</u>
Excess of revenues over expenditures (budgetary basis)	<u>\$ 4,349</u>	<u>\$ 2,992</u>	33,828	<u>\$ 30,836</u>
Adjustment from budgetary basis to GAAP basis <sup>(a)</sup>			1,695	
Net change in fund balance			35,523	
Fund balance - January 1, 2015			52,691	
Fund balance - December 31, 2016			<u>\$ 88,214</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues:				
Recognition of unrealized loss on investments on a GAAP basis			\$ (133)	
Adjustments to expenditures:				
Non-budgeted transfers out			(264)	
Non-budgeted revenues			2,092	
Adjustment from budgetary basis to GAAP basis			<u>\$ 1,695</u>	

**II. Pension Funding**

<b>Schedule of the County's Proportionate Share of the Net Pension Liability</b>		
<b>Public Employees' Retirement System (PERS) Plan 1</b>		
<b>Measurement Date of June 30*</b>		
(dollars in thousands)		
	2016	2015
County's proportion of the net pension liability	8.90%	8.76%
County's proportionate share of the net pension liability	\$ 477,872	\$ 458,477
County's covered-employee payroll	\$ 18,793	\$ 20,440
County's proportionate share of the net pension liability as a percentage of covered-employee payroll	2542.82%	2243.04%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%

<b>Schedule of the County's Proportionate Share of the Net Pension Liability</b>		
<b>Public Employees' Retirement System (PERS) Plan 2/3</b>		
<b>Measurement Date of June 30*</b>		
(dollars in thousands)		
	2016	2015
County's proportion of the net pension liability	10.52%	10.36%
County's proportionate share of the net pension liability	\$ 529,855	\$ 370,294
County's covered-employee payroll	\$ 953,254	\$ 933,304
County's proportionate share of the net pension liability as a percentage of covered-employee payroll	55.58%	39.68%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	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)

	2016	2015
County's proportion of the net pension liability	11.33%	9.88%
County's proportionate share of the net pension liability	\$ 4,817	\$ 1,803
County's covered-employee payroll	\$ 35,577	\$ 33,102
County's proportionate share of the net pension liability as a percentage of covered-employee payroll	13.54%	5.45%
Plan fiduciary net position as a percentage of the total pension liability	90.41%	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)

	2016	2015
County's proportion of the net pension (asset)	0.60%	0.60%
County's proportionate share of the net pension (asset)	\$ (6,180)	\$ (7,275)
County's covered-employee payroll	\$ 213	\$ 260
County's proportionate share of the net pension (asset) as a percentage of covered-employee payroll	-2,901.36%	-2,798.11%
Plan fiduciary net position as a percentage of the total pension liability	123.74%	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)

	2016	2015
County's proportion of the net pension (asset)	3.02%	2.90%
County's proportionate share of the net pension (asset)	\$ (17,543)	\$ (29,819)
State's proportionate share of the net pension (asset) associated with King County	(11,437)	(19,716)
Total net pension (asset)	<u>\$ (28,980)</u>	<u>\$ (49,535)</u>
County's covered-employee payroll	\$ 87,895	\$ 86,131
County's proportionate share of the net pension (asset) as a percentage of covered-employee payroll	-19.96%	-34.62%
Plan fiduciary net position as a percentage of the total pension liability	106.04%	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)

	2016	2015
County's proportion of the net pension liability	0.09%	0.11%
County's proportionate share of the net pension liability	\$ 1,169	\$ 1,219
County's covered-employee payroll	\$ 3,010	\$ 3,305
County's proportionate share of the net pension liability as a percentage of covered-employee payroll	38.84%	36.88%
Plan fiduciary net position as a percentage of the total pension liability	64.00%	67.70%

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

<b>Schedule of Contributions</b>		
<b>Public Employees' Retirement System (PERS) Plan 1</b>		
<b>Fiscal Year Ended December 31, 2016</b>		
(dollars in thousands)		
	2016	2015
Contractually required contribution	\$ 1,901	\$ 2,076
Contributions in relation to the contractually required contribution	1,901	2,076
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll	\$ 17,003	\$ 20,440
Contributions as a percentage of covered-employee payroll	11.18%	10.16%

<b>Schedule of Contributions</b>		
<b>Public Employees' Retirement System (PERS) Plan 2/3</b>		
<b>Fiscal Year Ended December 31, 2016</b>		
(dollars in thousands)		
	2016	2015
Contractually required contribution	\$ 109,269	\$ 95,176
Contributions in relation to the contractually required contribution	109,269	95,176
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll	\$ 977,342	\$ 933,304
Contributions as a percentage of covered-employee payroll	11.18%	10.20%

<b>Schedule of Contributions</b>		
<b>Public Safety Employees' Retirement System (PSERS) Plan 2</b>		
<b>Fiscal Year Ended December 31, 2016</b>		
(dollars in thousands)		
	2016	2015
Contractually required contribution	\$ 3,953	\$ 3,677
Contributions in relation to the contractually required contribution	3,953	3,677
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll	\$ 34,253	\$ 33,102
Contributions as a percentage of covered-employee payroll	11.54%	11.11%

<b>Schedule of Contributions</b>		
<b>Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2</b>		
<b>Fiscal Year Ended December 31, 2016</b>		
(dollars in thousands)		
	2016	2015
Contractually required contribution	\$ 4,735	\$ 4,505
Contributions in relation to the contractually required contribution	4,735	4,505
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll	\$ 90,526	\$ 86,131
Contributions as a percentage of covered-employee payroll	5.23%	5.23%

**Schedule of Contributions**  
**Seattle City Employees' Retirement System (SCERS)**  
**Fiscal Year Ended December 31, 2016**  
(dollars in thousands)

	2016	2015
Contractually required contribution	\$ 458	\$ 520
Contributions in relation to the contractually required contribution	458	520
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll	\$ 3,010	\$ 3,305
Contributions as a percentage of covered-employee payroll	15.22%	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)
2014	12/31/2014	—	\$ 167,420	\$ 167,420	—%	\$ 1,073,511	15.6%
2015	12/31/2015	—	167,417	167,417	—%	1,076,068	15.6%
2016	12/31/2016	—	167,417	167,417	—%	1,121,962	14.9%

**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 for local streets and every two years for arterials.

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

Condition ratings	2016-2014		2013-2011		2010-2008	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	295.6	65.1	297.7	64.9	348.2	71.8
Fair	72.9	16.1	32.0	7.0	20.3	4.2
Poor to substandard	85.3	18.8	129.0	28.1	116.7	24.0
Total	453.8	100.0	458.7	100.0	485.2	100.0
Local access roads						
Excellent to good	699.1	69.1	742.0	70.7	867.0	75.6
Fair	136.6	13.5	91.4	8.7	74.2	6.5
Poor to substandard	176.4	17.4	216.5	20.6	205.8	17.9
Total	1,012.1	100.0	1,049.9	100.0	1,147.0	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	2016-2014		2013-2011		2010-2008	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	327.3	72.1	315.7	68.8	360.0	74.2
PCI 0 - 39	126.5	27.9	143.0	31.2	125.2	25.8
Total	<u>453.8</u>	<u>100.0</u>	<u>458.7</u>	<u>100.0</u>	<u>485.2</u>	<u>100.0</u>
Local access roads						
PCI 40 - 100	776.1	76.7	786.5	74.9	900.0	78.5
PCI 0 - 39	236.0	23.3	263.4	25.1	247.0	21.5
Total	<u>1,012.1</u>	<u>100.0</u>	<u>1,049.9</u>	<u>100.0</u>	<u>1,147.0</u>	<u>100.0</u>

In the most recent condition assessments, 72.1 percent of the arterial roads in the County and 76.7 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. The roads condition assessments have increased slightly over the last maintenance cycle. The accelerated condition deterioration observed in the 2010-2008 cycle and continuing in the 2013-2011 cycle, was primarily the result of weather and system age. Many of the arterial roadways are beyond their cost-effective life cycles, resulting in roadway deterioration. 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 2016 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 2012 to 2016. 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).

	2016	2015	2014	2013	2012
Budgeted	\$ 70,969	\$ 56,599	\$ 50,453	\$ 59,110	\$ 52,658
Expended	43,820	37,003	36,269	46,782	45,082

The amount budgeted in 2016 for road preservation and maintenance was \$71.0 million. The amount actually expended was \$43.8 million. The increased gap between budget and spending relative to historical levels is due to supplemental budget added later in the year, timing of grant funding release and a single large procurement delay. The impact of these three elements increases the gap by \$14.6 million. Adjusting for these items, the remaining gap is consistent with historical experience.

### Bridges

King County currently maintains 182 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 and one wildlife bridge 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 178 vehicular bridges.

Each year the County conducts 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, essentially 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 are as follows:

Bridge Sufficiency Rating	Number of Bridges		
	2016	2015	2014
0 - 20	6	5	5
21 - 30	—	2	2
31 - 49	24	20	17
50 - 100	148	150	150
Totals	178	177	174

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 over the past five years are below (in thousands):

	2016	2015	2014	2013	2012
Budgeted	\$ 4,343	\$ 5,607	\$ 4,727	\$ 5,544	\$ 9,337
Expended	3,448	3,184	3,345	5,411	6,375

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level.

# Governmental Funds

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



## NONMAJOR GOVERNMENTAL FUNDS

The County's nonmajor governmental funds fall into three categories: Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt or capital projects. The County has 46 nonmajor special revenue funds that are combined into nine rollup funds for financial reporting purposes:

*Justice and Safety Fund* - Revenues principally consist of property taxes and excise taxes dedicated to ensuring fair and accessible justice systems, and decreasing damage or harm in the event of a regional crisis.

*Human Potential Fund* - Revenues principally consist of taxes dedicated to increasing the number of healthy years that residents live, protecting the health of communities, and supporting the optimal growth and development of children and youth.

*Economic Growth Fund* - Revenues principally consist of Federal grants and local taxes dedicated to shaping a built environment that allows our communities to flourish.

*Built Environment Fund* - Revenues principally consist of taxes dedicated to promoting responsible and sustainable development that fosters environmental quality, economic vitality and social benefit.

*Environmental Sustainability Fund* - Revenues principally consist of Federal grants and local taxes dedicated to protecting and restoring water quality; biodiversity; preserving open space and ecosystems; and improving flood water conveyance, capacity and public drainage systems.

*Service Excellence Fund* - Revenues principally consist of customer fees dedicated to improving customer satisfaction with King County and improving the effectiveness and accessibility of County records and treasury services.

*Financial Stewardship Fund* - Revenues principally consist of taxes apportioned for the long-term sustainability of County services.

*Public Engagement Fund* - Revenues principally consist of donations dedicated to funding programs that provide the public with choices about which services King County delivers within existing resources and for which services they would like to provide additional funding.

*Flood Control Zone District* - Revenues consist of taxes to acquire at-risk floodplain properties, to support improved flood prediction capacity, and to shore up existing levees.

Debt Service Funds - Debt service funds account for the accumulation of resources for, and the payment of principal and interest on the County's general obligation bonds and special assessment debt of certain districts. The County has two nonmajor debt service funds:

*Limited General Obligation Bond Redemption Fund* - Accounts for the accumulation of resources for and the payment of those bonds which have been issued without a vote of the people.

*Unlimited General Obligation Bond Redemption Fund* - Accounts for the payment of bonds which have been issued with a three-fifths approval vote of the people, with the exception of those issued for the original construction of the now defunct Kingdome stadium.

Capital Projects Funds - Capital projects funds account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition, construction, maintenance, and improvement of capital assets. The County has 15 nonmajor capital projects funds that are combined into six rollup funds for financial reporting purposes:

*Justice and Safety Fund* - Accounts for capital activities dedicated to support safe communities and accessible justice system. Currently the fund only consists of Puget Sound Emergency Radio Network Capital Fund. Revenues principally consist of transfers in from the levy fund and bond proceeds.

*Economic Growth Fund* - Accounts for capital activities dedicated to promoting responsible and sustainable development that fosters environmental quality, economic vitality and social benefit.

*Built Environment Fund* - Primarily accounts for the acquisition and construction of infrastructure designed to meet transportation needs throughout the County, to shape a built environment that allows communities to flourish and to preserve the unique character of rural communities.

*Environmental Sustainability Fund* - Primarily accounts for the acquisition and construction of land and infrastructure designed to protect and restore water quality, biodiversity, open space and ecosystems.

*Service Excellence Fund* - Accounts for the acquisition and construction of infrastructure designed to improve the effectiveness and efficiency of County programs, services and systems.

*Financial Stewardship Fund* - Accounts for the acquisition, construction and remodeling of County facilities designed to provide for the long-term delivery of County services in a fiscally sustainable manner.

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)

	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 405,437	\$ 11,114	\$ 245,398	\$ 661,949
Investments	—	—	2,552	2,552
Taxes receivable – delinquent	7,647	462	600	8,709
Accounts receivable, net	10,406	—	311	10,717
Due from other funds	1,725	2,003	3,265	6,993
Due from other governments, net	61,972	—	5,264	67,236
Inventory	142	—	—	142
Prepayments	5,855	—	—	5,855
Advances to other funds	4,475	—	—	4,475
Notes receivable	13,976	—	—	13,976
<b>TOTAL ASSETS</b>	<b>\$ 511,635</b>	<b>\$ 13,579</b>	<b>\$ 257,390</b>	<b>\$ 782,604</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 55,511	\$ 2	\$ 6,821	\$ 62,334
Retainage payable	429	—	771	1,200
Due to other funds	4,975	—	2,270	7,245
Interfund short-term loans payable	32,768	—	3,507	36,275
Due to other governments	3,671	—	—	3,671
Wages payable	6,336	—	352	6,688
Taxes payable	17	—	18	35
Unearned revenues	12,065	—	2,595	14,660
Custodial accounts	5,783	—	9	5,792
Advances from other funds	4,000	—	475	4,475
<b>TOTAL LIABILITIES</b>	<b>125,555</b>	<b>2</b>	<b>16,818</b>	<b>142,375</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	344	—	—	344
Unavailable revenue-property taxes	6,038	350	451	6,839
Unavailable revenue-other receivables	83	—	—	83
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,465</b>	<b>350</b>	<b>451</b>	<b>7,266</b>
<b>FUND BALANCES</b>				
Nonspendable	8,617	—	—	8,617
Restricted	377,360	—	233,713	611,073
Committed	37	—	—	37
Assigned	8,008	13,227	12,233	33,468
Unassigned	(14,407)	—	(5,825)	(20,232)
<b>TOTAL FUND BALANCES</b>	<b>379,615</b>	<b>13,227</b>	<b>240,121</b>	<b>632,963</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 511,635</b>	<b>\$ 13,579</b>	<b>\$ 257,390</b>	<b>\$ 782,604</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
<b>REVENUES</b>				
Taxes	\$ 500,603	\$ 28,015	\$ 49,519	\$ 578,137
Licenses and permits	3,267	—	—	3,267
Intergovernmental revenues	77,901	5,172	18,642	101,715
Charges for services	199,934	9,951	996	210,881
Fines and forfeits	602	—	—	602
Interest earnings	3,054	47	1,503	4,604
Miscellaneous revenues	52,453	18	808	53,279
<b>TOTAL REVENUES</b>	<b>837,814</b>	<b>43,203</b>	<b>71,468</b>	<b>952,485</b>
<b>EXPENDITURES</b>				
Current:				
General government	53,953	—	18,919	72,872
Public safety	125,049	—	69	125,118
Physical environment	55,042	—	4,032	59,074
Transportation	68,749	—	20,326	89,075
Economic environment	116,340	—	—	116,340
Mental and physical health	186,792	—	—	186,792
Culture and recreation	79,950	—	1,367	81,317
Debt service:				
Redemption of long-term debt	—	57,641	—	57,641
Interest and other debt service costs	387	34,845	75	35,307
Payment to escrow agent	—	8,417	—	8,417
Capital outlay	17,945	—	60,104	78,049
<b>TOTAL EXPENDITURES</b>	<b>704,207</b>	<b>100,903</b>	<b>104,892</b>	<b>910,002</b>
Excess (deficiency) of revenues over (under) expenditures	133,607	(57,700)	(33,424)	42,483
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	79,439	57,665	112,394	249,498
Transfers out	(197,565)	(120)	(23,841)	(221,526)
General government debt issued	25,025	—	—	25,025
Premium on bonds sold	3,764	—	—	3,764
Sale of capital assets	721	—	1,256	1,977
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(88,616)</b>	<b>57,545</b>	<b>89,809</b>	<b>58,738</b>
Net change in fund balances	44,991	(155)	56,385	101,221
Fund balances - January 1, 2016 (Restated)	334,624	13,382	183,736	531,742
Fund balances - December 31, 2016	<b>\$ 379,615</b>	<b>\$ 13,227</b>	<b>\$ 240,121</b>	<b>\$ 632,963</b>

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 3)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 405,437	\$ 97,230	\$ 76,142	\$ 60,192
Taxes receivable - delinquent	7,647	2,076	1,172	1,195
Accounts receivable, net	10,406	3,914	115	244
Due from other funds	1,725	214	466	63
Due from other governments	61,972	183	22,852	5,180
Inventory	142	142	—	—
Prepayments	5,855	—	—	—
Advances to other funds	4,475	—	—	475
Notes receivable	13,976	—	—	13,976
<b>TOTAL ASSETS</b>	<u>\$ 511,635</u>	<u>\$ 103,759</u>	<u>\$ 100,747</u>	<u>\$ 81,325</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 55,511	\$ 4,737	\$ 5,651	\$ 2,334
Retainage payable	429	—	—	—
Due to other funds	4,975	61	1,762	65
Interfund short-term loans payable	32,768	—	—	1,508
Due to other governments	3,671	—	3,626	—
Wages payable	6,336	1,163	1,049	882
Taxes payable	17	—	—	7
Unearned revenues	12,065	205	1,806	414
Custodial accounts	5,783	—	—	3
Advances from other funds	4,000	—	—	—
<b>TOTAL LIABILITIES</b>	<u>125,555</u>	<u>6,166</u>	<u>13,894</u>	<u>5,213</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	344	—	344	—
Unavailable revenue-property taxes	6,038	1,536	837	899
Unavailable revenue-other receivables	83	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>6,465</u>	<u>1,536</u>	<u>1,181</u>	<u>899</u>
<b>FUND BALANCES</b>				
Nonspendable	8,617	142	2,620	—
Restricted	377,360	95,558	81,240	75,213
Committed	37	—	—	—
Assigned	8,008	357	1,812	—
Unassigned	(14,407)	—	—	—
<b>TOTAL FUND BALANCES</b>	<u>379,615</u>	<u>96,057</u>	<u>85,672</u>	<u>75,213</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 511,635</u>	<u>\$ 103,759</u>	<u>\$ 100,747</u>	<u>\$ 81,325</u>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 2 OF 3)

	<b>BUILT ENVIRONMENT</b>	<b>ENVIRONMENTAL SUSTAINABILITY</b>	<b>SERVICE EXCELLENCE</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 29,079	\$ 43,844	\$ 2,062
Taxes receivable - delinquent	2,226	1	—
Accounts receivable, net	1,030	4,856	1
Due from other funds	66	779	2
Due from other governments	1,169	32,565	—
Inventory	—	—	—
Prepayments	4,247	—	—
Advances to other funds	—	—	—
Notes receivable	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 37,817</b>	<b>\$ 82,045</b>	<b>\$ 2,065</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,189	\$ 10,508	\$ 11
Retainage payable	4	279	—
Due to other funds	2,821	263	—
Interfund short-term loans	—	17,907	—
Due to other governments	—	—	—
Wages payable	1,646	1,437	18
Taxes payable	10	—	—
Unearned revenues	1,397	8,243	—
Custodial accounts	4,354	7	—
Advances from other funds	—	4,000	—
<b>TOTAL LIABILITIES</b>	<b>12,421</b>	<b>42,644</b>	<b>29</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Voluntary nonexchange	—	—	—
Unavailable revenue - property taxes	1,788	1	—
Unavailable revenue - other receivables	52	31	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,840</b>	<b>32</b>	<b>—</b>
<b>FUND BALANCES</b>			
Nonspendable	4,247	—	—
Restricted	20,124	39,369	2,036
Committed	37	—	—
Assigned	300	—	—
Unassigned	(1,152)	—	—
<b>TOTAL FUND BALANCES</b>	<b>23,556</b>	<b>39,369</b>	<b>2,036</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 37,817</b>	<b>\$ 82,045</b>	<b>\$ 2,065</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 3 OF 3)

	<b>FINANCIAL STEWARDSHIP</b>	<b>PUBLIC ENGAGEMENT</b>	<b>FLOOD CONTROL ZONE DISTRICT</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,572	\$ 1,436	\$ 87,880
Taxes receivable - delinquent	—	—	977
Accounts receivable, net	—	175	71
Due from other funds	126	9	—
Due from other governments	—	23	—
Inventory	—	—	—
Prepayments	1,608	—	—
Advances to other funds	—	—	4,000
Notes receivable	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 9,306</b>	<b>\$ 1,643</b>	<b>\$ 92,928</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 438	\$ 17	\$ 29,626
Retainage payable	146	—	—
Due to other funds	—	3	—
Interfund short-term loans	13,353	—	—
Due to other governments	45	—	—
Wages payable	14	127	—
Taxes payable	—	—	—
Unearned revenues	—	—	—
Custodial accounts	1,418	1	—
Advances from other funds	—	—	—
<b>TOTAL LIABILITIES</b>	<b>15,414</b>	<b>148</b>	<b>29,626</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Voluntary nonexchange	—	—	—
Unavailable revenue - property taxes	—	—	977
Unavailable revenue - other receivables	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>—</b>	<b>977</b>
<b>FUND BALANCES</b>			
Nonspendable	1,608	—	—
Restricted	—	1,495	62,325
Committed	—	—	—
Assigned	5,539	—	—
Unassigned	(13,255)	—	—
<b>TOTAL FUND BALANCES</b>	<b>(6,108)</b>	<b>1,495</b>	<b>62,325</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 9,306</b>	<b>\$ 1,643</b>	<b>\$ 92,928</b>

