OFFICIAL STATEMENT

RATINGS
Moody's: Aaa
Fitch: AAA
S&P: AAA

New Issue, Book-Entry Only **(See "Other Bond Information—Ratings.")**

In the opinion of Bond Counsel, as of the date of issue of the Bonds (the "Date of Issue") and assuming compliance by the County with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the Date of Issue, under existing federal law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. However, under existing federal law, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See "Legal and Tax Information—Tax Matters" herein and Appendix A—Form of Bond Counsel Opinion hereto.

$33,460,000

KING COUNTY, WASHINGTON

LIMITED TAX GENERAL OBLIGATION BONDS, 2017, SERIES B

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

King County, Washington (the "County"), is issuing its Limited Tax General Obligation Bonds, 2017, Series B (the "Bonds"), as fully registered obligations. When issued, the Bonds will be registered in the name of Cede & Co., as Bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. The Bonds will be issued initially in book-entry form only in denominations of $5,000 or any integral multiple thereof within a maturity of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest payable semiannually on June 1 and December 1, beginning June 1, 2018, to their maturities or prior redemption. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (currently U.S. Bank National Association) (the "Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Registrar is required to make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to registered owners of the Bonds as described in Appendix E—Book-Entry System.

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

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

The Bonds are general obligations of the County. The County irrevocably covenants and agrees that, for as long as any of the Bonds are outstanding and unpaid, each year it will include in its budget and levy an *ad valorem* tax upon all the property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bonds as the same will become due. The County irrevocably pledges that the annual tax to be levied for the payment of such principal and interest will be within and as a part of the tax levy permitted to counties without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the County prior to the full payment of the principal of and interest on the Bonds will be and is irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit, and resources of the County are irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bonds as the same will become due.

The Bonds are offered when, as, and if issued, subject to approval of legality by Hillis Clark Martin & Peterson P.S., Seattle, Washington, Bond Counsel, and certain other conditions. The form of legal opinion of Bond Counsel is attached hereto as Appendix A. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the County by Hillis Clark Martin & Peterson P.S., as Disclosure Counsel to the County. It is anticipated that the Bonds will be ready for delivery through the facilities of DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about August 10, 2017.

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

Dated: July 24, 2017

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

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

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

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

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

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

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

MATURITY SCHEDULE

$33,460,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2017, SERIES B

Due June 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
2018	$ 2,685,000	3.00%	0.850%	101.727	49474F RA0
2019	3,410,000	5.00%	0.930%	107.280	49474F RB8
2020	3,600,000	5.00%	1.020%	110.989	49474F RC6
2021	3,750,000	4.00%	1.110%	110.746	49474F RD4
2022	3,920,000	5.00%	1.200%	117.701	49474F RE2
2023	4,125,000	5.00%	1.330%	120.446	49474F RF9
2024	4,330,000	5.00%	1.460%	122.860	49474F RG7
2025	1,675,000	5.00%	1.600%	124.861	49474F RH5
2026	1,760,000	5.00%	1.740%	126.513	49474F RJ1
2027	515,000	5.00%	1.890%	127.721	49474F RK8
2028	305,000	4.00%	2.100%	116.760 (1)	49474F RL6
2029	320,000	4.00%	2.250%	115.323 (1)	49474F RM4
2030	330,000	4.00%	2.450%	113.438 (1)	49474F RN2
2031	345,000	4.00%	2.620%	111.865 (1)	49474F RP7
2032	360,000	4.00%	2.740%	110.769 (1)	49474F RQ5
2033	375,000	4.00%	2.800%	110.226 (1)	49474F RR3
2034	390,000	4.00%	2.860%	109.686 (1)	49474F RS1
2035	405,000	4.00%	2.890%	109.418 (1)	49474F RT9
2036	420,000	4.00%	2.920%	109.150 (1)	49474F RU6
2037	440,000	4.00%	2.940%	108.971 (1)	49474F RV4

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

KING COUNTY, WASHINGTON
500 FOURTH AVENUE
SEATTLE, WASHINGTON 98104

KING COUNTY EXECUTIVE

Dow Constantine

METROPOLITAN KING COUNTY COUNCIL

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

OTHER ELECTED OFFICIALS

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

DIRECTOR OF FINANCE AND BUSINESS OPERATIONS DIVISION
DEPARTMENT OF EXECUTIVE SERVICES

Ken Guy

CLERK OF THE METROPOLITAN KING COUNTY COUNCIL

Melani Pedroza

BOND COUNSEL/DISCLOSURE COUNSEL

Hillis Clark Martin & Peterson P.S.

MUNICIPAL ADVISOR TO THE COUNTY

Piper Jaffray & Co.

REGISTRAR

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

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OFFICIAL STATEMENT

$33,460,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2017, SERIES B

INTRODUCTION

This Official Statement contains certain information concerning the issuance by King County, Washington (the "County"), of its Limited Tax General Obligation Bonds, 2017, Series B (the "Bonds").

The Bonds are issued under and in accordance with the provisions of chapters 36.67 and 39.46 of the Revised Code of Washington ("RCW") and the County Charter, and are authorized under the provisions of County Ordinance 18543, passed on June 26, 2017 (the "Ordinance"), and Motion 14921 of the Metropolitan King County Council (the "County Council") passed on July 24, 2017 (the "Sale Motion").

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

THE BONDS

Description

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

The Bonds will bear interest at the rates set forth on page i of this Official Statement, payable semiannually on each June 1 and December 1, beginning June 1, 2018, to their maturities or prior redemption. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will mature on the dates and in the years and amounts set forth on page i of this Official Statement.

DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, and purchasers will not receive certificates representing their interest in the Bonds purchased. For so long as Cede & Co. is deemed to be the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners or Bond owners will mean Cede & Co. and will not mean the beneficial owners of the Bonds.

The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (the "State") (currently U.S. Bank National Association) (the "Registrar"). For so long as any outstanding Bonds are registered in the name of Cede & Co., or its registered assigns, as nominee of DTC, payments of principal of and interest on such Bonds will be made in immediately available funds on the date such payment is due and payable at the place and in the manner provided in the operational arrangements of DTC referenced in the Letter of Representations. See "—Book-Entry System" and Appendix E—Book-Entry System.

In the event that the Bonds are no longer held in fully immobilized form by DTC or its successor (or substitute depository or its successor), interest on the Bonds will be paid by check or draft mailed, or by wire transfer, to the registered owners of the Bonds at the addresses for such registered owners appearing on the Register on the Record Date for that interest payment date, or by electronic transfer on the interest payment date to an account within the United States designated by a registered owner of at least $1,000,000 in principal amount of the Bonds. The County is not required to make electronic transfers except to a registered owner of Bonds pursuant to a request in writing received on or prior to the Record Date for that interest payment date, and any such electronic transfer will be at the sole expense of that registered owner. Principal of the Bonds will be payable at maturity or on such dates as may be fixed for prior redemption upon presentation and surrender of the Bonds by the owners to the Registrar. "Record Date" is defined in the Ordinance as, for an interest or principal payment date or for a maturity date, the 15th day of the calendar month next preceding that date.

Redemption of the Bonds

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

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

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

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

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

Book-Entry System

Book-Entry Bonds. The Bonds will initially be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations. Neither the County nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds with respect to the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any principal or redemption price of or interest on the Bonds, any notice that is permitted or required to be given to registered owners under the Ordinance, the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as registered owner of the Bonds.

The Bonds will initially be issued in denominations equal to the aggregate principal amount of each maturity and will initially be registered in the name of Cede & Co., as the nominee of DTC. The Bonds so registered will be held in fully immobilized form by DTC as depository. For so long as any Bonds are held in fully immobilized form, DTC, its successor, or any substitute depository appointed by the County, as applicable, will be deemed to be the registered owner and all references to registered owners, bondowners, bondholders, or owners will mean DTC or its nominees and will not mean the owners of any beneficial interests in the Bonds. Registered ownership of the Bonds, or any portions thereof, may not thereafter be transferred except to any successor of DTC or its nominee, to any substitute depository appointed by the County, or to any person as provided in the Ordinance if the Bonds are no longer held in immobilized form.