**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)

	<u>TOTAL</u>	<u>LIMITED GO BOND REDEMPTION</u>	<u>UNLIMITED GO BOND REDEMPTION</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,114	\$ 9,366	\$ 1,748
Taxes receivable - delinquent	462	167	295
Due from other funds	2,003	2,003	—
<b>TOTAL ASSETS</b>	<u>\$ 13,579</u>	<u>\$ 11,536</u>	<u>\$ 2,043</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2	\$ 2	\$ —
<b>TOTAL LIABILITIES</b>	<u>2</u>	<u>2</u>	<u>—</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	350	128	222
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>350</u>	<u>128</u>	<u>222</u>
<b>FUND BALANCES</b>			
Assigned	13,227	11,406	1,821
<b>TOTAL FUND BALANCES</b>	<u>13,227</u>	<u>11,406</u>	<u>1,821</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 13,579</u>	<u>\$ 11,536</u>	<u>\$ 2,043</u>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 2)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>ECONOMIC GROWTH</u>	<u>BUILT ENVIRONMENT</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 245,398	\$ 12,560	\$ 25,429	\$ 39,341
Investments	2,552	—	1,500	—
Taxes receivable – delinquent	600	—	—	—
Accounts receivable, net	311	—	—	—
Due from other funds	3,265	4	1,268	1,283
Due from other governments, net	5,264	—	4,724	—
<b>TOTAL ASSETS</b>	<u>\$ 257,390</u>	<u>\$ 12,564</u>	<u>\$ 32,921</u>	<u>\$ 40,624</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,821	\$ 531	\$ 823	\$ 328
Retainage payable	771	330	51	—
Due to other funds	2,270	46	135	1,252
Interfund short-term loans payable	3,507	—	—	—
Wages payable	352	55	67	24
Taxes payable	18	—	18	—
Unearned revenues	2,595	—	2,110	—
Custodial accounts	9	—	4	—
Advances from other funds	475	—	—	—
<b>TOTAL LIABILITIES</b>	<u>16,818</u>	<u>962</u>	<u>3,208</u>	<u>1,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	451	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>451</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>FUND BALANCES</b>				
Restricted	233,713	11,602	29,713	39,020
Assigned	12,233	—	—	—
Unassigned	(5,825)	—	—	—
<b>TOTAL FUND BALANCES</b>	<u>240,121</u>	<u>11,602</u>	<u>29,713</u>	<u>39,020</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 257,390</u>	<u>\$ 12,564</u>	<u>\$ 32,921</u>	<u>\$ 40,624</u>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 2 OF 2)

	<b>ENVIRONMENTAL SUSTAINABILITY</b>	<b>SERVICE EXCELLENCE</b>	<b>FINANCIAL STEWARDSHIP</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 78,062	\$ 27,825	\$ 62,181
Investments	1,052	—	—
Taxes receivable – delinquent	182	—	418
Accounts receivable, net	304	7	—
Due from other funds	62	349	299
Due from other governments, net	504	—	36
<b>TOTAL ASSETS</b>	<b>\$ 80,166</b>	<b>\$ 28,181</b>	<b>\$ 62,934</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,070	\$ 1,832	\$ 1,237
Retainage payable	55	14	321
Due to other funds	—	733	104
Interfund short-term loans payable	—	—	3,507
Wages payable	44	133	29
Taxes payable	—	—	—
Unearned revenues	—	—	485
Custodial accounts	4	—	1
Advances from other funds	475	—	—
<b>TOTAL LIABILITIES</b>	<b>2,648</b>	<b>2,712</b>	<b>5,684</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	137	—	314
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>137</b>	<b>—</b>	<b>314</b>
<b>FUND BALANCES</b>			
Restricted	78,130	13,236	62,012
Assigned	—	12,233	—
Unassigned	(749)	—	(5,076)
<b>TOTAL FUND BALANCES</b>	<b>77,381</b>	<b>25,469</b>	<b>56,936</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 80,166</b>	<b>\$ 28,181</b>	<b>\$ 62,934</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 1 OF 3)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH</u>
<b>REVENUES</b>				
Taxes	\$ 500,603	\$ 146,553	\$ 145,610	\$ 67,865
Licenses and permits	3,267	—	—	146
Intergovernmental revenues	77,901	211	21,823	34,696
Charges for services	199,934	2,300	34,993	19,531
Fines and forfeits	602	—	—	18
Interest earnings	3,054	786	211	619
Rent income and reimbursement	37,509	52	457	2,332
Miscellaneous revenues	14,944	813	1,552	2,181
<b>TOTAL REVENUES</b>	<u>837,814</u>	<u>150,715</u>	<u>204,646</u>	<u>127,388</u>
<b>EXPENDITURES</b>				
Current:				
General government	53,953	2,113	9,755	—
Public safety	125,049	114,531	8,360	—
Physical environment	55,042	—	148	—
Transportation	68,749	—	—	—
Economic environment	116,340	—	11,795	—
Mental and physical health	186,792	—	110,562	60,296
Culture and recreation	79,950	1,160	412	46,496
Debt service:				
Interest and other debt service costs	387	59	2	—
Capital outlay	17,945	2,801	291	135
<b>TOTAL EXPENDITURES</b>	<u>704,207</u>	<u>120,664</u>	<u>141,325</u>	<u>106,927</u>
Excess of revenues over expenditures	<u>133,607</u>	<u>30,051</u>	<u>63,321</u>	<u>20,461</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	79,439	—	9,338	47,565
Transfers out	(197,565)	(26,821)	(26,775)	(58,524)
General government debit issued	25,025	—	—	—
Premium on bonds sold	3,764	—	—	—
Sale of capital assets	721	—	—	5
<b>TOTAL OTHER FINANCING USES</b>	<u>(88,616)</u>	<u>(26,821)</u>	<u>(17,437)</u>	<u>(10,954)</u>
Net change in fund balances	44,991	3,230	45,884	9,507
Fund balances - January 1, 2016 (Restated)	334,624	92,827	39,788	65,706
Fund balances - December 31, 2016	<u>\$ 379,615</u>	<u>\$ 96,057</u>	<u>\$ 85,672</u>	<u>\$ 75,213</u>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 2 OF 3)

	<b>BUILT ENVIRONMENT</b>	<b>ENVIRONMENTAL SUSTAINABILITY</b>	<b>SERVICE EXCELLENCE</b>
<b>REVENUES</b>			
Taxes	\$ 85,448	\$ 50	\$ —
Licenses and permits	21	—	—
Intergovernmental revenues	15,311	5,237	623
Charges for services	21,542	119,303	1,415
Fines and forfeits	451	58	—
Interest earnings	268	363	13
Rent income and reimbursement	50	104	—
Miscellaneous revenues	55	6,332	—
<b>TOTAL REVENUES</b>	<b>123,146</b>	<b>131,447</b>	<b>2,051</b>
<b>EXPENDITURES</b>			
Current:			
General government	—	—	1,537
Public safety	2,158	—	—
Physical environment	—	54,894	—
Transportation	68,749	—	—
Economic environment	13,425	47,919	—
Mental and physical health	—	15,934	—
Culture and recreation	31,882	—	—
Debt service:			
Interest and other debt service costs	235	58	—
Capital outlay	732	7,161	—
<b>TOTAL EXPENDITURES</b>	<b>117,181</b>	<b>125,966</b>	<b>1,537</b>
Excess of revenues over expenditures	5,965	5,481	514
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,717	13,838	—
Transfers out	(44,855)	(18,780)	(111)
General government debit issued	25,025	—	—
Premium on bonds sold	3,764	—	—
Sale of capital assets	710	3	—
<b>TOTAL OTHER FINANCING USES</b>	<b>(12,639)</b>	<b>(4,939)</b>	<b>(111)</b>
Net change in fund balances	(6,674)	542	403
Fund balances - January 1, 2016	30,230	38,827	1,633
Fund balances - December 31, 2016	<b>\$ 23,556</b>	<b>\$ 39,369</b>	<b>\$ 2,036</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 3 OF 3)

	<b>FINANCIAL STEWARDSHIP</b>	<b>PUBLIC ENGAGEMENT</b>	<b>FLOOD CONTROL ZONE DISTRICT</b>
<b>REVENUES</b>			
Taxes	\$ —	\$ —	\$ 55,077
Licenses and permits	—	3,100	—
Intergovernmental revenues	—	—	—
Charges for services	1	823	26
Fines and forfeits	—	75	—
Interest earnings	253	4	537
Rent income and reimbursement	34,514	—	—
Miscellaneous revenues	3,623	388	—
<b>TOTAL REVENUES</b>	<b>38,391</b>	<b>4,390</b>	<b>55,640</b>
<b>EXPENDITURES</b>			
Current:			
General government	39,542	1,006	—
Public safety	—	—	—
Physical environment	—	—	—
Transportation	—	—	—
Economic environment	—	5,511	37,690
Mental and physical health	—	—	—
Culture and recreation	—	—	—
Debt service:			
Interest and other debt service costs	13	—	20
Capital outlay	8	135	6,682
<b>TOTAL EXPENDITURES</b>	<b>39,563</b>	<b>6,652</b>	<b>44,392</b>
Excess (deficiency) of revenues over (under) expenditures	(1,172)	(2,262)	11,248
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	4,100	1,881	—
Transfers out	(21,690)	(9)	—
General government debit issued	—	—	—
Premium on bonds sold	—	—	—
Sale of capital assets	—	3	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(17,590)</b>	<b>1,875</b>	<b>—</b>
Net change in fund balances	(18,762)	(387)	11,248
Fund balances - January 1, 2016	12,654	1,882	51,077
Fund balances - December 31, 2016	<u>\$ (6,108)</u>	<u>\$ 1,495</u>	<u>\$ 62,325</u>

**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)

	<u>TOTAL</u>	<u>LIMITED GO BOND REDEMPTION</u>	<u>UNLIMITED GO BOND REDEMPTION</u>
<b>REVENUES</b>			
Taxes	\$ 28,015	\$ 11,285	\$ 16,730
Intergovernmental revenues	5,172	5,164	8
Charges for services	9,951	9,951	—
Interest earnings	47	47	—
Miscellaneous revenues	18	18	—
<b>TOTAL REVENUES</b>	<u>43,203</u>	<u>26,465</u>	<u>16,738</u>
<b>EXPENDITURES</b>			
Debt service			
Redemption of long-term debt	57,641	45,926	11,715
Interest and other debt service costs	34,845	29,899	4,946
Payment to escrow agent	8,417	8,417	—
<b>TOTAL EXPENDITURES</b>	<u>100,903</u>	<u>84,242</u>	<u>16,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,700)</u>	<u>(57,777)</u>	<u>77</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	57,665	57,665	—
Transfers out	(120)	(120)	—
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>57,545</u>	<u>57,545</u>	<u>—</u>
Net change in fund balances	(155)	(232)	77
Fund balances - January 1, 2016	<u>13,382</u>	<u>11,638</u>	<u>1,744</u>
Fund balances - December 31, 2016	<u>\$ 13,227</u>	<u>\$ 11,406</u>	<u>\$ 1,821</u>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 1 OF 2)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>ECONOMIC GROWTH</u>	<u>BUILT ENVIRONMENT</u>
<b>REVENUES</b>				
Taxes	\$ 49,519	\$ —	\$ —	\$ 14,863
Intergovernmental revenues	18,642	—	14,911	—
Charges for services	996	—	708	—
Interest earnings	1,503	(13)	94	184
Rent income and reimbursement	62	—	—	20
Other miscellaneous revenues	746	—	2	2
<b>TOTAL REVENUES</b>	<u>71,468</u>	<u>(13)</u>	<u>15,715</u>	<u>15,069</u>
<b>EXPENDITURES</b>				
Current:				
General government	18,919	231	—	—
Public safety	69	—	—	—
Physical environment	4,032	—	—	—
Transportation	20,326	—	17,407	2,919
Culture and recreation	1,367	—	—	—
Debt service:				
Interest and other debt service costs	75	18	—	1
Capital outlay	60,104	8,531	638	194
<b>TOTAL EXPENDITURES</b>	<u>104,892</u>	<u>8,780</u>	<u>18,045</u>	<u>3,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,424)</u>	<u>(8,793)</u>	<u>(2,330)</u>	<u>11,955</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	112,394	21,457	17,654	17,592
Transfers out	(23,841)	—	—	(9,433)
Sale of capital assets	1,256	—	478	—
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>89,809</u>	<u>21,457</u>	<u>18,132</u>	<u>8,159</u>
Net change in fund balances	56,385	12,664	15,802	20,114
Fund balances - January 1, 2016 (Restated)	<u>183,736</u>	<u>(1,062)</u>	<u>13,911</u>	<u>18,906</u>
Fund balances - December 31, 2016	<u>\$ 240,121</u>	<u>\$ 11,602</u>	<u>\$ 29,713</u>	<u>\$ 39,020</u>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 2 OF 2)

	<b>ENVIRONMENTAL SUSTAINABILITY</b>	<b>SERVICE EXCELLENCE</b>	<b>FINANCIAL STEWARDSHIP</b>
<b>REVENUES</b>			
Taxes	\$ 10,849	\$ —	\$ 23,807
Intergovernmental revenues	3,331	276	124
Charges for services	288	—	—
Interest earnings	554	301	383
Rent income and reimbursement	42	—	—
Other miscellaneous revenues	589	—	153
<b>TOTAL REVENUES</b>	<b>15,653</b>	<b>577</b>	<b>24,467</b>
<b>EXPENDITURES</b>			
Current:			
General government	100	1,281	17,307
Public safety	—	—	69
Physical environment	4,032	—	—
Transportation	—	—	—
Culture and recreation	1,367	—	—
Debt service:			
Interest and other debt service costs	36	—	20
Capital outlay	30,705	20,036	—
<b>TOTAL EXPENDITURES</b>	<b>36,240</b>	<b>21,317</b>	<b>17,396</b>
Excess (deficiency) of revenues over (under) expenditures	(20,587)	(20,740)	7,071
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	34,661	8,438	12,592
Transfers out	(89)	(5,188)	(9,131)
Sale of capital assets	—	—	778
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>34,572</b>	<b>3,250</b>	<b>4,239</b>
Net change in fund balances	13,985	(17,490)	11,310
Fund balances - January 1, 2016 (Restated)	63,396	42,959	45,626
Fund balances - December 31, 2016	<b>\$ 77,381</b>	<b>\$ 25,469</b>	<b>\$ 56,936</b>

**GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 3)

APPROPRIATION UNIT	2015-2016 BUDGET			VARIANCE	2015-2016
	ORIGINAL	ADJUSTMENTS	FINAL		ACTUAL
					EXPENDITURES
<b>MAJOR FUNDS WITH BIENNIAL BUDGETS</b>					
<b>GENERAL FUND</b>					
County Council	\$ 3,581	\$ —	\$ 3,581	\$ 174	\$ 3,407
Council Administration	29,773	582	30,355	591	29,764
Hearing Examiner	1,103	—	1,103	221	882
County Auditor	4,576	52	4,628	260	4,368
Ombudsman/Tax Advisor	2,605	—	2,605	56	2,549
King County Civic Television	1,386	15	1,401	155	1,246
Board of Appeals	1,509	39	1,548	3	1,545
Office of Law Enforcement Oversight	1,450	—	1,450	495	955
Office of Economic and Financial Analysis	982	—	982	51	931
Eastside Rail Corridor	599	—	599	88	511
County Executive	556	—	556	7	549
Office of the Executive	10,201	26	10,227	31	10,196
Office of Performance Strategy and Budget	20,453	565	21,018	929	20,089
Office of Equity and Social Justice	1,127	—	1,127	23	1,104
Office of Labor Relations	5,784	—	5,784	495	5,289
Sheriff	301,003	13,043	314,046	5,520	308,526
Drug Enforcement Forfeits	2,049	—	2,049	759	1,290
Succession Planning	1,379	—	1,379	539	840
Office of Emergency Management	4,896	—	4,896	49	4,847
Executive Services Administration	5,970	—	5,970	172	5,798
Human Resources Management	14,676	—	14,676	1,964	12,712
Cable Communications	683	100	783	256	527
Real Estate Services	7,665	314	7,979	1,124	6,855
Records and Licensing Services	20,880	435	21,315	1,941	19,374
Elections	35,826	3,885	39,711	190	39,521
Prosecuting Attorney	134,845	125	134,970	799	134,171
Prosecuting Attorney - Anti-profiteering	120	—	120	120	—
Superior Court	98,300	1,795	100,095	966	99,129
District Courts	64,554	(472)	64,082	1,242	62,840
Judicial Administration	43,120	416	43,536	1,647	41,889
Facilities Parking	5,742	—	5,742	2,299	3,443
State Auditor	1,973	—	1,973	84	1,889
Boundary Review Board	741	—	741	38	703
Federal Lobbying	520	—	520	3	517
Special Programs:					
Memberships and Dues	1,523	20	1,543	(1)	1,544
Internal Support	32,484	2,331	34,815	139	34,676
Assessments	50,804	241	51,045	1,141	49,904
Fund Transfers:					
Human Services GF Transfers	14,935	871	15,806	138	15,668
General Government GF Transfers	51,258	288	51,546	1,967	49,579
Public Health GF Transfers	57,959	176	58,135	223	57,912
Physical Environment GF Transfers	5,884	215	6,099	492	5,607
CIP GF Transfers	10,749	4,082	14,831	1,994	12,837
Jail Health Services	56,921	3,033	59,954	780	59,174
Adult and Juvenile Detention	273,434	13,583	287,017	299	286,718
Public Defense	109,173	21,012	130,185	1,510	128,675
Inmate Welfare - Adult	3,985	—	3,985	1,449	2,536
Inmate Welfare - Juvenile	8	—	8	3	5
<b>TOTAL GENERAL FUND</b>	<b>1,499,744</b>	<b>66,772</b>	<b>1,566,516</b>	<b>33,425</b>	<b>1,533,091</b>

**GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 2 OF 3)

APPROPRIATION UNIT	2015-2016 BUDGET			VARIANCE	2015-2016
	ORIGINAL	ADJUSTMENTS	FINAL		ACTUAL
					EXPENDITURES
<b>HEALTH FUND</b>					
Environmental Health	\$ 46,594	\$ —	\$ 46,594	\$ 4,401	\$ 42,193
Medical Examiner	11,245	80	11,325	86	11,239
Mental Health	421,281	66,603	487,884	16,381	471,503
Public Health	331,882	6,473	338,355	9,311	329,044
<b>TOTAL HEALTH FUND</b>	<b>811,002</b>	<b>73,156</b>	<b>884,158</b>	<b>30,179</b>	<b>853,979</b>
<b>TOTAL MAJOR FUNDS WITH BIENNIAL</b>	<b>\$ 2,310,746</b>	<b>\$ 139,928</b>	<b>\$ 2,450,674</b>	<b>\$ 63,604</b>	<b>\$ 2,387,070</b>
<b>NONMAJOR SPECIAL REVENUE FUNDS WITH BIENNIAL BUDGETS</b>					
<b>JUSTICE AND SAFETY</b>					
Automated Fingerprint Identification System	\$ 35,649	\$ —	\$ 35,649	\$ 1,829	\$ 33,820
Enhanced 911 Emergency Telephone Services	59,536	10,724	70,260	22,113	48,147
Emergency Medical Services	149,616	—	149,616	3,965	145,651
Puget Sound Emergency Regional Network	—	29,152	29,152	1,000	28,152
<b>TOTAL JUSTICE AND SAFETY</b>	<b>244,801</b>	<b>39,876</b>	<b>284,677</b>	<b>28,907</b>	<b>255,770</b>
<b>HUMAN POTENTIAL</b>					
Alcoholism and Substance Abuse	65,674	(45,875)	19,799	1,121	18,678
Best Starts for Kids	—	11,261	11,261	1,316	9,945
Byrne Justice Assistance Grant 2013	—	—	—	(79)	79
Byrne Justice Assistance Grant 2014	202	—	202	16	186
Byrne Justice Assistance Grant 2015	—	153	153	32	121
Community Services Operating	10,441	1,103	11,544	8	11,536
Community and Human Services Administration	10,735	810	11,545	505	11,040
Developmental Disabilities Division	60,904	—	60,904	757	60,147
Grants	31,253	—	31,253	7,291	23,962
Human Services Levy	17,707	579	18,286	12	18,274
Adult and Juvenile Detention MIDD	735	75	810	—	810
District Court MIDD	2,115	—	2,115	171	1,944
Public Defender MIDD	2,981	665	3,646	383	3,263
Jail Health Services MIDD	5,690	—	5,690	144	5,546
Judicial Administration MIDD	3,325	438	3,763	123	3,640
Mental Health and Substance Abuse MIDD	9,990	210	10,200	605	9,595
Mental Illness and Drug Dependency	82,227	12,704	94,931	6,461	88,470
Prosecuting Attorney MIDD	2,530	800	3,330	160	3,170
Sheriff MIDD	333	—	333	7	326
Superior Court MIDD	3,459	229	3,688	63	3,625
Veterans and Family Levy	17,719	428	18,147	92	18,055
Veterans' Relief	6,342	—	6,342	469	5,873
Employment and Education Resources	22,681	892	23,573	688	22,885
Youth Sports Facilities Grant	2,025	482	2,507	1,150	1,357
<b>TOTAL HUMAN POTENTIAL</b>	<b>359,068</b>	<b>(15,046)</b>	<b>344,022</b>	<b>21,495</b>	<b>322,527</b>
<b>ECONOMIC GROWTH</b>					
Federal Housing and Community Development	35,153	—	35,153	48	35,105
Housing Opportunity	63,996	15,030	79,026	91	78,935
CDBG Greenbridge Loan	—	—	—	(887)	887
Revolving Loans	—	—	—	(159)	159
Parks and Recreation	79,491	3,197	82,688	7,551	75,137
Expansion Levy	399	—	399	199	200
Parks Open Space and Trail Levy	133,948	279	134,227	32,327	101,900
<b>TOTAL ECONOMIC GROWTH</b>	<b>312,987</b>	<b>18,506</b>	<b>331,493</b>	<b>39,170</b>	<b>292,323</b>

**GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 3 OF 3)

APPROPRIATION UNIT	2015-2016 BUDGET			VARIANCE	2015-2016
	ORIGINAL	ADJUSTMENTS	FINAL		ACTUAL
					EXPENDITURES
<b>BUILT ENVIRONMENT</b>					
Arts and Cultural Development	\$ 23,511	\$ 34,085	\$ 57,596	\$ 2,429	\$ 55,167
Planning and Permitting	27,267	100	27,367	834	26,533
DPER Abatement	193	400	593	261	332
DPER Permitting Integration	—	—	—	3	(3)
DPER General Public Services	4,171	—	4,171	130	4,041
Historical Preservation Programs	968	565	1,533	411	1,122
Roads	170,934	3,000	173,934	18,397	155,537
Roads Construction Transfer	38,400	17,540	55,940	(1,252)	57,192
<b>TOTAL BUILT ENVIRONMENT</b>	<b>265,444</b>	<b>55,690</b>	<b>321,134</b>	<b>21,213</b>	<b>299,921</b>
<b>ENVIRONMENTAL SUSTAINABILITY</b>					
Intercounty River Improvement	100	—	100	4	96
King County Flood Control Contract	119,059	69,227	188,286	82,760	105,526
Local Hazardous Waste	36,399	—	36,399	4,908	31,491
Noxious Weed Control	5,110	30	5,140	553	4,587
Water and Land Resources Shared Services	67,741	—	67,741	3,909	63,832
Surface Water Management Local Drainage	60,472	—	60,472	5,119	55,353
<b>TOTAL ENVIRONMENTAL SUSTAINABILITY</b>	<b>288,881</b>	<b>69,257</b>	<b>358,138</b>	<b>97,253</b>	<b>260,885</b>
<b>SERVICE EXCELLENCE</b>					
Recorder's Operation and Maintenance	4,443	—	4,443	600	3,843
<b>PUBLIC ENGAGEMENT</b>					
Animal Bequest	280	—	280	—	280
Regional Animal Services	14,198	105	14,303	1,430	12,873
<b>TOTAL PUBLIC ENGAGEMENT</b>	<b>14,478</b>	<b>105</b>	<b>14,583</b>	<b>1,430</b>	<b>13,153</b>
<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>	<b>\$ 1,490,102</b>	<b>\$ 168,388</b>	<b>\$ 1,658,490</b>	<b>\$ 210,068</b>	<b>\$ 1,448,422</b>
<b>DEBT SERVICE FUNDS</b>					
Limited GO Bond Redemption	\$ 248,435	\$ —	\$ 248,435	\$ (1,228)	\$ 249,663
Unlimited GO Bond Redemption	34,041	—	34,041	602	33,439
<b>TOTAL DEBT SERVICE FUNDS</b>	<b>\$ 282,476</b>	<b>\$ —</b>	<b>\$ 282,476</b>	<b>\$ (626)</b>	<b>\$ 283,102</b>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 4,083,324</b>	<b>\$ 308,316</b>	<b>\$ 4,391,640</b>	<b>\$ 273,046</b>	<b>\$ 4,118,594</b>

Note: The Schedule of Biennial Budgets and Expenditures (Budgetary Basis) by Appropriation Unit is presented in order to disclose budgeted and actual expenditure comparisons classified the same as, and at the same level of detail as, the legally adopted budget.