Substitute Depository. Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the County that it is no longer in the best interests of beneficial owners of the Bonds to continue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the County may appoint a substitute depository. Any such substitute depository will be qualified under any applicable laws to provide the services proposed to be provided by it.

In the case of any transfer pursuant to the Ordinance, the Registrar, upon receipt of all outstanding Bonds together with a written request on behalf of the County, will issue a single new Bond certificate for each maturity of Bonds then outstanding, registered in the name of such successor or such substitute depository, or its nominees, as the case may be, all as specified in such written request of the County.

Termination of Book-Entry System. In the event that DTC or its successor (or substitute depository or its successor) resigns from its functions as depository and no substitute depository can be obtained, or the County determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain Bond certificates, the ownership of the Bonds may be transferred to any person as provided in the Ordinance and the Bonds will no longer be held in fully immobilized form. The County will deliver a written request to the Registrar, together with a supply of physical Bonds, to issue Bonds as provided in the Ordinance in any authorized denomination. Upon receipt of all then outstanding Bonds by the Registrar, together with a written request on behalf of the County to the Registrar, new Bonds will be issued in such denominations and registered in the names of such persons as are requested in such a written request.

Purchase of Bonds

The County reserves the right to purchase any or all of the Bonds at any time at any price.

Refunding or Defeasance of Bonds

The County may issue refunding obligations pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and premium, if any, and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund, or defease all or a portion of the then outstanding Bonds (the "Defeased Bonds"), and to pay the costs of the refunding or defeasance.

If money or noncallable Government Obligations (defined below) maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire, refund, or defease the Defeased Bonds in accordance with their terms are set aside in a special trust or escrow fund or account irrevocably pledged to that redemption, retirement, or defeasance of Defeased Bonds (the "Trust Account"), then the Defeased Bonds will be deemed not to be outstanding under the Ordinance, no further payments need be made into the applicable redemption account for the payment of the principal of and interest on the Defeased Bonds, and the Owners of the Defeased Bonds will cease to be entitled to any covenant, pledge, benefit, or security of the Ordinance. The owners of Defeased Bonds will have the right to receive payment of the principal of and premium, if any, and interest on the Defeased Bonds from the Trust Account.

Notwithstanding the definition of Government Obligations in the Ordinance, Government Obligations is defined for the Bonds to mean direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

USE OF PROCEEDS

Purpose

The Bonds are being issued to provide financing for the County's BRC BI (business intelligence and reporting) Analytics Project, the Courthouse Electrical Distribution System Replacement Project, the DPD (Department of

Public Defense) Lease Consolidation Project, the Elections Tabulation Project, the FMD (Facilities Management Division) Asset Management System Project, the FRED (Fund to Reduce Energy Demand) Projects, and the Jail Management System Project, and to pay the costs of issuing the Bonds.

Sources and Uses of Funds

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

SOURCES OF FUNDS	
Par Amount of Bonds	$33,460,000
Reoffering Premium	5,062,493
Total Sources of Funds	$38,522,493
USES OF FUNDS	
Project Fund Deposits (1)	$38,311,086
Costs of Issuance (2)	211,407
Total Uses of Funds	$38,522,493

(1) Includes capitalized interest.

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the County. The County irrevocably covenants and agrees that, for as long as any of the Bonds are outstanding and unpaid, each year it will include in its budget and levy an *ad valorem* tax upon all the property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bonds as the same will become due. The County irrevocably pledges that the annual tax to be levied for the payment of such principal and interest will be within and as a part of the tax levy permitted to counties without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the County prior to the full payment of the principal of and interest on the Bonds will be and is irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit, and resources of the County are irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bonds as the same will become due.

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

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

KING COUNTY

General

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

Organization of the County

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

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

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

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

County's Budget Process

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

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

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

Finance and Business Operations Division

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

Auditing

Legal compliance and fiscal audits of all County agencies are conducted by examiners from the State Auditor's office. The County is audited annually. The most recent State Auditor's Report is for the year ended December 31, 2016, and is incorporated into the County's Comprehensive Annual Financial Report ("CAFR") for 2016.