# Proprietary Funds

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



## **NONMAJOR ENTERPRISE FUNDS**

King County has established Enterprise Funds to account for organizations intended to be self-supporting through fees charged for services provided to the public. The County has five nonmajor enterprises that are reported using the accrual basis of accounting. A typical enterprise consists of an operating fund and construction subfund and may also include debt service or other reserve subfunds.

Institutional Network (I-Net) Enterprise Fund - Accounts for the development and operation of a fiber-optic network connecting approximately 300 public facilities across King County. I-Net provides broadband internet connectivity, including data, voice and video communications to schools in unincorporated King County, public safety agencies, courts, public health facilities, and other public service agencies.

King County International Airport (KCIA) Enterprise Fund - Accounts for the operations, maintenance, capital improvements, and expansion of the King County International Airport/Boeing Field. With its two runways (3,710 feet and 10,000 feet in length) and three fixed-base operators, KCIA provides all the facilities and services necessary to support jet and propeller-driven aircraft and helicopters. KCIA is an FAA-designated General Aviation Reliever for Sea-Tac Airport and averages over 180,000 operations per year.

Marine Enterprise Fund - Accounts for the operation, maintenance, capital improvements and expansion of the County's Water Taxi service between downtown Seattle, Vashon Island, and West Seattle. The Marine Division operates two vessels and maintains one reserve vessel to provide passenger-only ferry services to the public.

Radio Communications Services Enterprise Fund - Accounts for the operation, maintenance, capital improvements, and expansion of the 800 MHz trunked radio system that provides communications for the public safety agencies of the County, as well as many other local government agencies. Costs are recovered primarily through user fees, including charges for maintenance and future equipment replacement.

Solid Waste Enterprise Fund - Accounts for the operation, maintenance, capital improvements, and expansion of the County's solid waste disposal facilities under the Solid Waste Division of the Department of Natural Resources and Parks. The County operates eight solid waste transfer stations, two drop box stations, two household hazardous waste facilities, one regional landfill, and recycling services for residential customers. Operating revenues result primarily from tipping fees at the active solid waste disposal sites, while bond proceeds fund most new construction. Significant reserves are set aside to replace landfills, to provide for post-closure care and remediation costs and to replace capital equipment.

**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 2)

	<u>TOTAL</u>	<u>I-NET</u>	<u>KING COUNTY INTERNATIONAL AIRPORT</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 109,571	\$ 1,256	\$ 26,927
Restricted cash and cash equivalents	6,494	—	72
Accounts receivable, net	11,959	115	1,040
Due from other funds	965	2	43
Property tax receivable-delinquent	22	—	—
Due from other governments, net	2,392	215	1,082
Inventory of supplies	2,102	—	475
Prepayments	178	—	—
Total current assets	<u>133,683</u>	<u>1,588</u>	<u>29,639</u>
Noncurrent assets			
Restricted cash and cash equivalents	44,787	—	623
Nondepreciable assets	182,113	—	22,087
Depreciable assets, net	216,286	2,323	67,547
Total noncurrent assets	<u>443,186</u>	<u>2,323</u>	<u>90,257</u>
<b>TOTAL ASSETS</b>	<u>576,869</u>	<u>3,911</u>	<u>119,896</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on refundings	1,578	—	71
Deferred outflows on pensions	6,893	137	761
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>8,471</u>	<u>137</u>	<u>832</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	9,208	14	1,070
Retainage payable	3,438	—	47
Due to other funds	488	155	—
Interest payable	522	—	9
Interfund short-term loans payable	2,292	—	—
Wages payable	2,199	46	177
Compensated absences payable	204	1	18
Taxes payable	420	—	205
Unearned revenue	110	—	109
Customer deposits	791	—	25
General obligation bonds payable	5,785	—	510
Landfill closure and post-closure care	3,031	—	—
Total current liabilities	<u>28,488</u>	<u>216</u>	<u>2,170</u>
Noncurrent liabilities			
Customer deposits	623	—	623
Compensated absences payable	5,634	30	484
Other postemployment benefits	1,318	22	121
Net pension liability	34,534	530	5,622
General obligation bonds payable	157,434	—	2,301
Pollution remediation	315	—	315
Landfill closure and post-closure care	123,246	—	—
Total noncurrent liabilities	<u>323,104</u>	<u>582</u>	<u>9,466</u>
<b>TOTAL LIABILITIES</b>	<u>351,592</u>	<u>798</u>	<u>11,636</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pensions	877	20	68
<b>NET POSITION</b>			
Net investment in capital assets	236,758	2,323	86,894
Unrestricted	(3,887)	907	22,130
<b>TOTAL NET POSITION</b>	<u>\$ 232,871</u>	<u>\$ 3,230</u>	<u>\$ 109,024</u>

**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 2 OF 2)

	<u>MARINE</u>	<u>RADIO COMMUNICATIONS SERVICES</u>	<u>SOLID WASTE</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 5,008	\$ 15,982	\$ 60,398
Restricted cash and cash equivalents	—	6	6,416
Accounts receivable, net	—	151	10,653
Due from other funds	35	58	827
Property tax receivable-delinquent	22	—	—
Due from other governments, net	652	—	443
Inventory of supplies	75	107	1,445
Prepayments	178	—	—
Total current assets	<u>5,970</u>	<u>16,304</u>	<u>80,182</u>
Noncurrent assets			
Restricted cash and cash equivalents	—	—	44,164
Nondepreciable assets	2,163	—	157,863
Depreciable assets, net	21,310	4,051	121,055
Total noncurrent assets	<u>23,473</u>	<u>4,051</u>	<u>323,082</u>
<b>TOTAL ASSETS</b>	<u>29,443</u>	<u>20,355</u>	<u>403,264</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on refundings	—	—	1,507
Deferred outflows on pensions	287	178	5,530
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>287</u>	<u>178</u>	<u>7,037</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	375	188	7,561
Retainage payable	—	6	3,385
Due to other funds	—	333	—
Interest payable	—	—	513
Interfund short-term loans payable	—	—	2,292
Wages payable	90	64	1,822
Compensated absences payable	8	5	172
Taxes payable	—	—	215
Unearned revenue	—	—	1
Customer deposits	—	766	—
General obligation bonds payable	—	—	5,275
Landfill closure and post-closure care	—	—	3,031
Total current liabilities	<u>473</u>	<u>1,362</u>	<u>24,267</u>
Noncurrent liabilities			
Customer deposits	—	—	—
Compensated absences payable	208	147	4,765
Other postemployment benefits	10	39	1,126
Net pension liability	1,112	688	26,582
General obligation bonds payable	—	—	155,133
Pollution remediation	—	—	—
Landfill closure and post-closure care	—	—	123,246
Total noncurrent liabilities	<u>1,330</u>	<u>874</u>	<u>310,852</u>
<b>TOTAL LIABILITIES</b>	<u>1,803</u>	<u>2,236</u>	<u>335,119</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pensions	42	26	721
<b>NET POSITION</b>			
Net investment in capital assets	23,473	4,051	120,017
Unrestricted	4,412	14,220	(45,556)
<b>TOTAL NET POSITION</b>	<u>\$ 27,885</u>	<u>\$ 18,271</u>	<u>\$ 74,461</u>

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

## NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

(IN THOUSANDS)

(PAGE 1 OF 2)

	TOTAL	I-NET	KING COUNTY INTERNATIONAL AIRPORT
<b>OPERATING REVENUES</b>			
I-Net fees	\$ 2,771	\$ 2,771	\$ —
Airfield fees	3,604	—	3,604
Hangar, building, and site rentals and leases	16,605	—	16,605
Radio services	4,451	—	—
Solid waste disposal charges	123,343	—	—
Passenger fares	2,478	—	—
Miscellaneous	451	51	63
Total operating revenues	<u>153,703</u>	<u>2,822</u>	<u>20,272</u>
<b>OPERATING EXPENSES</b>			
Personal services	62,430	1,090	8,234
Materials and supplies	7,897	45	465
Contract services and other charges	22,414	260	3,579
Utilities	4,322	—	2,032
Internal services	20,769	355	6,304
Depreciation and amortization	16,729	251	5,511
Total operating expenses	<u>134,561</u>	<u>2,001</u>	<u>26,125</u>
OPERATING INCOME (LOSS)	<u>19,142</u>	<u>821</u>	<u>(5,853)</u>
<b>NONOPERATING REVENUES</b>			
Property tax	1,182	—	—
Interest earnings	1,300	8	215
DNRP administration revenue	6,280	—	—
Other nonoperating revenues	3,300	671	18
Total nonoperating revenues	<u>12,062</u>	<u>679</u>	<u>233</u>
<b>NONOPERATING EXPENSES</b>			
Interest	2,504	2	98
DNRP administration expense	6,629	—	—
Loss on disposal of capital assets	787	—	160
Landfill closure and post-closure care	28,583	—	—
Other nonoperating expenses	1,165	—	—
Total nonoperating expenses	<u>39,668</u>	<u>2</u>	<u>258</u>
Income (loss) before contributions and transfers	(8,464)	1,498	(5,878)
Capital grants and contributions	6,465	—	5,013
Transfers in	5,006	—	—
Transfers out	(223)	(1)	(25)
<b>CHANGE IN NET POSITION</b>	<u>2,784</u>	<u>1,497</u>	<u>(890)</u>
NET POSITION - JANUARY 1, 2016	<u>230,087</u>	<u>1,733</u>	<u>109,914</u>
NET POSITION - DECEMBER 31, 2016	<u>\$ 232,871</u>	<u>\$ 3,230</u>	<u>\$ 109,024</u>

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

## NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

(IN THOUSANDS)

(PAGE 2 OF 2)

	MARINE	RADIO COMMUNICATIONS SERVICES	SOLID WASTE
<b>OPERATING REVENUES</b>			
I-Net fees	\$ —	\$ —	\$ —
Airfield fees	—	—	—
Hangar, building, and site rentals and leases	—	—	—
Radio services	—	4,451	—
Solid waste disposal charges	—	—	123,343
Passenger fares	2,478	—	—
Miscellaneous	17	—	320
Total operating revenues	<u>2,495</u>	<u>4,451</u>	<u>123,663</u>
<b>OPERATING EXPENSES</b>			
Personal services	3,126	1,820	48,160
Materials and supplies	569	277	6,541
Contract services and other charges	244	1,457	16,874
Utilities	22	234	2,034
Internal services	1,940	800	11,370
Depreciation and amortization	1,038	720	9,209
Total operating expenses	<u>6,939</u>	<u>5,308</u>	<u>94,188</u>
OPERATING INCOME (LOSS)	<u>(4,444)</u>	<u>(857)</u>	<u>29,475</u>
<b>NONOPERATING REVENUES</b>			
Property tax	1,182	—	—
Interest earnings	44	127	906
DNRP administration revenue	—	—	6,280
Other nonoperating revenues	560	295	1,756
Total nonoperating revenues	<u>1,786</u>	<u>422</u>	<u>8,942</u>
<b>NONOPERATING EXPENSES</b>			
Interest	—	—	2,404
DNRP administration expense	—	—	6,629
Loss on disposal of capital assets	385	181	61
Landfill closure and post-closure care	—	—	28,583
Other nonoperating expenses	—	—	1,165
Total nonoperating expenses	<u>385</u>	<u>181</u>	<u>38,842</u>
Loss before contributions and transfers	(3,043)	(616)	(425)
Capital grants and contributions	1,358	10	84
Transfers in	—	4,522	484
Transfers out	(19)	(6)	(172)
<b>CHANGE IN NET POSITION</b>	<u>(1,704)</u>	<u>3,910</u>	<u>(29)</u>
NET POSITION - JANUARY 1, 2016	<u>29,589</u>	<u>14,361</u>	<u>74,490</u>
NET POSITION - DECEMBER 31, 2016	<u>\$ 27,885</u>	<u>\$ 18,271</u>	<u>\$ 74,461</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 1 OF 4)

	<u>TOTAL</u>	<u>I-NET</u>	<u>KING COUNTY INTERNATIONAL AIRPORT</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 148,808	\$ 2,908	\$ 16,930
Cash payments to suppliers	(55,413)	(674)	(12,437)
Cash payments for employee services	(59,358)	(1,269)	(5,469)
Other receipts	7,446	—	—
Other payments	(7,794)	—	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>33,689</u>	<u>965</u>	<u>(976)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants and other receipts	2,399	—	1
Interfund loan principal repayments from other funds	608	—	—
Transfers in	5,006	—	—
Transfers out	(223)	(1)	(25)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>7,790</u>	<u>(1)</u>	<u>(24)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(49,194)	—	(5,654)
Principal paid on capital debt	(5,470)	—	(505)
Interest paid on capital debt	(6,816)	(2)	(119)
Proceeds from short-term interfund loan	2,292	—	—
Principal paid on interfund loan from other funds	(608)	(608)	—
Capital grants and contributions	6,307	—	5,184
Proceeds from disposal of capital assets	473	—	10
Landfill closure and post-closure care	(4,209)	—	—
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(57,225)</u>	<u>(610)</u>	<u>(1,084)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	1,300	8	215
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,300</u>	<u>8</u>	<u>215</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(14,446)</u>	<u>362</u>	<u>(1,869)</u>
CASH AND CASH EQUIVALENTS - JANUARY 1, 2016	<u>175,298</u>	<u>894</u>	<u>29,491</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016	<u>\$ 160,852</u>	<u>\$ 1,256</u>	<u>\$ 27,622</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 2 OF 4)

	RADIO		
	MARINE	COMMUNICATIONS SERVICES	SOLID WASTE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,520	\$ 4,684	\$ 121,766
Cash payments to suppliers for goods and services	(3,096)	(2,493)	(36,713)
Cash payments for employee services	(3,068)	(1,893)	(47,659)
Other receipts	1	295	7,150
Other payments	—	—	(7,794)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(3,643)</u>	<u>593</u>	<u>36,750</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants and other receipts	2,024	—	374
Interfund loan principal repayments from other funds	—	608	—
Transfers in	—	4,522	484
Transfers out	(19)	(6)	(172)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,005</u>	<u>5,124</u>	<u>686</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(1,773)	(198)	(41,569)
Principal paid on capital debt	—	—	(4,965)
Interest paid on capital debt	—	—	(6,695)
Proceeds from short-term interfund loan	—	—	2,292
Principal paid on advances from other funds	—	—	—
Capital grants	1,033	10	80
Proceeds from disposal of capital assets	—	—	463
Landfill closure and post-closure care	—	—	(4,209)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(740)</u>	<u>(188)</u>	<u>(54,603)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	44	127	906
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>44</u>	<u>127</u>	<u>906</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,334)</u>	<u>5,656</u>	<u>(16,261)</u>
CASH AND CASH EQUIVALENTS - JANUARY 1, 2016	<u>7,342</u>	<u>10,332</u>	<u>127,239</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016	<u>\$ 5,008</u>	<u>\$ 15,988</u>	<u>\$ 110,978</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 3 OF 4)

	<u>TOTAL</u>	<u>I-NET</u>	<u>KING COUNTY INTERNATIONAL AIRPORT</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 19,142	\$ 821	\$ (5,853)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	16,729	251	5,511
Other nonoperating revenues (expenses)	(348)	—	—
(Increases) decreases in assets:			
Accounts receivable, net	(1,664)	2	190
Due from other funds	(24)	(1)	(15)
Due from other governments, net	230	85	—
Inventory	(377)	—	(48)
Prepayments and other assets	(59)	—	—
(Increases) decreases in deferred outflows of resources	(3,448)	(69)	(474)
(Increases) decreases in liabilities:			
Accounts payable	(709)	(118)	(329)
Retainage payable	1,073	—	47
Due to other funds	(52)	155	(7)
Wages payable	312	10	41
Taxes payable	(124)	—	(8)
Unearned revenues	(3,645)	—	(3,543)
Compensated absences	(431)	(204)	(3)
Other postemployment benefits	100	2	9
Net pension liability	10,584	163	3,531
Customer deposits and other liabilities	445	(51)	314
Increases (decreases) in deferred inflows of resources	(4,045)	(81)	(339)
Total adjustments	<u>14,547</u>	<u>144</u>	<u>4,877</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 33,689</u>	<u>\$ 965</u>	<u>\$ (976)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Contributions of capital assets from other funds	\$ 214	\$ —	\$ 210
Contributions of capital assets to other funds	(181)	—	—

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

(IN THOUSANDS)

(PAGE 4 OF 4)

	<u>MARINE</u>	<u>RADIO COMMUNICATIONS SERVICES</u>	<u>SOLID WASTE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (4,444)	\$ (857)	\$ 29,475
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,038	720	9,209
Other nonoperating revenues (expenses)	1	295	(644)
(Increases) decreases in assets:			
Accounts receivable, net	—	103	(1,959)
Due from other funds	26	(52)	18
Due from other governments, net	(1)	—	146
Inventory	(44)	38	(323)
Prepayments and other assets	(59)	—	—
(Increases) decreases in deferred outflows of resources	(143)	(75)	(2,687)
(Increases) decreases in liabilities:			
Accounts payable	(216)	(94)	48
Retainage payable	—	1	1,025
Due to other funds	(2)	331	(529)
Wages payable	17	14	230
Taxes payable	—	(1)	(115)
Unearned revenues	—	—	(102)
Compensated absences	9	(26)	(207)
Other postemployment benefits	5	3	81
Net pension liability	341	137	6,412
Customer deposits and other liabilities	—	182	—
Increases (decreases) in deferred inflows of resources	(171)	(126)	(3,328)
Total adjustments	<u>801</u>	<u>1,450</u>	<u>7,275</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (3,643)</b>	<b>\$ 593</b>	<b>\$ 36,750</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Contributions of capital assets from other funds	\$ —	\$ —	\$ 4
Contributions of capital assets to other funds	—	(181)	—

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

## INTERNAL SERVICE FUNDS

King County has established Internal Service Funds (ISFs) to report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The County must be the predominant participant, and the fund must function on an essentially break-even basis over time. The County currently has 12 ISFs:

Building Development and Management Corporations Fund - A grouping of component units that consists of two nonprofit corporations that were individually and exclusively created to design, build and manage office buildings for lease to the County.

Business Resource Center Fund - Accounts for the support and maintenance of the County's financial, human resource, and budgetary business applications.

Construction and Facilities Management Fund - Accounts for custodial services, building maintenance and construction in progress project management. The fund also provides printing, copying and bindery services.

Employee Benefits Program Fund - Accounts for the activities of employee medical, dental, vision, life, accidental death and dismemberment and long-term disability benefit programs and will account for future modifications to existing benefits or additions of new employee benefits.

Financial Management Services Fund - Accounts for financial services, including accounting, payroll and benefits, treasury, contracts, and procurement services provided to King County and other contracting agencies.

Insurance Fund - Accounts for the activities of the Office of Risk Management, which include performing risk analysis, evaluating alternatives and purchasing insurance, adjusting claims, and recommending policies and practices to reduce potential liabilities and ensure the adequacy of insurance coverage for King County departments.

King County Geographic Information Systems Fund - Accounts for the activities required to operate, maintain and enhance the automated geographic information systems that serve both King County agencies and external customers.

King County Information Technology Services Fund - Accounts for Information Technology services provided to King County and other contracting agencies. The services include, but are not limited to, Business Solutions services, Workstation support, e-Government services, Voice services, Business Analysis, and IT Project Management Services. The fund is also responsible for maintenance and support of technology infrastructure to enable the services mentioned above. They include network administration, data center operations, database and server maintenance, server hosting, active directory and messaging support, web infrastructure support, and IT service desk operations.

Motor Pool Equipment Rental Fund - Accounts for the purchase and maintenance of a fleet of vehicles for use by County agencies.

Public Works Equipment Rental Fund - Accounts for the purchase and maintenance of equipment and materials primarily used by the Road Services Division for maintenance and repair.

Safety and Workers' Compensation Fund - Accounts for the administration of an employee safety and training program designed to provide a safe and healthy workplace, as required by the Washington Industrial Safety and Health Act of 1973, and accounts for King County's self-insured worker's compensation system as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act.

Wastewater Equipment Rental Fund - Accounts for the purchase and maintenance of equipment and vehicles used by the Wastewater Treatment Division and Water and Land Resources.