The County's 2016 CAFR in its entirety may be accessed on the internet at the following link:

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

or obtained from the Financial Management Section at the King County Finance and Business Operations Division, 500 Fourth Avenue, Room 600, Seattle, Washington 98104. See Appendix B—Excerpts from King County's 2016 Comprehensive Annual Financial Report.

County Fund Accounting

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

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

Major Governmental Fund Revenue Sources

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

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

TAXES COLLECTED
AS OF DECEMBER 31
($000)

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

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

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

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

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

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

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

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

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

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

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

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

From January 1, 2013, through December 31, 2015, all such taxes collected were used to retire the debt on the County's former multi-purpose sports stadium and subsequently distributed into an account dedicated to arts, culture, and heritage programs. From January 1, 2016, through December 31, 2020, all such taxes are retained by the State and used primarily to pay the debt service on bonds issued by the State to finance its football stadium and exhibition hall. On and after January 1, 2021, all such taxes are to be distributed to the County and used for arts, culture, and heritage programs, affordable workforce housing within one-half mile of a transit station, services for homeless youth, projects to promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities, and tourism promotion.

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

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

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

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

VARIOUS INTERGOVERNMENTAL REVENUES
AS OF DECEMBER 31
($000)

Source	2012	2013	2014	2015	2016
Grants	$ 205,690	$ 161,851	$ 146,453	$ 135,870	$ 146,873
Revenue Sharing	12,065	10,753	12,703	13,604	13,801
Gas Tax	13,098	12,989	12,838	12,792	13,542
Liquor Tax and Profits	1,664	1,088	1,169	1,261	1,466
Intergovernmental Payments (1)	360,674	369,344	463,739	233,702	182,883
Other Intergovernmental Revenues	10,737	10,363	10,580	11,213	10,270
Total	$ 603,928	$ 566,388	$ 647,482	$ 408,442	$ 368,835

(1) As of 2015, intergovernmental payments that are not grants are reported as charges for services. As of 2016, due to a change in State reporting requirements, specific amounts previously reported as intergovernmental payments are now reported as charges for services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating Deficits

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

Financial Results

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

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

	2012	2013	2014	2015	2016
ASSETS					
Cash and cash equivalents	$ 106,168	$ 87,093	$ 71,558	$ 59,475	$ 80,231
Taxes receivable - delinquent	7,264	7,652	7,716	7,686	7,879
Accounts receivable	80,328	81,750	85,476	68,647	50,372
Estimated uncollectible accounts receivable	(66,973)	(68,035)	(71,194)	(59,283)	(37,250)
Interest receivable	9,003	7,453	6,817	8,872	11,497
Due from other funds	2,610	8,232	92	790	1,896
Interfund short-term loans receivable	6,194	-	-	-	-
Due from other governments	44,677	45,341	34,828	49,562	57,469
Estimated uncollectible due from other governments	(285)	(187)	(297)	(10)	(10)
Advances to other funds	3,800	300	300	300	-
TOTAL ASSETS	$ 192,786	$ 169,599	$ 135,296	$ 136,039	$ 172,084
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	$ 4,304	$ 3,377	$ 3,806	$ 6,967	$ 8,331
Due to other funds	9,300	6,629	2,407	1,554	4,339
Due to other governments	621	-	513	-	2,200
Wages payable	20,613	24,620	14,471	16,194	18,133
Taxes payable	204	189	179	108	180
Unearned revenues	6	3,411	1,724	970	-
Custodial accounts	2,934	1,886	1,021	51	78
Total liabilities	$ 37,982	$ 40,112	$ 24,121	$ 25,844	$ 33,261
Deferred inflows of resources (1)					
Unavailable revenue	$ 15,160	$ 15,117	$ 7,967	$ 7,566	$ 13,344
Fund balance					
Nonspendable	$ 3,800	$ 300	$ 300	$ 300	$ -
Restricted	2,702	2,506	2,803	1,781	1,659
Committed	21,761	24,982	20,212	20,310	20,497
Assigned	8,827	8,264	8,151	12,125	35,128
Unassigned	102,554	78,318	71,742	68,113	68,195
Total fund balance (2)	$ 139,644	$ 114,370	$ 103,208	$ 102,629	$ 125,479
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 192,786	$ 169,599	$ 135,296	$ 136,039	$ 172,084