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 3)

	<b>TOTAL</b>	<b>BUILDING DEVELOPMENT &amp; MANAGEMENT CORPORATIONS</b>	<b>BUSINESS RESOURCE CENTER</b>	<b>CONSTRUCTION &amp; FACILITIES MANAGEMENT</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 309,105	\$ 2,262	\$ 3,752	\$ 6,212
Restricted cash and cash equivalents	294	30	—	9
Accounts receivable, net	1,578	774	—	4
Due from other funds	1,415	—	660	56
Due from other governments, net	282	—	—	106
Interfund short-term loans receivable	38,567	—	—	—
Inventory	1,628	—	—	306
Prepayments	3,902	28	—	—
Total current assets	<u>356,771</u>	<u>3,094</u>	<u>4,412</u>	<u>6,693</u>
Noncurrent assets				
Restricted cash and cash equivalents	3,798	3,798	—	—
Capital assets:				
Nondepreciable assets	25,490	8,048	—	—
Depreciable assets, net	231,529	189,301	—	171
Total capital assets	<u>257,019</u>	<u>197,349</u>	<u>—</u>	<u>171</u>
Advances to other funds	13,880	—	—	—
Total noncurrent assets	<u>274,697</u>	<u>201,147</u>	<u>—</u>	<u>171</u>
<b>TOTAL ASSETS</b>	<u><b>631,468</b></u>	<u><b>204,241</b></u>	<u><b>4,412</b></u>	<u><b>6,864</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on pensions	15,068	—	977	3,573
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	11,308	1,692	124	982
Retainage payable	9	—	—	9
Estimated claim settlements	58,281	—	—	—
Due to other funds	1,018	—	—	90
Interest payable	147	55	—	—
Wages payable	4,612	—	259	931
Compensated absences payable	964	—	48	175
Taxes payable	4	—	—	—
Unearned revenues	413	—	—	—
Unearned rent	191,651	191,651	—	—
General obligation bonds payable	6,605	—	—	—
Revenue bonds payable	3,895	3,895	—	—
Custodial accounts	1,719	—	—	—
Total current liabilities	<u>280,626</u>	<u>197,293</u>	<u>431</u>	<u>2,187</u>
Noncurrent liabilities				
Compensated absences payable	15,706	—	823	2,888
Other postemployment benefits	2,560	—	61	875
Net pension liability	80,453	—	5,689	22,497
General obligation bonds payable	10,890	—	—	—
Revenue bonds payable	14,429	14,429	—	—
Estimated claim settlements	111,079	—	—	—
Total noncurrent liabilities	<u>235,117</u>	<u>14,429</u>	<u>6,573</u>	<u>26,260</u>
<b>TOTAL LIABILITIES</b>	<u><b>515,743</b></u>	<u><b>211,722</b></u>	<u><b>7,004</b></u>	<u><b>28,447</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows on pensions	1,830	—	111	379
<b>NET POSITION</b>				
Net investment in capital assets	221,494	179,055	—	180
Unrestricted	(92,531)	(186,536)	(1,726)	(18,569)
<b>TOTAL NET POSITION</b>	<u><b>\$ 128,963</b></u>	<u><b>\$ (7,481)</b></u>	<u><b>\$ (1,726)</b></u>	<u><b>\$ (18,389)</b></u>

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 2 OF 3)

	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	KING COUNTY INFORMATION TECHNOLOGY SERVICES
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 86,822	\$ 5,954	\$ 92,084	\$ 717	\$ 4,886
Restricted cash and cash equivalents	—	—	—	—	255
Accounts receivable, net	482	252	—	2	51
Due from other funds	71	23	74	1	384
Due from other governments, net	—	—	—	21	154
Interfund short-term loans receivable	—	—	—	—	—
Inventory	—	—	—	—	—
Prepayments	—	—	3,374	—	497
Total current assets	<u>87,375</u>	<u>6,229</u>	<u>95,532</u>	<u>741</u>	<u>6,227</u>
Noncurrent assets					
Restricted cash and cash equivalents	—	—	—	—	—
Capital assets:					
Nondepreciable assets	—	—	—	—	17,442
Depreciable assets, net	—	160	—	—	8,130
Total capital assets	<u>—</u>	<u>160</u>	<u>—</u>	<u>—</u>	<u>25,572</u>
Advances to other funds	—	—	—	—	—
Total noncurrent assets	<u>—</u>	<u>160</u>	<u>—</u>	<u>—</u>	<u>25,572</u>
<b>TOTAL ASSETS</b>	<u><b>87,375</b></u>	<u><b>6,389</b></u>	<u><b>95,532</b></u>	<u><b>741</b></u>	<u><b>31,799</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows on pensions	219	2,651	314	510	5,703
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	3,051	468	248	—	2,137
Retainage payable	—	—	—	—	—
Estimated claim settlements	23,621	—	20,726	—	—
Due to other funds	—	602	—	326	—
Interest payable	—	—	—	—	92
Wages payable	306	724	113	134	1,777
Compensated absences payable	24	182	18	31	406
Taxes payable	—	1	—	1	—
Unearned revenues	413	—	—	—	—
Unearned rent	—	—	—	—	—
General obligation bonds payable	—	—	—	—	6,605
Revenue bonds payable	—	—	—	—	—
Custodial accounts	403	—	579	—	731
Total current liabilities	<u>27,818</u>	<u>1,977</u>	<u>21,684</u>	<u>492</u>	<u>11,748</u>
Noncurrent liabilities					
Compensated absences payable	327	2,089	331	562	7,263
Other postemployment benefits	32	518	56	75	659
Net pension liability	847	16,554	1,218	2,879	26,426
General obligation bonds payable	—	—	—	—	10,890
Revenue bonds payable	—	—	—	—	—
Estimated claim settlements	—	—	54,829	—	—
Total noncurrent liabilities	<u>1,206</u>	<u>19,161</u>	<u>56,434</u>	<u>3,516</u>	<u>45,238</u>
<b>TOTAL LIABILITIES</b>	<u><b>29,024</b></u>	<u><b>21,138</b></u>	<u><b>78,118</b></u>	<u><b>4,008</b></u>	<u><b>56,986</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows on pensions	32	284	46	60	755
<b>NET POSITION</b>					
Net investment in capital assets	—	160	—	—	8,332
Unrestricted	58,538	(12,542)	17,682	(2,817)	(28,571)
<b>TOTAL NET POSITION</b>	<u><b>\$ 58,538</b></u>	<u><b>\$ (12,382)</b></u>	<u><b>\$ 17,682</b></u>	<u><b>\$ (2,817)</b></u>	<u><b>\$ (20,239)</b></u>

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 3 OF 3)

	<b>MOTOR POOL EQUIPMENT RENTAL</b>	<b>PUBLIC WORKS EQUIPMENT RENTAL</b>	<b>SAFETY &amp; WORKERS' COMPENSATION</b>	<b>WASTEWATER EQUIPMENT RENTAL</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 15,287	\$ 12,438	\$ 66,510	\$ 12,181
Restricted cash and cash equivalents	—	—	—	—
Accounts receivable, net	—	13	—	—
Due from other funds	19	12	105	10
Due from other governments, net	—	1	—	—
Interfund short-term loans receivable	—	—	38,567	—
Inventory	136	1,183	—	3
Prepayments	3	—	—	—
<b>Total current assets</b>	<b>15,445</b>	<b>13,647</b>	<b>105,182</b>	<b>12,194</b>
Noncurrent assets				
Restricted cash and cash equivalents	—	—	—	—
Capital assets:				
Nondepreciable assets	—	—	—	—
Depreciable assets, net	15,341	8,205	—	10,221
<b>Total capital assets</b>	<b>15,341</b>	<b>8,205</b>	<b>—</b>	<b>10,221</b>
Advances to other funds	—	—	13,880	—
<b>Total noncurrent assets</b>	<b>15,341</b>	<b>8,205</b>	<b>13,880</b>	<b>10,221</b>
<b>TOTAL ASSETS</b>	<b>30,786</b>	<b>21,852</b>	<b>119,062</b>	<b>22,415</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on pensions	178	574	369	—
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	491	299	1,804	12
Retainage payable	—	—	—	—
Estimated claim settlements	—	—	13,934	—
Due to other funds	—	—	—	—
Interest payable	—	—	—	—
Wages payable	73	168	121	6
Compensated absences payable	12	40	28	—
Taxes payable	1	1	—	—
Unearned revenues	—	—	—	—
Unearned rent	—	—	—	—
General obligation bonds payable	—	—	—	—
Revenue bonds payable	—	—	—	—
Custodial accounts	—	6	—	—
<b>Total current liabilities</b>	<b>577</b>	<b>514</b>	<b>15,887</b>	<b>18</b>
Noncurrent liabilities				
Compensated absences payable	213	711	499	—
Other postemployment benefits	56	151	77	—
Net pension liability	689	2,224	1,430	—
General obligation bonds payable	—	—	—	—
Revenue bonds payable	—	—	—	—
Estimated claim settlements	—	—	56,250	—
<b>Total noncurrent liabilities</b>	<b>958</b>	<b>3,086</b>	<b>58,256</b>	<b>—</b>
<b>TOTAL LIABILITIES</b>	<b>1,535</b>	<b>3,600</b>	<b>74,143</b>	<b>18</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows on pensions	26	83	54	—
<b>NET POSITION</b>				
Net investment in capital assets	15,341	8,205	—	10,221
Unrestricted	14,062	10,538	45,234	12,176
<b>TOTAL NET POSITION</b>	<b>\$ 29,403</b>	<b>\$ 18,743</b>	<b>\$ 45,234</b>	<b>\$ 22,397</b>

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

## INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

(IN THOUSANDS)

(PAGE 1 OF 3)

	TOTAL	BUILDING	BUSINESS	CONSTRUCTION
		DEVELOPMENT & MANAGEMENT CORPORATIONS	RESOURCE CENTER	& FACILITIES MANAGEMENT
<b>OPERATING REVENUES</b>				
Profit (loss) on inventory sales				
Sales of inventory	\$ 9,546	\$ —	\$ —	\$ —
Cost of goods sold	(9,306)	—	—	—
Gross profit (loss) on inventory	240	—	—	—
Information resources management fees	82,524	—	—	—
Geographic information systems fees	5,676	—	—	—
Building management fees	14,803	14,803	—	—
Building operation and maintenance service fees	38,714	—	—	38,714
Architect/engineering/renovation service fees	8,288	—	—	8,288
Benefit program contributions & fees	249,732	—	—	—
Business resources management fees	16,512	—	16,512	—
Financial services	28,409	—	—	—
Insurance services	31,065	—	—	—
Equipment rental fees	23,829	—	—	—
Garage shop services	813	—	—	—
Printing and duplication	1,063	—	—	1,063
Workers' compensation employer contributions	25,231	—	—	—
Miscellaneous operating revenue	2,349	24	—	364
Total operating revenues	529,248	14,827	16,512	48,429
<b>OPERATING EXPENSES</b>				
Personal services	130,193	—	8,481	29,409
Materials and supplies	13,714	—	131	2,222
Contract services and other charges	315,466	5,865	3,765	7,384
Lease and maintenance of equipment	8,542	—	198	1,822
Internal services	25,921	—	1,514	4,924
Depreciation and amortization	15,716	6,275	—	39
Total operating expenses	509,552	12,140	14,089	45,800
OPERATING INCOME (LOSS)	19,696	2,687	2,423	2,629
<b>NONOPERATING REVENUES</b>				
Interest earnings	2,826	14	22	71
Miscellaneous nonoperating revenue	3,818	451	—	—
Total nonoperating revenues	6,644	465	22	71
<b>NONOPERATING EXPENSES</b>				
Interest	1,941	914	—	—
(Gain) loss on disposal of capital assets	183	—	41	25
Miscellaneous	20	—	—	—
Total nonoperating expenses	2,144	914	41	25
Income (loss) before contributions and transfers	24,196	2,238	2,404	2,675
Capital grants and contributions	4,326	—	—	—
Transfers in	1,663	—	—	656
Transfers out	(13,008)	—	(10)	(805)
<b>CHANGE IN NET POSITION</b>	17,177	2,238	2,394	2,526
NET POSITION - JANUARY 1, 2016	111,786	(9,719)	(4,120)	(20,915)
NET POSITION - DECEMBER 31, 2016	\$ 128,963	\$ (7,481)	\$ (1,726)	\$ (18,389)

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 2 OF 3)

	<b>EMPLOYEE BENEFITS PROGRAM</b>	<b>FINANCIAL MANAGEMENT SERVICES</b>	<b>INSURANCE</b>	<b>KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS</b>	<b>KING COUNTY INFORMATION TECHNOLOGY SERVICES</b>
<b>OPERATING REVENUES</b>					
Profit (loss) on inventory sales					
Sales of inventory	\$ —	\$ —	\$ —	\$ —	\$ —
Cost of goods sold	—	—	—	—	—
Gross profit (loss) on inventory	—	—	—	—	—
Information resources management fees	—	—	—	—	82,524
Geographic information systems fees	—	—	—	5,676	—
Building management fees	—	—	—	—	—
Building operation and maintenance service fees	—	—	—	—	—
Architect/engineering/renovation service fees	—	—	—	—	—
Benefit program contributions & fees	249,732	—	—	—	—
Business resources management fees	—	—	—	—	—
Financial services	—	28,409	—	—	—
Insurance services	—	—	31,065	—	—
Equipment rental fees	—	—	—	—	—
Garage shop services	—	—	—	—	—
Printing and duplication	—	—	—	—	—
Workers' compensation employer contributions	—	—	—	—	—
Miscellaneous operating revenue	—	456	—	106	337
<b>Total operating revenues</b>	<b>249,732</b>	<b>28,865</b>	<b>31,065</b>	<b>5,782</b>	<b>82,861</b>
<b>OPERATING EXPENSES</b>					
Personal services	2,078	18,974	3,202	3,341	53,205
Materials and supplies	40	368	105	49	5,788
Contract services and other charges	240,917	2,339	30,567	781	6,631
Lease and maintenance of equipment	19	91	8	9	5,456
Internal services	363	4,933	1,889	1,103	6,592
Depreciation and amortization	—	39	—	7	689
<b>Total operating expenses</b>	<b>243,417</b>	<b>26,744</b>	<b>35,771</b>	<b>5,290</b>	<b>78,361</b>
<b>OPERATING INCOME (LOSS)</b>	<b>6,315</b>	<b>2,121</b>	<b>(4,706)</b>	<b>492</b>	<b>4,500</b>
<b>NONOPERATING REVENUES</b>					
Interest earnings	658	121	810	—	1
Miscellaneous nonoperating revenue	—	—	—	—	—
<b>Total nonoperating revenues</b>	<b>658</b>	<b>121</b>	<b>810</b>	<b>—</b>	<b>1</b>
<b>NONOPERATING EXPENSES</b>					
Interest	—	1	—	—	1,026
(Gain) loss on disposal of capital assets	—	—	—	—	613
Miscellaneous	—	—	—	—	—
<b>Total nonoperating expenses</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>1,639</b>
Income (loss) before contributions and transfers	6,973	2,241	(3,896)	492	2,862
Capital grants and contributions	—	—	—	—	696
Transfers in	—	—	—	—	1,006
Transfers out	(2)	(35)	(181)	(1,120)	(10,835)
<b>CHANGE IN NET POSITION</b>	<b>6,971</b>	<b>2,206</b>	<b>(4,077)</b>	<b>(628)</b>	<b>(6,271)</b>
NET POSITION - JANUARY 1, 2016	51,567	(14,588)	21,759	(2,189)	(13,968)
NET POSITION - DECEMBER 31, 2016	<b>\$ 58,538</b>	<b>\$ (12,382)</b>	<b>\$ 17,682</b>	<b>\$ (2,817)</b>	<b>\$ (20,239)</b>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 3 OF 3)

	<b>MOTOR POOL EQUIPMENT RENTAL</b>	<b>PUBLIC WORKS EQUIPMENT RENTAL</b>	<b>SAFETY &amp; WORKERS' COMPENSATION</b>	<b>WASTEWATER EQUIPMENT RENTAL</b>
<b>OPERATING REVENUES</b>				
Profit (loss) on inventory sales				
Sales of inventory	\$ 2,775	\$ 6,552	\$ —	\$ 219
Cost of goods sold	(2,808)	(6,298)	—	(200)
Gross profit (loss) on inventory	(33)	254	—	19
Information resources management fees	—	—	—	—
Geographic information systems fees	—	—	—	—
Building management fees	—	—	—	—
Building operation and maintenance service fees	—	—	—	—
Architect/engineering/renovation service fees	—	—	—	—
Benefit program contributions & fees	—	—	—	—
Business resources management fees	—	—	—	—
Financial services	—	—	—	—
Insurance services	—	—	—	—
Equipment rental fees	12,514	7,737	—	3,578
Garage shop services	294	519	—	—
Printing and duplication	—	—	—	—
Workers' compensation employer contributions	—	—	25,231	—
Miscellaneous operating revenue	240	819	—	3
<b>Total operating revenues</b>	<b>13,015</b>	<b>9,329</b>	<b>25,231</b>	<b>3,600</b>
<b>OPERATING EXPENSES</b>				
Personal services	2,313	4,687	4,095	408
Materials and supplies	2,952	1,684	62	313
Contract services and other charges	190	283	16,721	23
Lease and maintenance of equipment	733	181	25	—
Internal services	1,614	604	2,087	298
Depreciation and amortization	4,744	1,890	—	2,033
<b>Total operating expenses</b>	<b>12,546</b>	<b>9,329</b>	<b>22,990</b>	<b>3,075</b>
<b>OPERATING INCOME (LOSS)</b>	<b>469</b>	<b>—</b>	<b>2,241</b>	<b>525</b>
<b>NONOPERATING REVENUES</b>				
Interest earnings	93	81	877	78
Miscellaneous nonoperating revenue	—	—	—	3,367
<b>Total nonoperating revenues</b>	<b>93</b>	<b>81</b>	<b>877</b>	<b>3,445</b>
<b>NONOPERATING EXPENSES</b>				
Interest	—	—	—	—
(Gain) loss on disposal of capital assets	(224)	(121)	—	(151)
Miscellaneous	—	20	—	—
<b>Total nonoperating expenses</b>	<b>(224)</b>	<b>(101)</b>	<b>—</b>	<b>(151)</b>
Income (loss) before contributions and transfers	786	182	3,118	4,121
Capital grants and contributions	3,010	101	—	519
Transfers in	—	—	—	1
Transfers out	(4)	(11)	(5)	—
<b>CHANGE IN NET POSITION</b>	<b>3,792</b>	<b>272</b>	<b>3,113</b>	<b>4,641</b>
NET POSITION - JANUARY 1, 2016	25,611	18,471	42,121	17,756
NET POSITION - DECEMBER 31, 2016	<b>\$ 29,403</b>	<b>\$ 18,743</b>	<b>\$ 45,234</b>	<b>\$ 22,397</b>

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 3)

	TOTAL	BUILDING		
		DEVELOPMENT & MANAGEMENT CORPORATIONS	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from users	\$ 534,491	\$ 15,101	\$ 15,855	\$ 47,959
Cash payments to suppliers for goods and services	(388,101)	(5,576)	(5,529)	(15,873)
Cash payments for employee services	(131,157)	—	(7,878)	(30,296)
Other receipts	2,349	24	—	364
Net cash provided by operating activities	17,582	9,549	2,448	2,154
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund short-term loan principal amounts loaned to other funds	(38,567)	—	—	—
Interfund short-term loan principal repayments from other funds	929	—	—	—
Interfund advance principal amounts loaned to other funds	(13,880)	—	—	—
Interfund advance principal repayments from other funds	27,969	—	—	—
Transfers in	1,663	—	—	656
Transfers out	(13,008)	—	(10)	(805)
Net cash used by noncapital financing activities	(34,894)	—	(10)	(149)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(4,519)	(22)	—	(92)
Principal paid on general obligation bonds	(5,970)	—	—	—
Interest paid on general obligation bonds	(1,018)	—	—	—
Principal paid on revenue bonds	(8,200)	(8,200)	—	—
Interest paid on revenue bonds	(992)	(992)	—	—
Proceeds from disposal of capital assets	586	—	—	—
Net cash used by capital and related financing activities	(20,113)	(9,214)	—	(92)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	2,824	14	22	71
Net cash provided by investing activities	2,824	14	22	71
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,601)	349	2,460	1,984
CASH AND CASH EQUIVALENTS - JANUARY 1, 2016	347,798	5,741	1,292	4,237
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016	\$ 313,197	\$ 6,090	\$ 3,752	\$ 6,221
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 19,696	\$ 2,687	\$ 2,423	\$ 2,629
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	15,716	6,275	—	39
Decrease in accounts receivable, net	767	1,135	—	48
(Increase) decrease in due from other funds	(603)	—	(657)	(52)
(Increase) in due from other governments, net	(196)	—	—	(102)
Decrease in inventory	42	—	—	31
(increase) decrease in prepayments	(542)	21	—	—
(Increase) in deferred outflows of resources	(6,912)	—	(488)	(1,591)
Increase (decrease) in accounts payable	(1,683)	268	79	367
Increase in retainage payable	4	—	—	4
(Decrease) in estimated claim settlements	(13,758)	—	—	—
Increase in due to other funds	791	—	—	77
Increase in wages payable	553	—	41	105
(Decrease) in taxes payable	(6)	—	—	—
(Decrease) in custodial accounts and other liabilities	(845)	—	—	—
(Decrease) in unearned revenues	(837)	(837)	—	—
Increase (decrease) in compensated absences payable	120	—	60	(153)
Increase in other postemployment benefits	262	—	9	59
Increase in net pension liability	14,397	—	1,544	2,929
(Decrease) in deferred inflows of resources	(9,384)	—	(563)	(2,236)
Total adjustments	(2,114)	6,862	25	(475)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 17,582	\$ 9,549	\$ 2,448	\$ 2,154
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributions of capital assets from government	\$ 2,980	\$ —	\$ —	\$ —
Contributions of capital assets to government	(21)	—	—	—

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 2 OF 3)