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

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

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

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(Years Ended December 31) ($000)

	2012	2013	2014	2015	2016
REVENUES					
Property taxes	$ 282,775	$ 311,500	$ 319,188	$ 326,774	$ 334,446
Penalties and interest - delinquent taxes	21,476	20,869	20,993	20,036	17,563
Sales, excise and other taxes	97,551	104,291	112,333	128,979	132,846
Licenses and permits	4,418	4,741	4,753	4,971	5,712
Federal grants	9,311	8,287	9,028	8,803	8,087
State grants	3,273	2,531	2,326	2,590	2,594
Entitlements and shared revenues	11,148	10,109	10,422	11,439	10,485
Intergovernmental revenues (1)	77,619	4,294	3,370	3,470	13,563
Charges for services (1)	114,226	192,632	206,899	225,752	242,055
Fines and forfeits	8,262	7,233	5,922	6,906	8,191
Interest earnings	3,612	1,458	1,632	1,696	3,881
Rents and royalties	15,103	3,045	7,490	8,252	8,285
Other miscellaneous revenues	2,443	13,668	4,653	3,049	2,459
TOTAL REVENUES	$ 651,217	$ 684,658	$ 709,009	$ 752,717	$ 790,167
EXPENDITURES					
Current					
Personal services	$ 429,240	$ 460,039	$ 491,145	$ 513,910	$ 539,041
Supplies	13,021	14,189	14,619	13,601	14,905
Contract services and other charges	68,605	53,504	40,186	41,640	42,727
Contributions	2,786	2,733	2,901	3,217	3,657
Interfund service support	82,217	89,794	99,114	106,630	107,950
Interest and related costs					
Debt service	-	17	44	64	203
Capital outlay	1,149	1,452	1,895	1,792	1,861
TOTAL EXPENDITURES	$ 597,018	$ 621,728	$ 649,904	$ 680,854	$ 710,344
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 54,199	$ 62,930	$ 59,105	$ 71,863	$ 79,823
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	$ 93	$ 62	$ 156	$ 81	$ 2
Transfers in	238	5,328	118	261	11,119
Transfers out	(49,654)	(93,594)	(71,991)	(72,784)	(68,094)
TOTAL OTHER FINANCING SOURCES (USES)	$ (49,323)	$ (88,204)	$ (71,717)	$ (72,442)	$ (56,973)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 4,876	$ (25,274)	$ (12,612)	$ (579)	$ 22,850
FUND BALANCE - JANUARY 1 (Restated) (2)(3)	134,768	139,644	115,820	103,208	102,629
FUND BALANCE - DECEMBER 31 (3)	$ 139,644	$ 114,370	$ 103,208	$ 102,629	$ 125,479

(1) Amounts for the years 2013-2015 previously reported as intergovernmental revenues were restated as charges for services due to a change in State reporting requirements.

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

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

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

GENERAL GOVERNMENT FUNDS

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

(Years Ended December 31) ($000)