	<b>EMPLOYEE BENEFITS PROGRAM</b>	<b>FINANCIAL MANAGEMENT SERVICES</b>	<b>INSURANCE</b>	<b>KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS</b>	<b>KING COUNTY INFORMATION TECHNOLOGY SERVICES</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from users	\$ 249,182	\$ 28,147	\$ 30,594	\$ 5,661	\$ 82,650
Cash payments to suppliers for goods and services	(241,727)	(7,003)	(45,924)	(1,625)	(25,290)
Cash payments for employee services	(2,112)	(20,814)	(3,055)	(4,007)	(51,692)
Other receipts	—	456	—	106	337
Net cash provided (used) by operating activities	<u>5,343</u>	<u>786</u>	<u>(18,385)</u>	<u>135</u>	<u>6,005</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund short-term loan principal amounts loaned to other funds	—	—	—	—	—
Interfund short-term loan principal repayments from other funds	—	—	—	—	—
Interfund advance principal amounts loaned to other funds	—	—	—	—	—
Interfund advance principal repayments from other funds	—	—	—	—	—
Transfers in	—	—	—	—	1,006
Transfers out	(2)	(35)	(181)	(1,120)	(10,835)
Net cash used by noncapital financing activities	<u>(2)</u>	<u>(35)</u>	<u>(181)</u>	<u>(1,120)</u>	<u>(9,829)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	—	—	—	—	(744)
Principal paid on general obligation bonds	—	—	—	—	(5,970)
Interest paid on general obligation bonds	—	—	—	—	(1,018)
Principal paid on revenue bonds	—	—	—	—	—
Interest paid on revenue bonds	—	—	—	—	—
Proceeds from disposal of capital assets	—	—	—	—	—
Net cash used by capital and related financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,732)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	658	120	810	—	—
Net cash provided by investing activities	<u>658</u>	<u>120</u>	<u>810</u>	<u>—</u>	<u>—</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,999	871	(17,756)	(985)	(11,556)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2016	<u>80,823</u>	<u>5,083</u>	<u>109,840</u>	<u>1,702</u>	<u>16,697</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016	<u>\$ 86,822</u>	<u>\$ 5,954</u>	<u>\$ 92,084</u>	<u>\$ 717</u>	<u>\$ 5,141</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 6,315	\$ 2,121	\$ (4,706)	\$ 492	\$ 4,500
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	—	39	—	7	689
(Increase) decrease in accounts receivable, net	(153)	(252)	—	1	(2)
(Increase) decrease in due from other funds	(28)	(10)	(19)	(1)	230
(Increase) in due from other governments, net	—	—	—	(15)	(78)
(Increase) decrease in inventory	—	—	—	—	—
(increase) in prepayments	—	—	(66)	—	(497)
(Increase) in deferred outflows of resources	(96)	(1,104)	(170)	(197)	(2,724)
Increase (decrease) in accounts payable	(2,566)	126	(279)	(9)	(114)
Increase (decrease) in retainage payable	—	—	—	—	—
Increase (decrease) in estimated claim settlements	2,178	—	(13,010)	—	—
Increase (decrease) in due to other funds	—	601	—	326	(211)
Increase in wages payable	4	107	32	10	252
Increase (decrease) in taxes payable	—	1	—	—	(1)
(Decrease) in custodial accounts and other liabilities	(369)	—	(452)	—	(24)
Increase (decrease) in unearned revenues	—	—	—	—	—
Increase in compensated absences payable	21	2	1	33	75
Increase in other postemployment benefits	2	34	4	5	128
Increase (decrease) in net pension liability	186	882	447	(159)	7,261
(Decrease) in deferred inflows of resources	(151)	(1,761)	(167)	(358)	(3,479)
Total adjustments	<u>(972)</u>	<u>(1,335)</u>	<u>(13,679)</u>	<u>(357)</u>	<u>1,505</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 5,343</u>	<u>\$ 786</u>	<u>\$ (18,385)</u>	<u>\$ 135</u>	<u>\$ 6,005</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>					
Contributions of capital assets from government	\$ —	\$ —	\$ —	\$ —	\$ 696
Contributions of capital assets to government	—	—	—	—	—

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 3 OF 3)

	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from users	\$ 15,570	\$ 14,791	\$ 25,189	\$ 3,792
Cash payments to suppliers for goods and services	(8,146)	(8,994)	(21,582)	(832)
Cash payments for employee services	(2,328)	(4,564)	(4,004)	(407)
Other receipts	240	819	—	3
Net cash provided (used) by operating activities	<u>5,336</u>	<u>2,052</u>	<u>(397)</u>	<u>2,556</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund short-term loan principal amounts loaned to other funds	—	—	(38,567)	—
Interfund short-term loan principal repayments from other funds	—	—	929	—
Interfund advance principal amounts loaned to other funds	—	—	(13,880)	—
Interfund advance principal repayments from other funds	—	—	27,969	—
Transfers in	—	—	—	1
Transfers out	(4)	(11)	(5)	—
Net cash provided (used) by noncapital financing activities	<u>(4)</u>	<u>(11)</u>	<u>(23,554)</u>	<u>1</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(2,476)	(536)	—	(649)
Principal paid on general obligation bonds	—	—	—	—
Interest paid on general obligation bonds	—	—	—	—
Principal paid on revenue bonds	—	—	—	—
Interest paid on revenue bonds	—	—	—	—
Proceeds from disposal of capital assets	224	121	—	241
Net cash used by capital and related financing activities	<u>(2,252)</u>	<u>(415)</u>	<u>—</u>	<u>(408)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	93	81	877	78
Net cash provided by investing activities	<u>93</u>	<u>81</u>	<u>877</u>	<u>78</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,173	1,707	(23,074)	2,227
CASH AND CASH EQUIVALENTS - JANUARY 1, 2016	12,114	10,731	89,584	9,954
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016	<u>\$ 15,287</u>	<u>\$ 12,438</u>	<u>\$ 66,510</u>	<u>\$ 12,181</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 469	\$ —	\$ 2,241	\$ 525
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	4,744	1,890	—	2,033
(Increase) in accounts receivable, net	—	(10)	—	—
(Increase) in due from other funds	(13)	(6)	(42)	(5)
(Increase) in due from other governments, net	—	(1)	—	—
(Increase) decrease in inventory	(26)	36	—	1
(increase) decrease in prepayments	—	—	—	—
(Increase) in deferred outflows of resources	(82)	(276)	(184)	—
Increase in accounts payable	183	22	239	1
Increase (decrease) in retainage payable	—	—	—	—
(Decrease) in estimated claim settlements	—	—	(2,926)	—
(Decrease) in due to other funds	—	(2)	—	—
Increase (decrease) in wages payable	(7)	7	1	1
(Decrease) in taxes payable	(6)	—	—	—
Increase (decrease) in custodial accounts and other liabilities	—	—	—	—
Increase (decrease) in unearned revenues	—	—	—	—
Increase in compensated absences payable	11	20	50	—
Increase in other postemployment benefits	4	11	6	—
Increase in net pension liability	175	694	438	—
(Decrease) in deferred inflows of resources	(116)	(333)	(220)	—
Total adjustments	<u>4,867</u>	<u>2,052</u>	<u>(2,638)</u>	<u>2,031</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 5,336</u>	<u>\$ 2,052</u>	<u>\$ (397)</u>	<u>\$ 2,556</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributions of capital assets from government	\$ 1,664	\$ 101	\$ —	\$ 519
Contributions of capital assets to government	—	(21)	—	—

Fiduciary Funds

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



## **INVESTMENT TRUST FUNDS**

Investment Trust Funds are used by King County to report investment activity engaged in on behalf of legally separate entities. Accounting for the two Investment Trust Funds is on the accrual basis and the measurement focus is economic resources.

External Investment Pool Trust Fund - Accounts for the investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities other than component units that participate in the County's investment pool.

External Impaired Investment Pool Trust Fund - Accounts for the investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities other than component units that participate in the County's investment pool. Effective September 1, 2008, certain impaired investments were separated from the main pool. The County has completed the restructuring of all the impaired assets in the Impaired Investment Pool Fund.

**INVESTMENT TRUST FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**  
(IN THOUSANDS)

<b>ASSETS</b>	<b>TOTAL</b>	<b>EXTERNAL INVESTMENT POOL</b>	<b>EXTERNAL IMPAIRED INVESTMENT POOL</b>
Investments at fair value			
Commercial paper	\$ 128,948	\$ 125,566	\$ 3,382
Repurchase agreements	50,326	50,326	—
U.S. Treasury notes	1,236,808	1,236,808	—
Bank notes	482,715	482,715	—
U.S. Agency notes	605,630	605,630	—
U.S. Agency discount notes	221,876	221,876	—
U.S. Agency collateralized mortgage obligations	3,055	3,055	—
State Treasurer's investment pool	319,347	319,347	—
Total investments	<u>3,048,705</u>	<u>3,045,323</u>	<u>3,382</u>
Interest receivable	2,344	2,344	—
<b>TOTAL ASSETS</b>	<u><u>\$ 3,051,049</u></u>	<u><u>\$ 3,047,667</u></u>	<u><u>\$ 3,382</u></u>

**NET POSITION**

Held in trust for pool participants	\$ 3,047,667	\$ 3,047,667	\$ —
Held in trust for pool participants - impaired	3,382	—	3,382
<b>TOTAL NET POSITION</b>	<u><u>\$ 3,051,049</u></u>	<u><u>\$ 3,047,667</u></u>	<u><u>\$ 3,382</u></u>

**INVESTMENT TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)

<b>ADDITIONS</b>	<b>TOTAL</b>	<b>EXTERNAL INVESTMENT POOL</b>	<b>EXTERNAL IMPAIRED INVESTMENT POOL</b>
Contributions	\$ 6,959,121	\$ 6,959,121	\$ —
Net investment earnings:			
Interest	24,857	24,857	—
Increase (decrease) in the fair value of investments	(1,799)	(2,484)	685
<b>TOTAL ADDITIONS</b>	<u>6,982,179</u>	<u>6,981,494</u>	<u>685</u>
<b>DEDUCTIONS</b>			
Distributions	7,130,292	7,128,353	1,939
<b>TOTAL DEDUCTIONS</b>	<u>7,130,292</u>	<u>7,128,353</u>	<u>1,939</u>
Change in net position	(148,113)	(146,859)	(1,254)
Net position - January 1, 2016	3,199,162	3,194,526	4,636
<b>Net position - December 31, 2016</b>	<u><u>\$ 3,051,049</u></u>	<u><u>\$ 3,047,667</u></u>	<u><u>\$ 3,382</u></u>

## AGENCY FUNDS

Agency Funds are clearing accounts employed to account for assets held by King County in its capacity as custodian or agent and are offset by equal and related liabilities. Accounting for Agency Funds is on the accrual basis. There is no measurement of operational results.

There are two major classifications of Agency Funds: (1) those that are used with the operations of King County government; and (2) those that are used to account for cash received and disbursed in King County's capacity as *ex officio* treasurer or collection agent for special districts and other governments.

### AGENCY FUNDS - COUNTY GOVERNMENT

Enhanced-911 PSAP Escrow Fund - Utilized to account for receipt of Enhanced-911 excise tax revenue and subsequent distribution to the Public Safety Answering Points (PSAP) in King County.

Judicial Administration Agency Fund - Utilized to account for money deposited with King County Superior Court pending outcome of litigation.

Debt Service Clearing Fund - Established to account for money held by King County as fiscal agent for the payment of debt service on bonds.

Miscellaneous Agency Funds - Funds established to account for amounts associated with short-term or relatively minor custodial activities. Activities in these funds account for the receipts and disbursements associated with the Plan to Achieve Self-Sufficiency (PASS) program, unclaimed effects and assets of deceased individuals, employee charitable payroll deductions, and Community Development Block Grants held on the behalf of homeowners who qualify for one of several programs of housing and improvements for health, safety and blight elimination.

Miscellaneous Property Tax Funds - Various property tax funds used to process and distribute real and personal property tax refunds authorized by the County Treasurer; to account for proceeds of foreclosure sales in excess of delinquent taxes, interest, penalties, and costs; and to account for required prepayment of real property taxes when a property owner plats a parcel of property. These funds are also used to record property tax payments in excess of liability and to process related refunds to taxpayers; to suspend tax receipts requiring further identification or additional payment before they can be distributed; and to distribute assessment and interest payments of local improvement districts and to process assessment refunds.

Miscellaneous Tax Distribution Fund - Established for distribution of certain revenues other than property taxes, such as state private harvest timber tax, leasehold excise tax, real estate excise tax, state forest board earnings and proceeds from sales of tax title property.

Payroll and Accounts Payable Clearing Funds - Established to centralize issuance of payroll and accounts payable warrants that are reimbursed by each benefiting fund.

School District Impact Fee Fund - Utilized to account for receipt and disbursement of fees authorized by the State of Washington Growth Management Act of 1990. In 1992, King County adopted Ordinance 10122 for the purpose of implementing the school impact fee program, allowing the County to enter into interlocal agreements with school districts. Twelve school districts qualify to receive impact fees in 2016.

### AGENCY FUNDS - SPECIAL DISTRICTS/OTHER GOVERNMENTS

King County utilized approximately 715 active funds in 2016 to account for the resources of 160 special districts/other governments and related liabilities of King County.

The King County Executive, in compliance with the laws of the state of Washington or by contract, is the *ex officio* treasurer of King County and special districts, but not for the cities, towns, or the state of Washington. Money received from or for the special districts or other governments is deposited in King County's central bank account; disbursements for both operations and investments are made upon receipt of instructions from governing bodies or administrators of the special districts/other governments. Revenues received for the accounts of the cities, towns and state of Washington are remitted to their respective treasurers.

Central Puget Sound Regional Transit Authority - Sound Transit provides the region with alternatives to meet its transportation needs. Sound Transit is governed by an 18-member board comprised of 17 local elected officials and the State Transportation Department Secretary.

Cities and Towns - The King County Finance and Business Operations Division utilizes a group of funds for each of the 39 municipalities to account for the collection and remittance of regular, special and bond property tax levies to their respective treasurers.

Fire Districts - In King County, there are 28 fire protection districts. The primary purpose of these districts is to provide fire prevention and suppression services and to offer emergency medical services to protect life and property in areas outside cities and towns, except where the cities and towns have been annexed into a fire protection district. These districts are governed by elected Boards of Fire Commissioners.

Hospital Districts - King County has three public hospital districts. These municipal corporations are authorized to own and operate public hospitals and related facilities. Each district is governed by an elected five-member Hospital Commission.

King County Directors' Association (KCDA) - The KCDA is a nonprofit cooperative purchasing organization made up of 295 public school districts statewide and governed by a five-member Board of Directors elected from and by school boards throughout King County. The objectives of this association are to eliminate duplicate purchasing activities, establish product standards, and obtain the lowest possible costs through volume purchasing, centralized warehousing and consolidated distribution.

King County Library System - This district serves the public through 49 community libraries, the Traveling Library Center, a mobile tech lab, two children's bookmobiles, and one institutional library in the King County Juvenile Detention Center. All unincorporated areas of the County are a part of the library district as are all cities in the County except for Seattle, Enumclaw, Hunt's Point and Yarrow Point.

Library Capital Facility Districts - This district was established for the purpose of financing the acquisition, construction, and improvement of the Issaquah and Redmond libraries.

Miscellaneous Special Districts - The following is a brief summary of the main entities:

- Puget Sound Regional Council - The regional planning and decision-making body for growth and transportation issues in the counties of King, Kitsap, Pierce, and Snohomish. Its primary goal is to plan for the growth and development of the region, including transportation planning, and to seek solutions to problems crossing political boundaries. It is governed by a general assembly and its executive board. Each member of the board is a voting member.
- Puget Sound Clean Air Agency - An air pollution control authority under the Washington Clean Air Act for the counties of King, Kitsap, Pierce, and Snohomish. The agency is governed by a nine-member board composed mainly of elected officials from the four county jurisdictions. Its major responsibility is the implementation of the Washington Clean Air Act. This responsibility has been delegated to the agency by both the State of Washington and the Federal Environmental Protection Agency.
- Drainage Districts - There are six districts in this category. They were established to ditch, dike and provide pumping facilities for flood-prone or low-lying lands.
- Cemetery District No. 1 - Formed in 1978 to improve and maintain a public cemetery on Vashon Island that was originally established in 1888 by a private association.
- Vashon-Maury Island Park and Recreation District - Established to develop and operate park and recreational facilities on Vashon-Maury Island.

Northshore Park and Recreation Service Area - This district was established to finance the acquisition and construction of a senior center in an area overlapping portions of both King County and Snohomish County corresponding to the boundaries of the Northshore School District. The district is governed by a five-member board.

Port of Seattle - The Port of Seattle is a public enterprise governed by five commissioners elected by the citizens of King County. Its mission is to provide services and facilities to accommodate the transportation of cargo and passengers by air, water, and land. Its marine facilities include one of the largest container ports in the United States. The Port also includes Seattle-Tacoma International Airport and marinas for a commercial fishing fleet and pleasure craft. While King County is no longer the Port's treasurer, it continues to use a special district fund to account for the collection and remittance of the Port's special tax levies.

School Districts - Public education in King County from pre-kindergarten through grade 12 is provided by 21 school districts, each governed by an elected Board of Directors and administered by a superintendent. In 2016, enrollments showed approximately 292,000 students attending 508 elementary, middle, junior high, senior high, special and alternative schools. Puget Sound Educational Service District (PSESD), whose financial reporting is included in the School District Combining Statement of Fiduciary Assets and Liabilities, serves 35 school districts and more than 200 private schools in King and Pierce Counties plus Bainbridge Island in Kitsap County. The PSESD is governed by a nine-member Board of Directors and administered by a superintendent. The PSESD assists public and private schools in its region through program and staff development, early childhood programs, administrative and instructional support, technical assistance, business, financial and state reporting services, and direct service to children and families. A complete list of services and programs can be found online at [www.psesd.org](http://www.psesd.org).

Sewer and Water Districts - There are 13 sewer and water districts in King County. The principal purpose of these districts is to protect public health and to improve water quality by constructing, maintaining, and operating sewer systems. The districts may also provide water, storm drainage, street lighting, lake rehabilitation, and onsite systems management. Each district is governed by an elected three-member Board of Commissioners.

State of Washington - King County utilizes a group of funds to account for state-levied property tax collections, court filing fees, fines, and forfeiture payments due to violations of laws of the state of Washington and their subsequent remittance to the State Treasurer.

Washington State Public Stadium Authority - This agency was established in 1997 to oversee the construction of a new football stadium and an exhibition center. The current mission is to represent the public's interest in owning CenturyLink Field and Event Center and overseeing First & Goal Inc.'s operation of the facility for the benefit of all Washington state citizens. It is governed by a seven-member board appointed by the Governor.

Water Districts - There are 22 water districts in King County. The primary purpose of the districts is to provide consumers with the highest quality drinking water at the lowest possible cost. Each district is governed by a board with power to acquire, construct, maintain, and operate water supply systems. Reporting for the Cascade Water Alliance (CWA) is also included with the Water Districts. CWA is a municipal corporation comprised of seven municipalities (five cities and two water and sewer districts) in the Puget Sound Region that joined together to provide safe, clean, reliable water supply to its 350,000 residences and more than 20,000 businesses.

Washington State Major League Baseball Stadium - Public Facilities District (PFD) - was created by the Metropolitan King County Council (Ordinance 12000) on October 24, 1995. The PFD operates as a municipal corporation of the State of Washington and was formed to site, design, build, and operate a major league baseball park. The PFD had been reported as a component unit of the County prior to 2013. The bonds outstanding, for which the County had an indirect financial burden, have been paid and the PFD no longer qualifies as a component unit. Since the County is the *ex officio* treasurer for the PFD, it is reported as a Special District.

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 1 OF 13)

	<b>TOTAL AGENCY FUNDS</b>			
	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 165,744	\$ 26,464,273	\$ 26,453,837	\$ 176,180
Assets held in trust:				
External investment pool participants	3,194,526	3,074,149	3,221,008	3,047,667
External impaired investment pool participants	4,636	3,924	5,179	3,381
Investments	5,107	1,778	—	6,885
Taxes receivable - delinquent	63,975	3,774,905	3,772,196	66,684
Accounts receivable	4,020	1,775,296	1,766,319	12,997
Assessments receivable	5,161	72	977	4,256
Notes and contracts receivable	51	—	—	51
<b>TOTAL ASSETS</b>	<b>\$ 3,443,220</b>	<b>\$ 35,094,397</b>	<b>\$ 35,219,516</b>	<b>\$ 3,318,101</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 97,723	\$ 5,095,093	\$ 5,091,345	\$ 101,471
Accounts payable	2,134	980,258	980,405	1,987
Wages payable	13,846	1,787,652	1,786,373	15,125
Custodial accounts - County agencies	99,619	6,496,581	6,502,240	93,960
Due to special districts/other governments	3,229,898	27,581,530	27,705,870	3,105,558
<b>TOTAL LIABILITIES</b>	<b>\$ 3,443,220</b>	<b>\$ 41,941,114</b>	<b>\$ 42,066,233</b>	<b>\$ 3,318,101</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
 (IN THOUSANDS)  
 (PAGE 2 OF 13)

	<b>ENHANCED 911 PSAP ESCROW</b>			
	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,920	\$ 11,880	\$ 11,923	\$ 13,877
Assets held in trust:				
External investment pool participants	—	—	—	—
External impaired investment pool participants	—	—	—	—
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 13,920</b>	<b>\$ 11,880</b>	<b>\$ 11,923</b>	<b>\$ 13,877</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	9,081	9,081	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	13,920	12,037	12,080	13,877
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ 13,920</b>	<b>\$ 21,118</b>	<b>\$ 21,161</b>	<b>\$ 13,877</b>

	<b>JUDICIAL ADMINISTRATION AGENCY</b>			
	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 47,864	\$ 121,306	\$ 129,159	\$ 40,011
Assets held in trust:				
External investment pool participants	—	—	—	—
External impaired investment pool participants	—	—	—	—
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 47,864</b>	<b>\$ 121,306</b>	<b>\$ 129,159</b>	<b>\$ 40,011</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	47,864	135,659	143,512	40,011
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ 47,864</b>	<b>\$ 135,659</b>	<b>\$ 143,512</b>	<b>\$ 40,011</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 3 OF 13)

	<b>KING COUNTY FISCAL AGENT / DEBT SERVICE</b>			
	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 856,011	\$ 856,011	\$ —
Assets held in trust:				
External investment pool participants	—	—	—	—
External impaired investment pool participants	—	—	—	—
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ —</b>	<b>\$ 856,011</b>	<b>\$ 856,011</b>	<b>\$ —</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	856,035	856,035	—
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ —</b>	<b>\$ 856,035</b>	<b>\$ 856,035</b>	<b>\$ —</b>
<b>MISCELLANEOUS AGENCY FUNDS</b>				
	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,902	\$ 28,432	\$ 27,080	\$ 13,254
Assets held in trust:				
External investment pool participants	—	—	—	—
External impaired investment pool participants	—	—	—	—
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	3,743	—	3,743
Assessments receivable	—	—	—	—
Notes and contracts receivable	51	—	—	51
<b>TOTAL ASSETS</b>	<b>\$ 11,953</b>	<b>\$ 32,175</b>	<b>\$ 27,080</b>	<b>\$ 17,048</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	6	2,703	2,703	6
Wages payable	—	—	—	—
Custodial accounts - County agencies	11,947	27,142	25,790	13,299
Due to special districts/other governments	—	3,743	—	3,743
<b>TOTAL LIABILITIES</b>	<b>\$ 11,953</b>	<b>\$ 33,588</b>	<b>\$ 28,493</b>	<b>\$ 17,048</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 4 OF 13)

**MISCELLANEOUS PROPERTY TAX FUNDS**

	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,004	\$ 4,760,213	\$ 4,759,384	\$ 15,833
Assets held in trust:				
External investment pool participants	—	—	—	—
External impaired investment pool participants	—	—	—	—
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 15,004</b>	<b>\$ 4,760,213</b>	<b>\$ 4,759,384</b>	<b>\$ 15,833</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	2	21,400	21,400	2
Wages payable	—	—	—	—
Custodial accounts - County agencies	15,002	4,760,513	4,759,684	15,831
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ 15,004</b>	<b>\$ 4,781,913</b>	<b>\$ 4,781,084</b>	<b>\$ 15,833</b>

**MISCELLANEOUS TAX DISTRIBUTION**

	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,036	\$ 699,685	\$ 697,603	\$ 8,118
Assets held in trust:				
External investment pool participants	—	—	—	—
External impaired investment pool participants	—	—	—	—
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 6,036</b>	<b>\$ 699,685</b>	<b>\$ 697,603</b>	<b>\$ 8,118</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	6,036	699,685	697,603	8,118
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ 6,036</b>	<b>\$ 699,685</b>	<b>\$ 697,603</b>	<b>\$ 8,118</b>



**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 6 OF 13)

**CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

	BALANCE			BALANCE
	01/01/16	INCREASES	DECREASES	12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1	\$ 418,373	\$ 418,349	\$ 25
Assets held in trust:				
External investment pool participants	330,305	191,288	332,266	189,327
External impaired investment pool participants	14	11	15	10
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 330,320</b>	<b>\$ 609,672</b>	<b>\$ 750,630</b>	<b>\$ 189,362</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	330,320	141,024	281,982	189,362
<b>TOTAL LIABILITIES</b>	<b>\$ 330,320</b>	<b>\$ 141,024</b>	<b>\$ 281,982</b>	<b>\$ 189,362</b>

**CITIES AND TOWNS**

	BALANCE			BALANCE
	01/01/16	INCREASES	DECREASES	12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,504	\$ 1,168,043	\$ 1,167,789	\$ 17,758
Assets held in trust:				
External investment pool participants	—	—	—	—
External impaired investment pool participants	—	—	—	—
Investments	—	—	—	—
Taxes receivable - delinquent	13,618	852,100	851,767	13,951
Accounts receivable	3,635	155,000	154,587	4,048
Assessments receivable	13	67	66	14
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 34,770</b>	<b>\$ 2,175,210</b>	<b>\$ 2,174,209</b>	<b>\$ 35,771</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	34,770	2,170,328	2,169,327	35,771
<b>TOTAL LIABILITIES</b>	<b>\$ 34,770</b>	<b>\$ 2,170,328</b>	<b>\$ 2,169,327</b>	<b>\$ 35,771</b>





**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 9 OF 13)

	<b>LIBRARY CAPITAL FACILITY DISTRICTS</b>			
	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 1,483	\$ 1,483	\$ —
Assets held in trust:				
External investment pool participants	124	120	125	119
External impaired investment pool participants	1	—	1	—
Investments	—	—	—	—
Taxes receivable - delinquent	18	1,386	1,383	21
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 143</b>	<b>\$ 2,989</b>	<b>\$ 2,992</b>	<b>\$ 140</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	143	9,222	9,225	140
<b>TOTAL LIABILITIES</b>	<b>\$ 143</b>	<b>\$ 9,222</b>	<b>\$ 9,225</b>	<b>\$ 140</b>
	<b>MISCELLANEOUS SPECIAL DISTRICTS</b>			
	BALANCE 01/01/16	INCREASES	DECREASES	BALANCE 12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17	\$ 108,568	\$ 108,215	\$ 370
Assets held in trust:				
External investment pool participants	15,764	17,496	15,894	17,366
External impaired investment pool participants	21	17	23	15
Investments	—	—	—	—
Taxes receivable - delinquent	363	61,556	60,951	968
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 16,165</b>	<b>\$ 187,637</b>	<b>\$ 185,083</b>	<b>\$ 18,719</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 112	\$ 10,606	\$ 10,564	\$ 154
Accounts payable	24	7,105	7,129	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	16,029	173,623	171,087	18,565
<b>TOTAL LIABILITIES</b>	<b>\$ 16,165</b>	<b>\$ 191,334</b>	<b>\$ 188,780</b>	<b>\$ 18,719</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 10 OF 13)

**NORTHSHORE PARK AND RECREATION SERVICE AREA**

	BALANCE			BALANCE	
	01/01/16	INCREASES	DECREASES	12/31/16	
<b>ASSETS</b>					
Cash and cash equivalents	\$ —	\$ 534	\$ 534	\$ —	
Assets held in trust:					
External investment pool participants	177	170	178	169	
External impaired investment pool participants	1	1	1	1	
Investments	—	—	—	—	
Taxes receivable - delinquent	3	195	196	2	
Accounts receivable	—	—	—	—	
Assessments receivable	—	—	—	—	
Notes and contracts receivable	—	—	—	—	
<b>TOTAL ASSETS</b>	<b>\$ 181</b>	<b>\$ 900</b>	<b>\$ 909</b>	<b>\$ 172</b>	
<b>LIABILITIES</b>					
Warrants payable	\$ —	\$ —	\$ —	\$ —	
Accounts payable	—	17	17	—	
Wages payable	—	—	—	—	
Custodial accounts - County agencies	—	—	—	—	
Due to special districts/other governments	181	3,662	3,671	172	
<b>TOTAL LIABILITIES</b>	<b>\$ 181</b>	<b>\$ 3,679</b>	<b>\$ 3,688</b>	<b>\$ 172</b>	

**PORT OF SEATTLE**

	BALANCE			BALANCE	
	01/01/16	INCREASES	DECREASES	12/31/16	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 612	\$ 72,324	\$ 72,208	\$ 728	
Assets held in trust:					
External investment pool participants	—	—	—	—	
External impaired investment pool participants	—	—	—	—	
Investments	—	—	—	—	
Taxes receivable - delinquent	1,395	73,641	73,720	1,316	
Accounts receivable	—	—	—	—	
Assessments receivable	—	—	—	—	
Notes and contracts receivable	—	—	—	—	
<b>TOTAL ASSETS</b>	<b>\$ 2,007</b>	<b>\$ 145,965</b>	<b>\$ 145,928</b>	<b>\$ 2,044</b>	
<b>LIABILITIES</b>					
Warrants payable	\$ —	\$ —	\$ —	\$ —	
Accounts payable	—	—	—	—	
Wages payable	—	—	—	—	
Custodial accounts - County agencies	—	—	—	—	
Due to special districts/other governments	2,007	145,102	145,065	2,044	
<b>TOTAL LIABILITIES</b>	<b>\$ 2,007</b>	<b>\$ 145,102</b>	<b>\$ 145,065</b>	<b>\$ 2,044</b>	



**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 12 OF 13)

	<b>STATE OF WASHINGTON</b>			
	BALANCE	INCREASES	DECREASES	BALANCE
	01/01/16			12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,993	\$ 1,439,551	\$ 1,440,816	\$ 728
Assets held in trust:				
External investment pool participants	—	—	—	—
External impaired investment pool participants	—	—	—	—
Investments	—	—	—	—
Taxes receivable - delinquent	16,473	941,986	942,064	16,395
Accounts receivable	—	4,827	—	4,827
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 18,466</b>	<b>\$ 2,386,364</b>	<b>\$ 2,382,880</b>	<b>\$ 21,950</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	6	149	155	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	18,460	2,374,860	2,371,370	21,950
<b>TOTAL LIABILITIES</b>	<b>\$ 18,466</b>	<b>\$ 2,375,009</b>	<b>\$ 2,371,525</b>	<b>\$ 21,950</b>

	<b>WA STATE PUBLIC STADIUM AUTHORITY</b>			
	BALANCE	INCREASES	DECREASES	BALANCE
	01/01/16			12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 13,443	\$ 13,443	\$ —
Assets held in trust:				
External investment pool participants	9,085	9,993	9,168	9,910
External impaired investment pool participants	16	14	18	12
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 9,101</b>	<b>\$ 23,450</b>	<b>\$ 22,629</b>	<b>\$ 9,922</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	985	985	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	9,101	4,439	3,618	9,922
<b>TOTAL LIABILITIES</b>	<b>\$ 9,101</b>	<b>\$ 5,424</b>	<b>\$ 4,603</b>	<b>\$ 9,922</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(IN THOUSANDS)  
(PAGE 13 OF 13)

	<b>WATER DISTRICTS</b>			
	BALANCE	INCREASES	DECREASES	BALANCE
	01/01/16			12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 532,037	\$ 532,037	\$ —
Assets held in trust:				
External investment pool participants	222,089	246,497	224,134	244,452
External impaired investment pool participants	326	273	362	237
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	2,746	4	368	2,382
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 225,161</b>	<b>\$ 778,811</b>	<b>\$ 756,901</b>	<b>\$ 247,071</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 220	\$ 8,056	\$ 7,973	\$ 303
Accounts payable	763	104,482	105,083	162
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	224,178	703,085	680,657	246,606
<b>TOTAL LIABILITIES</b>	<b>\$ 225,161</b>	<b>\$ 815,623</b>	<b>\$ 793,713</b>	<b>\$ 247,071</b>

	<b>WA STATE MLB STADIUM - PUBLIC FACILITIES DISTRICT</b>			
	BALANCE	INCREASES	DECREASES	BALANCE
	01/01/16			12/31/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 37,185	\$ 37,185	\$ —
Assets held in trust:				
External investment pool participants	17,923	12,203	18,040	12,086
External impaired investment pool participants	93	145	171	67
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 18,016</b>	<b>\$ 49,533</b>	<b>\$ 55,396</b>	<b>\$ 12,153</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	12,111	12,100	11
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	18,016	19,382	25,256	12,142
<b>TOTAL LIABILITIES</b>	<b>\$ 18,016</b>	<b>\$ 31,493</b>	<b>\$ 37,356</b>	<b>\$ 12,153</b>

# Statistical Section

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**STATISTICAL SECTION**

**CONTENTS**

This part of King County’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the County’s overall financial health.

<b>Financial Trends</b>	192-196
Information to help the reader understand how the County’s financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	197-200
Information to help the reader assess the County’s most significant	
<b>Debt Capacity</b>	201-207
Information to help the reader assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	
<b>Operating Information</b>	208-209
Services and infrastructure data to help the reader understand how the information in the County’s financial report relates to the services the County provides and the activities it performs	
<b>Demographic and Economic Information</b>	210-212
Demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (IN THOUSANDS)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:										
Net investment in capital assets	\$ 1,762,158	\$ 1,814,117	\$ 1,889,721	\$ 1,922,455	\$ 1,920,793	\$ 1,905,722	\$ 2,109,711	\$ 2,204,046	\$ 2,130,800	\$ 2,217,067
Restricted	394,932	437,707	443,686	441,052	440,959	452,529	499,601	576,224	401,317	700,986
Unrestricted	(357,940)	(334,815)	(276,188)	(228,572)	(116,673)	13,174	(65,063)	(577,479)	(197,963)	(338,252)
Total governmental activities net position	<u>\$ 1,799,150</u>	<u>\$ 1,917,009</u>	<u>\$ 2,057,219</u>	<u>\$ 2,134,935</u>	<u>\$ 2,245,079</u>	<u>\$ 2,371,425</u>	<u>\$ 2,544,249</u>	<u>\$ 2,202,791</u>	<u>\$ 2,334,154</u>	<u>\$ 2,579,801</u>
Business-type activities:										
Net investment in capital assets	\$ 1,551,017	\$ 1,698,018	\$ 1,604,179	\$ 1,580,093	\$ 1,622,274	\$ 1,627,435	\$ 1,612,685	\$ 1,616,435	\$ 1,649,976	\$ 1,788,355
Restricted	419,118	564,854	649,948	259,357	311,596	267,262	214,515	216,803	243,658	244,689
Unrestricted	153,948	(94,361)	(4,060)	443,285	515,775	641,235	777,194	442,513	578,342	817,249
Total business-type activities net position	<u>\$ 2,124,083</u>	<u>\$ 2,168,511</u>	<u>\$ 2,250,067</u>	<u>\$ 2,282,735</u>	<u>\$ 2,449,645</u>	<u>\$ 2,535,932</u>	<u>\$ 2,604,394</u>	<u>\$ 2,275,751</u>	<u>\$ 2,471,976</u>	<u>\$ 2,850,293</u>
Primary government:										
Net investment in capital assets	\$ 3,313,175	\$ 3,512,135	\$ 3,493,900	\$ 3,502,548	\$ 3,543,067	\$ 3,533,157	\$ 3,722,396	\$ 3,820,481	\$ 3,780,776	\$ 4,005,422
Restricted	814,050	1,002,561	1,093,634	700,409	752,555	719,791	714,116	793,027	644,975	945,675
Unrestricted	(203,992)	(429,176)	(280,248)	214,713	399,102	654,409	712,131	(134,966)	380,379	478,997
Total primary government net position	<u>\$ 3,923,233</u>	<u>\$ 4,085,520</u>	<u>\$ 4,307,286</u>	<u>\$ 4,417,670</u>	<u>\$ 4,694,724</u>	<u>\$ 4,907,357</u>	<u>\$ 5,148,643</u>	<u>\$ 4,478,542</u>	<u>\$ 4,806,130</u>	<u>\$ 5,430,094</u>

The years 2008-2011 have been restated for the transfer of the King County Ferry District from governmental activities to business-type activities.

**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (IN THOUSANDS)  
 (PAGE 1 OF 2)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 95,864	\$ 168,271	\$ 106,076	\$ 193,521	\$ 153,910	\$ 147,395	\$ 189,712	\$ 215,569	\$ 251,147	\$ 211,269
Public safety	544,838	580,105	607,191	605,396	594,366	629,924	587,478	866,983	667,361	602,706
Physical environment	63,326	67,498	76,404	79,897	78,823	77,111	88,381	162,969	110,864	59,725
Transportation	107,471	112,666	111,562	101,338	100,724	78,937	68,363	112,928	84,139	89,345
Economic environment	94,555	99,839	105,515	103,153	112,081	104,707	98,219	118,868	101,942	116,757
Mental and physical health	381,286	421,355	458,184	456,678	457,507	469,234	480,482	607,407	508,706	678,492
Culture and recreation	50,100	56,285	53,313	54,071	56,917	60,273	48,748	64,876	50,699	84,838
Interest and other debt service costs	53,299	51,455	54,010	49,979	51,670	38,509	41,728	36,098	34,207	29,714
Total governmental activities expenses	<u>1,390,739</u>	<u>1,557,474</u>	<u>1,572,255</u>	<u>1,644,033</u>	<u>1,605,998</u>	<u>1,606,090</u>	<u>1,603,111</u>	<u>2,185,698</u>	<u>1,809,065</u>	<u>1,872,846</u>
Business-type activities:										
Airport	14,620	15,842	24,725	22,296	28,101	29,909	28,339	32,786	21,392	26,304
Public Transportation	588,234	667,651	673,436	697,611	716,949	740,384	764,580	1,020,577	777,883	848,622
Solid Waste	116,252	110,348	91,347	101,210	96,871	108,837	102,030	149,906	113,751	132,386
Water Quality	242,808	257,249	287,792	290,873	321,057	396,260	433,210	571,966	448,832	467,987
Other	8,025	10,660	12,649	13,262	13,183	13,912	15,432	19,075	14,136	14,773
Total business-type activities expenses	<u>969,939</u>	<u>1,061,750</u>	<u>1,089,949</u>	<u>1,125,252</u>	<u>1,176,161</u>	<u>1,289,302</u>	<u>1,343,591</u>	<u>1,794,310</u>	<u>1,375,994</u>	<u>1,490,072</u>
Total primary government expenses	<u>\$ 2,360,678</u>	<u>\$ 2,619,224</u>	<u>\$ 2,662,204</u>	<u>\$ 2,769,285</u>	<u>\$ 2,782,159</u>	<u>\$ 2,895,392</u>	<u>\$ 2,946,702</u>	<u>\$ 3,980,008</u>	<u>\$ 3,185,059</u>	<u>\$ 3,362,918</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 65,440	\$ 57,139	\$ 66,962	\$ 54,187	\$ 65,478	\$ 72,711	\$ 74,483	\$ 27,391	\$ 94,077	\$ 193,326
Public safety	125,103	128,424	148,236	155,182	155,857	143,737	150,358	160,874	169,829	105,833
Physical environment	44,564	48,286	42,878	47,598	43,607	55,526	53,825	75,191	65,445	49,120
Transportation	17,003	18,716	15,976	13,814	16,571	13,656	28,093	49,311	12,233	8,946
Economic environment	48,586	29,148	26,955	27,836	35,276	29,958	20,854	28,440	35,963	34,628
Mental and physical health	226,341	248,617	262,928	266,270	266,583	300,604	294,291	335,188	357,367	393,430
Culture and recreation	7,264	7,710	6,688	6,799	6,487	8,163	8,908	457	8,684	8,897
Interest and other debt service costs	4,864	911	881	706	1,695	1,783	8,924	14,995	15,744	—
Operating grants and contributions	180,215	188,469	206,431	197,586	205,813	205,235	175,862	182,500	189,325	218,760
Capital grants and contributions	82,908	78,259	75,592	112,530	73,182	67,113	99,812	30,274	18,113	29,709
Total governmental activities	<u>802,288</u>	<u>805,679</u>	<u>853,527</u>	<u>882,508</u>	<u>870,549</u>	<u>898,486</u>	<u>915,410</u>	<u>904,621</u>	<u>966,780</u>	<u>1,042,649</u>

The years 2008-2011 have been restated for the transfer of the King County Ferry District from governmental activities to business-type activities. Prior to 2016, public safety was called law, safety and justice, which included legal- and judicial-related expenses.

**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (IN THOUSANDS)  
 (PAGE 2 OF 2)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Airport	\$ 13,921	\$ 18,075	\$ 20,774	\$ 20,766	\$ 19,204	\$ 17,812	\$ 20,440	\$ 17,457	\$ 19,081	\$ 20,289
Public Transportation	160,231	173,011	205,170	223,278	244,511	278,143	299,382	289,943	301,030	342,737
Solid Waste	93,376	98,821	92,343	109,949	88,961	98,827	109,131	114,270	121,858	131,234
Water Quality	264,440	284,995	307,556	305,738	338,226	390,705	431,743	440,720	438,440	605,887
Other	6,823	7,535	7,418	7,639	7,664	8,746	9,222	8,964	9,067	10,735
Operating grants and contributions	55,771	72,458	90,570	57,514	61,374	58,537	35,824	37,816	30,643	58,374
Capital grants and contributions	15,846	43,155	38,291	27,191	152,999	81,712	57,919	40,204	92,242	89,336
Total business-type activities	<u>610,408</u>	<u>698,050</u>	<u>762,122</u>	<u>752,075</u>	<u>912,939</u>	<u>934,482</u>	<u>963,661</u>	<u>949,374</u>	<u>1,012,361</u>	<u>1,258,592</u>
Total primary government	<u>\$ 1,412,696</u>	<u>\$ 1,503,729</u>	<u>\$ 1,615,649</u>	<u>\$ 1,634,583</u>	<u>\$ 1,783,488</u>	<u>\$ 1,832,968</u>	<u>\$ 1,879,071</u>	<u>\$ 1,853,995</u>	<u>\$ 1,979,141</u>	<u>\$ 2,301,241</u>
<b>Net (Expenses) Revenues</b>										
Governmental activities	\$ (588,451)	\$ (751,795)	\$ (718,728)	\$ (761,525)	\$ (735,449)	\$ (707,604)	\$ (687,701)	\$ (1,281,077)	\$ (842,285)	\$ (830,197)
Business-type activities	<u>(359,531)</u>	<u>(363,700)</u>	<u>(327,827)</u>	<u>(373,177)</u>	<u>(263,222)</u>	<u>(354,820)</u>	<u>(379,930)</u>	<u>(844,936)</u>	<u>(363,633)</u>	<u>(231,480)</u>
Total primary government	<u>\$ (947,982)</u>	<u>\$ (1,115,495)</u>	<u>\$ (1,046,555)</u>	<u>\$ (1,134,702)</u>	<u>\$ (998,671)</u>	<u>\$ (1,062,424)</u>	<u>\$ (1,067,631)</u>	<u>\$ (2,126,013)</u>	<u>\$ (1,205,918)</u>	<u>\$ (1,061,677)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities	\$ 771,047	\$ 869,654	\$ 858,938	\$ 839,241	\$ 846,020	\$ 833,950	\$ 865,348	\$ 948,923	\$ 973,648	\$ 1,075,844
Business-type activities	<u>463,560</u>	<u>471,773</u>	<u>409,383</u>	<u>405,845</u>	<u>430,132</u>	<u>441,107</u>	<u>469,065</u>	<u>516,293</u>	<u>559,858</u>	<u>609,797</u>
Total primary government	<u>\$ 1,234,607</u>	<u>\$ 1,341,427</u>	<u>\$ 1,268,321</u>	<u>\$ 1,245,086</u>	<u>\$ 1,276,152</u>	<u>\$ 1,275,057</u>	<u>\$ 1,334,413</u>	<u>\$ 1,465,216</u>	<u>\$ 1,533,506</u>	<u>\$ 1,685,641</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 182,596	\$ 117,859	\$ 140,210	\$ 77,716	\$ 110,571	\$ 126,346	\$ 177,647	\$ (332,154)	\$ 131,363	\$ 245,647
Business-type activities	<u>104,029</u>	<u>108,073</u>	<u>81,556</u>	<u>32,668</u>	<u>166,910</u>	<u>86,287</u>	<u>89,135</u>	<u>(328,643)</u>	<u>196,225</u>	<u>378,317</u>
Total primary government	<u>\$ 286,625</u>	<u>\$ 225,932</u>	<u>\$ 221,766</u>	<u>\$ 110,384</u>	<u>\$ 277,481</u>	<u>\$ 212,633</u>	<u>\$ 266,782</u>	<u>\$ (660,797)</u>	<u>\$ 327,588</u>	<u>\$ 623,964</u>

The years 2008-2011 have been restated for the transfer of the King County Ferry District from governmental activities to business-type activities.  
 Prior to 2016, public safety was called law, safety and justice, which included legal- and judicial-related expenses.

**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(IN THOUSANDS)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Nonspendable	N/A	N/A	N/A	N/A	\$ 3,800	\$ 3,800	\$ 300	\$ 300	\$ 300	\$ —
Restricted	N/A	N/A	N/A	N/A	3,309	2,702	2,506	2,803	1,781	1,659
Committed	N/A	N/A	N/A	N/A	23,694	21,761	24,982	20,212	20,310	20,497
Assigned	N/A	N/A	N/A	N/A	7,420	8,827	8,264	8,151	12,125	35,128
Unassigned	N/A	N/A	N/A	N/A	96,545	102,554	78,318	71,742	68,113	68,195
Reserved	\$ 27,346	\$ 16,064	\$ 14,915	\$ 16,632	N/A	N/A	N/A	N/A	N/A	N/A
Unreserved:										
Designated	23,319	7,396	3,207	4,001	N/A	N/A	N/A	N/A	N/A	N/A
Undesignated	89,983	73,765	64,304	67,610	N/A	N/A	N/A	N/A	N/A	N/A
Total General Fund	<u>\$ 140,648</u>	<u>\$ 97,225</u>	<u>\$ 82,426</u>	<u>\$ 88,243</u>	<u>\$ 134,768</u>	<u>\$ 139,644</u>	<u>\$ 114,370</u>	<u>\$ 103,208</u>	<u>\$ 102,629</u>	<u>\$ 125,479</u>
<b>All Other Governmental Funds</b>										
Nonspendable	N/A	N/A	N/A	N/A	\$12,333	\$ 14,648	\$ 14,241	\$ 12,678	\$ 14,441	\$ 9,211
Restricted	N/A	N/A	N/A	N/A	392,138	406,890	392,824	191,893	446,210	698,693
Committed	N/A	N/A	N/A	N/A	77,227	86,439	80,368	88,996	38,373	37
Assigned	N/A	N/A	N/A	N/A	16,105	33,157	45,224	286,300	117,729	33,468
Unassigned	N/A	N/A	N/A	N/A	(10,460)	(8,917)	(6,571)	(7,462)	(14,674)	(20,232)
Reserved	\$ 101,045	\$ 93,564	\$ 120,349	\$ 94,384	N/A	N/A	N/A	N/A	N/A	N/A
Unreserved										
Designated:										
Special revenue funds	37,129	43,682	42,170	71,036	N/A	N/A	N/A	N/A	N/A	N/A
Debt service funds	—	—	—	—	N/A	N/A	N/A	N/A	N/A	N/A
Capital project funds	—	—	—	—	N/A	N/A	N/A	N/A	N/A	N/A
Undesignated:										
Special revenue funds	84,541	138,512	183,034	165,317	N/A	N/A	N/A	N/A	N/A	N/A
Debt service funds	27,666	32,762	36,704	42,694	N/A	N/A	N/A	N/A	N/A	N/A
Capital project funds	80,946	94,692	26,694	77,148	N/A	N/A	N/A	N/A	N/A	N/A
Total all other governmental funds	<u>\$ 331,327</u>	<u>\$ 403,212</u>	<u>\$ 408,951</u>	<u>\$ 450,579</u>	<u>\$ 487,343</u>	<u>\$ 532,217</u>	<u>\$ 526,086</u>	<u>\$ 572,405</u>	<u>\$ 602,079</u>	<u>\$ 721,177</u>

The years 2008-2011 have been restated for the reclassification of King County Ferry District from a governmental fund to an enterprise fund.

In 2008, the County Council moved the Rainy Day Fund from the General Fund to a special revenue fund. Since 2011, the Rainy Day Fund has been reported as part of the General Fund in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Beginning in 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years. "N/A" indicates data is not applicable.

Since 2014, Law Library has been reported as part of the primary government as a special revenue fund under Justice and Safety fund. It was formerly reported as an agency fund under Miscellaneous Special Districts.

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(IN THOUSANDS)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 733,432	\$ 831,135	\$ 836,073	\$ 826,408	\$ 837,350	\$ 818,822	\$ 861,622	\$ 932,756	\$ 973,078	\$ 1,066,173
Licenses and permits	19,576	19,601	19,628	20,936	20,576	21,652	22,155	23,633	24,564	23,525
Intergovernmental revenues	453,577	493,554	543,951	560,068	570,794	597,549	572,424	656,830	617,162	230,123
Charges for services	255,194	234,883	247,083	232,227	249,612	249,755	269,853	270,977	302,681	775,813
Fines and forfeits	9,616	9,536	10,142	9,001	8,635	8,499	7,376	6,357	7,334	8,989
Interest earnings	29,065	27,794	15,219	7,340	6,005	6,550	3,456	5,008	4,837	9,099
Miscellaneous revenues	57,504	56,071	55,496	60,202	58,373	88,590	79,705	75,419	75,123	68,129
Total revenues	<u>1,557,964</u>	<u>1,672,574</u>	<u>1,727,592</u>	<u>1,716,182</u>	<u>1,751,345</u>	<u>1,791,417</u>	<u>1,816,591</u>	<u>1,970,980</u>	<u>2,004,779</u>	<u>2,181,851</u>
<b>Expenditures</b>										
General government	157,751	147,633	163,615	145,108	157,215	191,558	203,740	196,721	266,934	281,447
Public safety	496,376	534,238	560,059	556,471	553,127	570,926	590,701	619,161	642,723	592,779
Physical environment	63,924	91,301	107,804	107,297	101,516	98,962	123,241	190,979	165,260	59,074
Transportation	106,396	113,898	118,817	107,388	106,888	90,737	77,468	99,991	83,810	89,075
Economic environment	94,187	99,465	105,145	102,804	111,682	104,787	98,656	102,208	102,918	116,746
Mental and physical health	381,817	420,053	460,206	460,584	467,409	481,747	490,932	521,960	522,650	677,657
Culture and recreation	47,512	53,194	49,168	51,069	53,260	57,067	44,188	46,665	48,003	81,317
Debt service:										
Redemption of long-term debt	87,195	79,071	117,736	62,901	50,772	56,913	70,686	71,998	64,407	57,641
Interest	41,638	40,614	36,227	30,805	29,835	25,186	33,000	31,504	28,822	35,665
Other debt service costs	12,837	15,096	22,261	15,990	42,791	2,720	608	260	20,445	8,417
Capital outlay	74,135	105,673	85,161	115,399	122,310	138,279	119,746	78,595	92,895	80,681
Total expenditures	<u>1,563,768</u>	<u>1,700,236</u>	<u>1,826,199</u>	<u>1,755,816</u>	<u>1,796,805</u>	<u>1,818,882</u>	<u>1,852,966</u>	<u>1,960,042</u>	<u>2,038,867</u>	<u>2,080,499</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,804)</u>	<u>(27,662)</u>	<u>(98,607)</u>	<u>(39,634)</u>	<u>(45,460)</u>	<u>(27,465)</u>	<u>(36,375)</u>	<u>10,938</u>	<u>(34,088)</u>	<u>101,352</u>
<b>Other Financing Sources (Uses)</b>										
Transfers in	178,186	218,146	171,100	142,569	157,027	142,955	187,571	175,619	218,212	301,289
Transfers out	(175,063)	(213,003)	(171,715)	(139,773)	(155,565)	(137,706)	(188,847)	(167,519)	(204,986)	(294,109)
General government debt issued	48,395	48,755	84,810	82,465	109,085	51,980	—	15,395	27,355	25,025
Premium on bonds sold	3,890	170	5,831	6,521	5,793	59,146	7,261	6,370	33,799	3,764
Refunding bonds issued	54,565	—	42,869	41,250	25,700	256,615	92,940	34,815	198,290	—
Sale of capital assets	4,548	2,080	2,719	(392)	17,141	547	5,638	1,157	4,323	—
Payment to refunded bonds escrow agent	(57,133)	—	(46,067)	(45,561)	(28,242)	(296,322)	(99,593)	(38,958)	(227,200)	4,627
Total other financing sources (uses)	<u>57,388</u>	<u>56,148</u>	<u>89,547</u>	<u>87,079</u>	<u>130,939</u>	<u>77,215</u>	<u>4,970</u>	<u>26,879</u>	<u>49,793</u>	<u>40,596</u>
Special item	—	—	—	—	—	—	—	—	(12,756)	—
Net change in fund balances	<u>\$ 51,584</u>	<u>\$ 28,486</u>	<u>\$ (9,060)</u>	<u>\$ 47,445</u>	<u>\$ 85,479</u>	<u>\$ 49,750</u>	<u>\$ (31,405)</u>	<u>\$ 37,817</u>	<u>\$ 2,949</u>	<u>\$ 141,948</u>
Debt service as a percentage of noncapital expenditures	8.65%	7.51%	8.84%	5.71%	4.81%	4.89%	5.98%	5.50%	4.79%	4.67%

The years 2008-2011 have been restated for the reclassification of King County Ferry District from a governmental fund to an enterprise fund.

Since 2014, Law Library has been reported as part of the primary government as a special revenue fund under Justice and Safety fund. It was formerly reported as an agency fund under Miscellaneous Special Districts.

Prior to 2016, public safety was reported as law, safety and justice and included legal- and judicial-related expenses.

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
(DOLLARS IN THOUSANDS)

YEAR	TAXABLE REAL PROPERTY				TAXABLE PERSONAL PROPERTY		TOTAL TAXABLE PROPERTY		PERCENTAGE OF ASSESSED VALUE TO ESTIMATED ACTUAL VALUE	TOTAL DIRECT TAX RATE
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	MANUFACTURING PROPERTY	OTHER	MACHINERY & EQUIPMENT	OTHER	ASSESSED VALUE	ESTIMATED ACTUAL VALUE		
2007	\$ 220,370,481	\$ 44,100,498	\$ 7,817,974	\$ 10,748,360	\$ 7,390,343	\$ 8,327,543	\$ 298,755,199	\$ 342,607,599	87.2%	1.69
2008	249,962,370	50,972,853	8,673,833	14,267,768	7,808,288	9,310,328	340,995,440	405,511,641	84.1%	1.64
2009	286,099,396	60,331,491	9,792,547	13,072,328	8,205,353	9,388,613	386,889,728	431,461,548	89.7%	1.5
2010	243,764,953	58,386,704	10,417,510	11,506,856	8,704,135	9,191,359	341,971,517	403,965,414	84.7%	1.72
2011	238,365,326	54,362,043	9,249,529	10,797,670	8,950,510	8,689,920	330,414,998	365,786,645	90.3%	1.68
2012	227,449,614	54,172,019	8,712,532	11,044,709	8,601,970	9,480,094	319,460,938	346,131,439	92.3%	1.84
2013	222,163,087	56,215,135	8,654,663	10,009,341	8,600,412	9,103,568	314,746,206	350,086,008	89.9%	1.95
2014	243,285,020	59,878,692	8,817,579	10,443,602	9,768,484	8,450,240	340,643,617	373,068,501	91.3%	1.94
2015	285,252,943	63,574,962	9,211,109	11,760,682	9,544,869	8,774,291	388,118,856	413,683,277	93.8%	1.74
2016	315,624,341	69,742,685	9,636,149	12,349,296	9,616,099	9,367,036	426,335,606	459,811,075	92.7%	1.69

Source: King County Department of Assessments.

Ratios for real property and personal property were provided by Washington Department of Revenue.

Total Direct Tax Rate is per \$1,000 of assessed value.

**DIRECT AND OVERLAPPING GOVERNMENTS  
PROPERTY TAX RATES  
LAST TEN FISCAL YEARS**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
County Direct Rates										
General	\$ 1.29	\$ 1.21	\$ 1.10	\$ 1.28	\$ 1.34	\$ 1.42	\$ 1.54	\$ 1.52	\$ 1.34	\$ 1.33
Emergency Medical Services	0.13	0.19	0.18	0.19	0.19	0.19	0.19	0.21	0.19	0.17
Road District	0.27	0.24	0.22	0.25	0.15	0.23	0.22	0.21	0.21	0.19
Total County Direct Rates	\$ 1.69	\$ 1.64	\$ 1.50	\$ 1.72	\$ 1.68	\$ 1.84	\$ 1.95	\$ 1.94	\$ 1.74	\$ 1.69
State School Fund Rate	2.33	2.13	1.96	2.22	2.28	2.42	2.57	2.47	2.29	2.17
Port of Seattle Rate	0.23	0.22	0.20	0.22	0.22	0.23	0.23	0.22	0.19	0.17
Ferry District Rate	—	0.06	0.05	—	0.004	0.004	0.004	0.003	0.003	0.003
King County Library System Rate	0.50	0.45	0.42	0.49	0.57	0.57	0.57	0.56	0.50	0.48
Cities and Towns Rate	.35-3.22	.33-2.77	.30-2.58	.33-2.92	.39-3.06	.39-3.28	.40-3.29	.36-3.15	.32-3.16	.30-3.00
School Districts Rate	1.73-4.95	1.39-4.73	1.18-4.54	1.74-5.28	1.80-6.00	1.81-6.14	1.83-7.55	1.94-7.28	1.83-6.42	1.86-6.75
Fire Districts Rate	.69-1.67	.77-1.68	.74-1.65	.83-1.90	.88-1.90	.14-1.94	.15-2.41	.14-2.42	.11-2.17	.10-2.09
Hospital Districts Rate	.46-.56	.43-.59	.40-.53	.46-.63	.48-.56	.31-.50	.50-.52	.47-.50	.40-.50	.38-.50
Flood Control Zone Districts Rate	0.04	0.10	0.09	0.10	0.11	0.12	0.13	0.15	0.14	0.13
Park and Recreation Districts Rate	.04-.45	.03-.49	.01-.44	.01-.52	.02-.80	.02-.74	.02-.50	.02-.53	.01-.40	.15-.50
Miscellaneous Districts Rate	.04-.48	.04-.44	.04-.44	.04-.47	.04-.50	.05-.50	.10-.50	.04-.50	.04-.50	.03-.50

Source: King County Department of Assessments

Notes:

(1) Limitations on levies: Article 7, § 2 (as amended) of the Washington State Constitution and the Revised Code of Washington (RCW) 84.52.050 limit the total "regular" property tax levy to a maximum of \$10 per \$1,000 of true and fair value of real and personal property valuation. This "1 percent of value" limitation does not include tax levies for port and public utility districts. This limit is subject to further reduction since RCW 84.52.043(2) limits the overlapping levy rate excluding the State (school), port districts, and public utility districts to \$5.90 per \$1,000 of assessed value. RCW 84.55.010, as amended by Ch. 1, Laws of 2002 (approved as Initiative 747 by State voters in November 2001) also limits the total dollar amount of regular property taxes levied by individual taxing districts to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an amount applicable to new construction. The limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than one percent, the limit factor can be increased to 101 percent, if approved by a majority plus one vote of the governing body of the municipality upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the municipality upon a finding of substantial need and is also approved by the voters at a general or special election within the municipality. These limitations are not applicable to "excess" or special levies approved by the electorate of districts.

(2) Real and personal property taxes are payable on or after February 15. Unpaid taxes become delinquent after April 30, unless tax is \$50 or more and one-half is paid before April 30. In this case, the second half is not delinquent until after October 31.

(3) Tax rates are in per \$1,000 of assessed value. Rates include excess and special levies not subject to the limitations discussed in footnote (1) above.

**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
(DOLLARS IN THOUSANDS)

YEAR	TAXES LEVIED FOR THE YEAR		TOTAL ADJUSTED TAX LEVY	COLLECTED WITHIN THE YEAR OF THE LEVY		COLLECTIONS SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE		TOTAL UNCOLLECTED TAXES	
	(ORIGINAL LEVY)	ADJUSTMENTS		AMOUNT	PERCENTAGE OF ORIGINAL LEVY		AMOUNT	PERCENTAGE OF ADJUSTED LEVY	AMOUNT	PERCENTAGE OF ADJUSTED LEVY
2007	\$ 500,896	\$ (751)	\$ 500,145	\$ 492,120	98.25%	\$ 7,977	\$ 500,097	99.99%	\$ 48	0.01%
2008	586,746	(172)	586,574	575,431	98.07%	11,092	586,523	99.99%	51	0.01
2009	607,030	(824)	606,206	594,263	97.90%	11,878	606,141	99.99%	65	0.01
2010	616,316	(199)	616,117	604,359	98.06%	11,683	616,042	99.99%	75	0.01
2011	617,426	(288)	617,138	606,573	98.24%	10,595	617,168	100.00%	—	—
2012	618,371	(180)	618,191	607,960	98.32%	9,766	617,726	99.92%	465	0.08
2013	648,586	(113)	648,473	638,073	98.38%	9,604	647,677	99.88%	796	0.12
2014	706,912	(98)	706,814	696,423	98.52%	8,605	705,028	99.75%	1,786	0.25
2015	726,319	(132)	726,187	716,418	98.64%	7,105	723,523	99.63%	2,664	0.37
2016	837,123	—	837,123	825,870	98.66%	—	825,870	98.66%	11,253	1.34

Source: King County Treasury Property Tax Year End Reports for 2007-2016

Note: The levy of any given fiscal year is based on the assessed values from the tax roll of the preceding calendar year. The amounts in the total uncollected taxes column are cumulative totals of all taxes levied at the end of the year.

**PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND TEN YEARS AGO  
(DOLLARS IN THOUSANDS)**

TAXPAYER	2016			2007		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Microsoft	\$ 3,682,344	1	0.86%	\$ 1,931,019	2	0.65%
Puget Sound Energy/Gas/Electric	2,426,876	2	0.57	1,216,897	3	0.41
Boeing	2,100,462	3	0.49	2,620,891	1	0.88
Acorn Development LLC	1,897,572	4	0.45	—		—
Essex Property Trust	1,665,284	5	0.39	—		—
Alaska Airlines	1,056,243	6	0.25	522,386	6	0.17
Atlas Group US Inc.	970,874	7	0.23	—		—
Union Square LLC	840,558	8	0.20	455,476	9	0.15
BRE Properties	812,347	9	0.19	—		—
AvalonBay Communities Inc	799,071	10	0.19	—		—
Qwest Corporation Inc.	469,505		0.11	787,911	4	0.26
AT&T Mobility LLC	122,856		0.03	554,820	5	0.19
Bank of America	—		—	510,348	7	0.17
T-Mobile	261,505		0.06	490,385	8	0.16
Wright Runstad & Company	—		—	344,898	10	0.12
Total	<u>17,105,497</u>		<u>4.02</u>	<u>9,435,031</u>		<u>3.16</u>
Total assessed valuation of other taxpayers	<u>409,230,111</u>		<u>95.98</u>	<u>289,320,168</u>		<u>96.84</u>
Total 2015 assessed valuation for taxes due in 2016	<u>\$ 426,335,608</u>		<u>100.00%</u>			
Total 2006 assessed valuation for taxes due in 2007				<u>\$ 298,755,199</u>		<u>100.00%</u>

Source: King County Department of Assessments

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
(DOLLARS IN THOUSANDS, EXCEPT PER CAPITA AMOUNT)

FISCAL YEAR	GENERAL	GENERAL	GENERAL	GENERAL	SPECIAL	TOTAL	PERCENTAGE OF ESTIMATED ACTUAL TAX- ABLE VALUE <sup>(b)</sup> OF PROPERTY	PER CAPITA <sup>(c)</sup>	
	OBLIGATION BONDS <sup>(a)</sup>	OBLIGATION BOND ANTICIPATION NOTES	LEASE REVENUE BONDS	BONDED DEBT OUTSTANDING	OBLIGATION CAPITAL LEASES				ASSESSMENT BONDS
2007	\$ 1,517,791	\$ 43,975	\$ 414,535	\$ 1,976,301	\$ 4,324	\$ 15	\$ 1,980,640	0.58%	1,072
2008	1,407,997	48,755	408,640	1,865,392	4,000	—	1,869,392	0.46%	997
2009	1,696,815	27,095	402,455	2,126,365	—	—	2,126,365	0.49%	1,112
2010	1,812,306	84,290	395,990	2,292,586	—	—	2,292,586	0.57%	1,187
2011	1,748,360	82,295	385,525	2,216,180	—	—	2,216,180	0.61%	1,141
2012	1,885,236	73,395	321,780	2,280,411	—	—	2,280,411	0.66%	1,165
2013	1,881,480	—	265,325	2,146,805	—	—	2,146,805	0.61%	1,083
2014	1,847,680	—	217,900	2,065,580	—	—	2,065,580	0.55%	1,024
2015	2,023,239	—	20,965	2,044,204	—	—	2,044,204	0.49%	996
2016	1,931,866	—	12,765	1,944,631	—	—	1,944,631	0.42%	924

Additional details regarding the County's outstanding debt can be found in Note 15 - "Liabilities."

(a) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

(b) Property value data can be found in the table "Assessed and Estimated Actual Value of Taxable Property."

(c) Population data can be found in the table "Demographic and Economic Statistics."

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of DECEMBER 31, 2016

(IN THOUSANDS)

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED<sup>(a)</sup> PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
<b>DEBT REPAYED WITH PROPERTY TAXES</b>			
King County – net overlapping debt:			
Port of Seattle	\$ 283,620	100.00%	\$ 283,620
School districts:			
Bellevue School District	749,554	100.00%	749,554
Lake Washington School District	517,977	100.00%	517,977
Issaquah School District	497,009	100.00%	497,009
Northshore School District	385,382	64.52%	248,634
Renton School District	270,836	100.00%	270,836
Highline School District	227,030	100.00%	227,030
Shoreline School District	174,797	100.00%	174,797
Snoqualmie School District	162,751	100.00%	162,751
Federal Way School District	156,940	100.00%	156,940
Auburn School District	143,700	92.14%	132,409
Other school districts	635,652	100.00%	635,652
Total school districts	3,921,628		3,773,589
Cities and towns <sup>(b)</sup> :			
City of Seattle	998,414	100.00%	998,414
City of Bellevue	283,447	100.00%	283,447
City of Kent	106,392	100.00%	106,392
City of Bothell	91,962	52.61%	48,379
City of Tukwila	63,659	100.00%	63,659
City of Redmond	60,380	100.00%	60,380
City of Renton	59,151	100.00%	59,151
City of Auburn	57,966	100.00%	57,966
City of Kirkland	41,850	100.00%	41,850
Other cities and towns	163,163	100.00%	163,163
Total cities and towns	1,926,384		1,882,801
Hospital districts	255,164	100.00%	255,164
King County Library System	97,582	98.24%	95,864
Fire districts	96,099	100.00%	96,099
Library capital facility districts	1,921	100.00%	1,921
Parks and recreation service area district	1,174	64.14%	753
Park districts	6,120	100.00%	6,120
<b>TOTAL KING COUNTY – NET OVERLAPPING DEBT</b>	<b>6,589,692</b>		<b>6,395,931</b>
<b>KING COUNTY – NET DIRECT DEBT<sup>(c)</sup></b>	<b>764,137</b>	<b>100%</b>	<b>764,137</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b>\$ 7,353,829</b>		<b>\$ 7,160,068</b>

Source: Assessed value data used to estimate percentages applicable to this governmental unit are provided by King County Department of Assessments.

Note: Within King County, other municipal governments incur general obligation debt. Debts incurred by other governmental units, although overlapping, have no claim on any County revenues.

(a) Determined by ratio of assessed valuation of property in overlapping unit subject to taxation in reporting unit to total valuation of property subject to taxation in overlapping unit.

(b) Outstanding debts are provided by the cities and towns.

(c) Net direct debt calculation:

\$ 867,717	General long-term debt - net general obligation bonds, lease revenue bonds and unamortized premiums/discounts
102,856	Compensated absences
(194,854)	General obligation debt financed by component unit
(11,582)	Funds available in GO debt service funds
<u>\$ 764,137</u>	<b>NET DIRECT DEBT</b>

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(IN THOUSANDS, EXCEPT PER CAPITA AMOUNT)**

FISCAL YEAR	GOVERNMENTAL ACTIVITIES					
	GENERAL OBLIGATION BONDS	GENERAL OBLIGATION LEASE REVENUE BONDS	PREMIUMS, DISCOUNTS AND OTHER ADJUSTMENTS	NET GENERAL OBLIGATION AND LEASE REVENUE BONDS	CAPITAL LEASES	SPECIAL ASSESSMENT BONDS
2007	\$ 819,221	\$ 414,535	\$ 26,172	\$ 1,259,928	\$ 4,324	\$ 15
2008	725,698	408,640	21,548	1,155,886	4,000	—
2009	724,295	402,455	22,557	1,149,307	—	—
2010	728,409	395,990	24,233	1,148,632	—	—
2011	748,482	385,525	23,947	1,157,954	—	—
2012	772,439	321,780	66,786	1,161,005	—	—
2013	741,373	265,325	61,793	1,068,491	—	—
2014	717,640	217,900	63,326	998,866	—	—
2015	825,298	20,965	85,768	932,031	—	—
2016	779,012	12,765	75,940	867,717	—	—

FISCAL YEAR	BUSINESS-TYPE ACTIVITIES					
	GENERAL OBLIGATION BONDS	SEWER REVENUE BONDS	PREMIUMS, DISCOUNTS AND OTHER ADJUSTMENTS	NET GENERAL OBLIGATION BONDS AND REVENUE BONDS	CAPITAL LEASES	STATE OF WASHINGTON REVOLVING LOANS
2007	\$ 663,421	\$ 1,724,220	\$ 39,810	\$ 2,427,451	\$ 3,534	\$ 118,524
2008	638,066	1,947,905	51,412	2,637,383	3,453	129,186
2009	919,681	2,167,365	52,927	3,139,973	3,368	141,165
2010	1,031,211	2,433,350	71,075	3,535,636	3,279	135,995
2011	1,015,642	2,709,715	128,024	3,853,381	3,186	129,276
2012	1,064,570	2,841,755	176,348	4,082,673	3,087	136,002
2013	1,022,010	2,866,085	194,273	4,082,368	2,983	146,672
2014	1,013,615	2,813,805	207,705	4,035,125	2,874	159,053
2015	1,018,955	2,830,165	295,087	4,144,207	2,760	179,388
2016	992,665	2,884,890	369,807	4,247,362	2,640	205,989

FISCAL YEAR	PRIMARY GOVERNMENT		
	TOTAL	PERCENTAGE OF PERSONAL INCOME	DEBT PER CAPITA
2007	\$ 3,813,776	3.36%	\$ 2,064
2008	3,929,908	3.36%	2,096
2009	4,433,813	4.17%	2,319
2010	4,823,542	4.48%	2,498
2011	5,143,797	4.78%	2,648
2012	5,382,767	4.10%	2,751
2013	5,300,514	3.92%	2,674
2014	5,195,918	3.52%	2,576
2015	5,258,386	3.42%	2,562
2016	5,323,708	3.47%	2,529

Note: Details regarding the County's outstanding debt can be found in Note 15 - "Liabilities."

Because personal income data is not available for 2016, the percentages use the personal income amount for 2015.

**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
(IN THOUSANDS)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed Valuation <sup>(a)</sup>	\$ 340,995,440	\$ 386,889,728	\$ 341,971,517	\$ 330,414,999	\$ 319,460,937
<b>Limited Tax General Obligations (LTGO) for Metropolitan Functions</b>					
Debt Limit - 0.75% of Assessed Value	\$ 2,557,466	\$ 2,901,673	\$ 2,564,786	\$ 2,478,112	\$ 2,395,957
Debt applicable to limit	718,376	699,144	985,702	1,099,943	1,059,464
Less: Amounts set aside to repay LTGO debts	(20,482)	(16,541)	(21,904)	(20,829)	(19,310)
Total net debt applicable to the limit	<u>697,894</u>	<u>682,603</u>	<u>963,798</u>	<u>1,079,114</u>	<u>1,040,154</u>
Legal Debt Margin <sup>(b)</sup> of LTGO	<u>\$ 1,859,572</u>	<u>\$ 2,219,070</u>	<u>\$ 1,600,988</u>	<u>\$ 1,398,998</u>	<u>\$ 1,355,803</u>
Total net debt applicable to the limit as a percentage of the debt limit	27.29%	23.52%	37.58%	43.55%	43.41%
<b>LTGOs for General County Purposes and Metropolitan Functions</b>					
Debt Limit - 1.5% of Assessed Value	\$ 5,114,932	\$ 5,803,346	\$ 5,129,573	\$ 4,956,225	\$ 4,791,914
Debt applicable to limit <sup>(c)</sup>	1,817,183	1,734,629	1,998,947	2,106,580	2,211,173
Less: Amounts set aside to repay LTGO debts	(51,449)	(46,110)	(53,730)	(64,177)	(64,943)
Total net debt applicable to the limit	<u>1,765,734</u>	<u>1,688,519</u>	<u>1,945,217</u>	<u>2,042,403</u>	<u>2,146,230</u>
Legal Debt Margin <sup>(b)</sup> of LTGO	<u>\$ 3,349,198</u>	<u>\$ 4,114,827</u>	<u>\$ 3,184,356</u>	<u>\$ 2,913,822</u>	<u>\$ 2,645,684</u>
Total net debt applicable to the limit as a percentage of the debt limit	34.52%	29.10%	37.92%	41.21%	44.79%
<b>Total General Obligations (GO) for Metropolitan Functions</b>					
Debt Limit - 2.5% of Assessed Value	\$ 8,524,886	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523
Debt applicable to limit	718,376	699,144	985,702	1,099,943	1,059,464
Less: Amounts set aside to repay GO debts	(20,482)	(16,541)	(21,904)	(20,829)	(19,310)
Total net debt applicable to the limit	<u>697,894</u>	<u>682,603</u>	<u>963,798</u>	<u>1,079,114</u>	<u>1,040,154</u>
Legal Debt Margin <sup>(b)</sup> of total GO	<u>\$ 7,826,992</u>	<u>\$ 8,989,640</u>	<u>\$ 7,585,490</u>	<u>\$ 7,181,261</u>	<u>\$ 6,946,369</u>
Total net debt applicable to the limit as a percentage of the debt limit	8.19%	7.06%	11.27%	13.06%	13.02%
<b>Total GO for County Purposes</b>					
Debt Limit - 2.5% of Assessed Value	\$ 8,524,886	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523
Debt applicable to limit <sup>(c)</sup>	1,363,072	1,270,260	1,217,955	1,193,132	1,303,129
Less: Amounts set aside to repay GO debts	(41,597)	(39,206)	(41,554)	(53,891)	(52,267)
Total net debt applicable to the limit	<u>1,321,475</u>	<u>1,231,054</u>	<u>1,176,401</u>	<u>1,139,241</u>	<u>1,250,862</u>
Legal Debt Margin <sup>(b)</sup> of total GO	<u>\$ 7,203,411</u>	<u>\$ 8,441,189</u>	<u>\$ 7,372,887</u>	<u>\$ 7,121,134</u>	<u>\$ 6,735,661</u>
Total net debt applicable to the limit as a percentage of the debt limit	15.50%	12.73%	13.76%	13.79%	15.66%

Source: Assessed Valuation data are from King County Department of Assessments.

Notes:

(a) In compliance with the Washington State Budgeting, Accounting and Reporting System, the most current assessed value - the assessed value for the following calendar year's tax roll - is used for a given fiscal year.

(b) "Legal debt margin" is the County's available borrowing authority under state statutes.

(c) Capital lease liabilities to "63-20" corporations were reclassified as lease revenue bonds in 2007 due to a reporting entity change. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County. The amount of debt applicable to debt limit for County purposes prior to 2007 has been restated to reflect this reclassification.

	2012	2013	2014	2015	2016
Assessed Valuation <sup>(a)</sup>	\$ 314,746,207	\$ 340,643,616	\$ 388,118,856	\$ 426,335,606	\$ 471,456,288
<b>LTGOs for Metropolitan Functions</b>					
Debt Limit - 0.75% of Assessed Value	\$ 2,360,597	\$ 2,554,827	\$ 2,910,891	\$ 3,197,517	\$ 3,535,922
Debt applicable to limit	1,132,185	1,092,797	1,126,570	1,030,577	981,943
Less: Amounts set aside to repay LTGO debts	(20,128)	(25,148)	(42,336)	(42,062)	(53,429)
Total net debt applicable to the limit	1,112,057	1,067,649	1,084,234	988,515	928,514
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 1,248,540	\$ 1,487,178	\$ 1,826,657	\$ 2,209,002	\$ 2,607,408
Total net debt applicable to the limit as a percentage of the debt limit	47.11%	41.79%	37.25%	30.92%	26.26%
<b>LTGOs for General County Purposes and Metropolitan Functions</b>					
Debt Limit - 1.5% of Assessed Value	\$ 4,721,193	\$ 5,109,654	\$ 5,821,783	\$ 6,395,034	\$ 7,071,844
Debt applicable to limit <sup>(c)</sup>	2,181,468	2,070,328	2,110,601	1,768,043	1,667,527
Less: Amounts set aside to repay LTGO debts	(62,179)	(57,509)	(54,910)	(53,491)	(62,968)
Total net debt applicable to the limit	2,119,289	2,012,819	2,055,691	1,714,552	1,604,559
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 2,601,904	\$ 3,096,835	\$ 3,766,092	\$ 4,680,482	\$ 5,467,285
Total net debt applicable to the limit as a percentage of the debt limit	44.89%	39.39%	35.31%	26.81%	22.69%
<b>Total GOs for Metropolitan Functions</b>					
Debt Limit - 2.5% of Assessed Value	\$ 7,868,655	\$ 8,516,090	\$ 9,702,971	\$ 10,658,390	\$ 11,786,407
Debt applicable to limit	1,132,185	1,092,797	1,126,570	1,030,577	981,943
Less: Amounts set aside to repay GO debts	(20,128)	(25,148)	(42,336)	(42,062)	(53,429)
Total net debt applicable to the limit	1,112,057	1,067,649	1,084,234	988,515	928,514
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 6,756,598	\$ 7,448,441	\$ 8,618,737	\$ 9,669,875	\$ 10,857,893
Total net debt applicable to the limit as a percentage of the debt limit	14.13%	12.54%	11.17%	9.27%	7.88%
<b>Total GOs for County Purposes</b>					
Debt Limit - 2.5% of Assessed Value	\$ 7,868,655	\$ 8,516,090	\$ 9,702,971	\$ 10,658,390	\$ 11,786,407
Debt applicable to limit <sup>(c)</sup>	1,190,973	1,104,336	1,097,286	839,316	775,719
Less: Amounts set aside to repay GO debts	(48,774)	(39,292)	(19,723)	(13,377)	(11,582)
Total net debt applicable to the limit	1,142,199	1,065,044	1,077,563	825,939	764,137
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 6,726,456	\$ 7,451,046	\$ 8,625,408	\$ 9,832,451	\$ 11,022,270
Total net debt applicable to the limit as a percentage of the debt limit	14.52%	12.51%	11.11%	7.75%	6.48%

**REVENUE BOND COVERAGE FOR THE WATER QUALITY ENTERPRISE  
LAST TEN FISCAL YEARS  
(DOLLARS IN THOUSANDS)**

YEAR	OPERATING REVENUES	INTEREST EARNED ON INVESTMENTS	OPERATING AND MAINTENANCE EXPENSES	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE		COVERAGE
					PRINCIPAL	INTEREST	
2007	\$ 262,930	\$ 5,559	\$ 95,574	\$ 172,915	\$ 32,585	\$ 92,120	139%
2008	284,173	4,087	98,370	189,890	34,445	102,276	139
2009	306,856	5,613	103,118	209,351	34,620	110,558	144
2010	304,825	3,426	103,682	204,569	36,490	109,975	140
2011	337,430	2,725	103,995	236,160	41,735	124,429	142
2012	381,875	1,697	114,939	268,633	42,725	154,079	137
2013	421,986	2,682	117,183	307,485	57,630	158,393	142
2014	435,788	2,822	124,201	314,409	60,615	157,724	144
2015	433,406	2,863	128,926	307,343	61,530	146,511	148
2016	464,541	4,549	136,321	332,769	61,940	147,280	159

INTEREST EARNED ON INVESTMENTS: By interpretation of applicable rate covenant, interest earned on investments for all years excludes the effects of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

DEBT SERVICE: By interpretation of applicable rate covenant, debt service excludes the principal and interest on bonds refunded in the current year.

COVERAGE: The Water Quality Enterprise is obligated by bond ordinance to collect net revenue equal to at least 1.15 times the defined debt service requirements payable from revenues of the Enterprise.

**WATER QUALITY ENTERPRISE  
ADDITIONAL COVERAGE RATIOS  
DECEMBER 31, 2016**

The Water Quality Enterprise is obligated by applicable bond ordinances to set sewage disposal rates at a level adequate to provide net revenue equal to at least 1.15 times the annual debt service requirements for sewer revenue and general obligation bonds payable from revenues of Water Quality. It is an adopted policy of Water Quality to achieve a debt service coverage ratio of 1.25.

Coverage (1.15 required by covenant, adopted policy 1.25) 1.55

In 2001, the County adopted a new debt service coverage target of 1.15 times the annual debt service for bonds, obligations, notes and loans of the Enterprise.

Coverage (1.15 adopted target) 1.41

The Enterprise is required to generate revenues sufficient to pay all costs of operation of the sewage treatment system and debt service on obligations of the Enterprise.

Coverage (1.00 required by covenant) 1.32

In 2001, Water Quality issued an additional tier of revenue bonds. The bond covenants of the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, require that sewage disposal rates provide net revenue equal to at least 1.10 times the annual debt service requirements for all Junior Lien obligations after payment of senior lien requirements. In 2010, Water Quality issued Multi-Modal Limited Tax General Obligation Sewer Revenue Bonds, series 2010A and 2010B which incorporate the identical requirement as Junior Lien obligations. In 2011 and 2012, Water Quality issued \$100M of Junior Lien Variable Rate Demand Sewer Revenue Bonds which incorporate the identical requirement as Junior Lien obligations. In 2016, Water Quality issued \$100M of Junior Lien Variable Rate Sewer Revenue Bonds which incorporate the identical requirement as Junior Lien obligations.

Coverage (1.10 required by covenant) 31.45

**OPERATING AND CAPITAL INDICATORS BY FUNCTION  
LAST TEN YEARS**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Public Works</b>										
Miles of paved roads	1,803	1,710	1,694	1,581	1,479	1,451	1,441	1,442	1,418	1,416
Miles of unpaved roads	51	51	51	51	51	53	51	51	51	51
Bridges	184	183	182	180	181	182	181	181	181	182
<b>Building Permits</b>										
Permits	2,900	1,867	1,324	1,341	1,123	2,021	1,303	1,309	1,459	1,401
Value of buildings (in thousands)	\$ 562,836	\$ 327,942	\$ 233,635	\$ 245,912	\$ 235,562	\$ 366,207	\$ 257,261	\$ 292,863	\$ 276,607	\$ 272,327
<b>Justice and Law Enforcement - Sheriff's Office</b>										
Number of employees - commissioned	714	743	729	683	645	637	650	671	679	721
Number of employees - civilian	312	313	290	346	376	287	385	378	340	412
Motor Pool fleet - vehicles	670	662	638	642	632	632	629	602	640	646
Motor Pool fleet - boats	8	8	8	8	8	8	8	8	8	10
Motor Pool fleet - helicopters	6	7	7	7	5	4	4	4	5	5
<b>Adult Detention</b>										
Average daily adult custodial population	2,727	2,575	2,402	2,352	2,201	1,946	1,960	2,076	2,027	2,011
Average stay (in days)	19	20	21	20	21	22	21	22	22	22
Bookings	53,697	48,234	44,797	43,018	38,089	33,506	34,282	34,724	34,939	36,135
<b>Parks and Land Use</b>										
Number of parks	220	228	223	218	215	219	220	221	220	223
Acres of parks	120,745	164,676	168,842	169,719	170,273	170,574	171,196	171,659	172,281	172,615
<b>Public Transportation</b>										
Size of fleet - buses	1,519	1,508	1,560	1,465	1,505	1,503	1,462	1,423	1,472	1,396
Size of fleet - active commuter vans	1,024	1,207	1,088	1,075	1,228	1,283	1,365	1,421	1,476	1,791
Annual bus trips (in thousands)	117,492	126,516	119,485	117,002	119,840	123,127	126,682	129,081	130,648	130,800
Annual commuter van trips (in thousands)	2,605	3,149	3,187	2,851	3,118	3,451	3,524	3,416	3,560	3,555
<b>Wastewater Treatment</b>										
Total sewer customers (residences and residential customer equivalents)	702,946	706,800	703,800	704,400	707,300	708,900	718,160	725,844	736,090	756,430
New sewer connections equivalents	12,200	11,331	8,949	6,974	5,855	7,915	8,467	10,767	11,676	10,743
Monthly sewer rate	\$ 27.95	\$ 27.95	\$ 31.90	\$ 31.90	\$ 36.10	\$ 36.10	\$ 39.79	\$ 39.79	\$ 42.03	\$ 42.03
Residential connection charge (monthly for 15 years)	\$ 42.00	\$ 46.25	\$ 47.64	\$ 49.07	\$ 50.45	\$ 53.50	\$ 53.50	\$ 55.35	\$ 57.00	\$ 58.70
Total sewer revenues (in thousands)	\$ 227,665	\$ 240,001	\$ 256,160	\$ 253,684	\$ 285,607	\$ 321,066	\$ 353,200	\$ 364,591	\$ 371,252	\$ 381,513
Number of treatment plants	3	4	4	4	5	5	5	5	5	5
Total treatment capacity (MGD*)	767	767	767	767	767	895	895	895	895	862
Average daily flow (MGD)	178	162	169	178	173	188	167	186	178	188
Peak daily flow (MGD)	636	444	525	639	472	523	500	541	556	505

Source: Various King County agencies

**FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN YEARS**

FUNCTION/PROGRAM								
Year	General Government	Public Safety <sup>(1)</sup>	Physical Environment	Transportation	Economic Environment	Mental and Physical Health	Culture and Recreation	Total
2007	1,568	3,730	1,670	4,589	311	1,336	157	13,361
2008	1,585	3,857	1,692	4,931	303	1,455	176	13,999
2009	1,657	3,905	1,394	4,918	376	1,461	210	13,921
2010	1,597	3,801	1,363	4,851	294	1,474	207	13,587
2011	1,558	3,619	1,345	4,850	288	1,416	209	13,285
2012	1,497	3,871	1,275	4,554	186	1,406	204	12,993
2013	1,559	3,647	1,283	4,525	187	1,284	211	12,696
2014	1,856	3,929	1,293	4,581	175	1,288	221	13,343
2015	1,709	3,986	1,385	4,384	196	1,107	230	12,997
2016	1,709	3,986	1,385	4,384	196	1,107	230	12,997

Source: 2015/2016 King County Budget

Notes:

A full-time employee is scheduled to work 261 days per year (365 minus two days off per week). At eight hours per day, 2,088 hours are scheduled per year (including holidays, vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,088.

The year-end number represents what was adopted for the given year by King County Council.

(1) Public Safety was previously reported as Law, Safety and Justice and included legal- and judicial-related expenses.

DEMOGRAPHIC AND ECONOMIC INDICATORS  
LAST TEN FISCAL YEARS

CALENDAR YEAR	POPULATION	PERSONAL INCOME (IN THOUSANDS)	PER CAPITA PERSONAL INCOME	AVERAGE EARNINGS PER JOB	UNEMPLOYMENT RATE		POPULATION 65 YEARS OLD AND OVER	MEDIAN HOUSEHOLD INCOME ESTIMATES	BIRTHS	DEATHS	STUDENTS ENROLLED IN PUBLIC SCHOOLS	STUDENTS ENROLLED IN PRIVATE SCHOOLS
					COUNTY	STATE						
2007	1,847,986	\$ 112,318,377	\$ 57,735	\$ 64,480	3.2%	4.7%	192,673	\$ 65,489	24,491	11,506	257,078	39,781
2008	1,875,020	116,030,940	58,628	65,742	3.9%	5.4%	195,715	67,027	25,051	11,960	259,269	40,957
2009	1,912,012	108,988,394	53,933	66,204	8.0%	9.2%	198,679	65,877	25,108	11,647	259,298	40,136
2010	1,931,249	112,234,690	54,395	68,569	9.0%	10.0%	210,679	65,383	25,002	11,421	259,827	39,429
2011	1,942,600	120,055,100	57,400	63,806	7.9%	9.3%	216,344	66,294	24,400	11,924	262,963	40,276
2012	2,007,455	132,840,302	61,911	66,773	6.3%	8.1%	227,291	69,047	24,702	12,045	267,655	40,428
2013	2,046,956	135,079,092	62,770	67,276	5.0%	7.0%	243,588	69,900	25,098	12,131	271,130	40,464
2014	2,079,967	143,260,986	68,877	70,484	4.7%	6.1%	247,516	71,500	26,343	13,784	278,409	41,047
2015	2,117,125	N/A	N/A	N/A	4.3%	5.6%	258,289	73,035	26,063	13,795	287,145	41,199
2016	2,149,970	N/A	N/A	N/A	3.9%	5.4%	266,596	75,302	30,508	16,162	292,066	42,256

N/A = Not yet available

Population\*, personal income, per capita personal income and average earnings per job are from Washington Regional Economic Analysis Project - King County, Washington and United States Department of Commerce, Bureau of Economic Analysis, Regional Income Division

\*Estimate for 2015 and 2016 population from the United States Census Bureau, State and County QuickFacts.

Unemployment rates are from Washington Employment Security Department, Labor Market and Economic Analysis Branch. Median household income estimates, population 65 old and older and births and deaths are from Washington State Office of Financial Management, Forecasting Division.

Student enrollment data are from Washington State Office of Superintendent of Public Instruction.

**PRINCIPAL EMPLOYERS OF KING COUNTY BY MAJOR INDUSTRY  
CURRENT YEAR AND TEN YEARS AGO**

TYPE OF INDUSTRY	2016			2007		
	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Trade, transportation and utilities	254,642	1	18.74%	224,092	1	18.51%
Professional and business services	222,667	2	16.39	189,925	2	15.68
Government	178,342	3	13.13	163,425	3	13.50
Educational and health services	174,592	4	12.85	136,883	4	11.30
Leisure and hospitality	136,425	5	10.04	111,750	6	9.23
Manufacturing	105,475	6	7.76	113,133	5	9.34
Information	95,967	7	7.06	75,642	8	6.25
Construction	70,833	8	5.21	74,525	7	6.15
Financial activities	70,758	9	5.21	80,083	9	6.61
Total	<u>1,309,701</u>		<u>96.39%</u>	<u>1,169,458</u>		<u>96.57%</u>
Total employment	<u>1,358,517</u>			<u>1,210,900</u>		

Source: Washington State Employment Security Department, Labor Market and Economic Analysis

Notes:

The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the County's employment base.

The number of employees is an annual average based on total non-farm employment and is not seasonally adjusted.

**TEN LARGEST CUSTOMERS OF THE WATER QUALITY ENTERPRISE  
DECEMBER 31, 2016**

	<b>PERCENT OF REVENUE</b>
City of Seattle	39.9%
City of Bellevue	8.3
Alderwood Water & Wastewater District	6.7
City of Kent	4.9
Soos Creek Water & Sewer District	4.8
City of Auburn	4.1
City of Redmond	4.1
Northshore Utility District	4.0
City of Renton	3.9
Ronald Wastewater District	2.6
Total	<u>83.3%</u>