	2012	2013	2014	2015	2016
REVENUES					
Taxes	$ 801,565	$ 841,050	$ 867,250	$ 925,205	$ 1,016,654
Licenses and permits	21,652	22,155	23,633	24,564	28,697
Intergovernmental revenues [2][3]	558,623	548,620	627,173	388,549	216,260
Charges for services [2][3]	242,491	264,907	269,959	517,048	764,866
Fines and forfeits	8,499	7,376	6,357	7,334	8,989
Interest earnings	6,006	3,170	4,358	4,127	7,596
Miscellaneous revenues	86,084	77,618	67,924	73,912	67,321
TOTAL REVENUES	$1,724,920	$ 1,764,896	$ 1,866,654	$ 1,940,739	$ 2,110,383
EXPENDITURES					
Current					
General government services [4]	$ 182,699	$ 176,679	$ 180,300	$ 245,177	$ 262,528
Law, safety and justice [5]	570,772	590,415	618,175	641,962	592,710
Physical environment [6]	94,807	116,434	184,211	156,615	55,042
Transportation [7]	70,749	61,287	80,573	67,189	68,749
Economic environment [8]	103,475	97,806	101,865	102,918	116,746
Mental and physical health [9]	481,745	490,932	521,960	522,650	677,657
Culture and recreation [10]	50,165	42,418	42,774	46,255	79,950
Total current	$1,554,412	$ 1,575,971	$ 1,729,858	$ 1,782,766	$ 1,853,382
Debt service [11]					
Redemption of long-term debt	$ 56,913	$ 70,686	$ 71,998	$ 64,407	$ 57,641
Interest and other debt service costs	27,121	32,713	31,429	29,042	35,590
Payment to escrow agent	-	-	260	19,467	8,417
Total debt service	$ 84,034	$ 103,399	$ 103,687	$ 112,916	$ 101,648
Capital outlay [12]	27,638	40,046	12,857	17,514	20,577
TOTAL EXPENDITURES	1,666,084	1,719,416	1,846,402	1,913,196	1,975,607
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 58,836	$ 45,480	$ 20,252	$ 27,543	$ 134,776
OTHER FINANCING SOURCES (USES)					
General obligation bonds issued	$ 3,010	$ (99,593)	$ 12,160	$ -	$ 25,025
Refunding bonds issued	256,615	92,940	34,815	198,290	-
Premium on bonds sold	41,294	7,261	5,971	29,888	3,764
Sale of capital assets	543	4,500	1,144	1,751	3,371
Transfers in	85,393	125,404	111,746	119,586	188,895
Transfers out	(119,620)	(171,135)	(142,594)	(173,270)	(270,268)
Payment to refunded bond escrow agent	(296,322)	-	(38,958)	(227,200)	-
TOTAL OTHER FINANCING SOURCES (USES)	$ (29,087)	$ (40,623)	$ (15,716)	$ (50,955)	$ (49,213)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 29,749	$ 4,857	$ 4,536	$ (23,412)	$ 85,563
SPECIAL ITEM [13]	-	-	-	(12,756)	-
FUND BALANCE - JANUARY 1 - RESTATED [14]	$ 516,301	$ 546,046	$ 528,973	$ 540,915	$ 520,972
FUND BALANCE - DECEMBER 31	$ 546,050	$ 550,903	$ 533,509	$ 504,747	$ 606,535

NOTES TO TABLE:

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

(2) In 2015, intergovernmental revenues that are not grants are reported as charges for services resulting in a reclassification of $215 million for the Health special revenue fund. In 2016, because of a change in State reporting requirements, $97.2 million was reclassified from intergovernmental revenues in the General Fund to charges for services.

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

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

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

(6) Road construction and maintenance and traffic planning.

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

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

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

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

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

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

(13) For 2014, beginning fund balance was restated for the following: (i) exclusion of the Children and Family Justice Center fund, reclassified to a Capital Projects fund; (ii) change in property tax availability policy; (iii) revenue deferral for critical areas mitigation; and (iv) inclusion of King County Law Library as Special Revenue fund. For 2015, beginning fund balance was restated for the following: (i) Animal Services Fund and Community Block Grant Fund, nonmajor special revenue funds, posted adjustments of $347,000 and $280,000, respectively, for revenues not recorded previously; and (ii) Flood Control Zone District was increased $6.8 million for a prior-year adjustment in capital projects expenditures. For 2016, beginning fund balance was restated to correct receipts in prior years from Federal Housing and Community Development Fund and Housing Opportunity Loans home repair loan repayments, originally treated as revenue, as a reduction of liability, resulting in an increase of beginning fund balance of $16.2 million.

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

Management Discussion of Financial Results

Revenues and Economic Conditions. The Puget Sound area’s economy has fully recovered from the Great Recession. As of May 2017, the unemployment rate was 3.1% in the County, compared with 4.3% for the State and 4.3% for the nation. The region’s relatively better performance was driven by the strength of major industry sectors, including software and health services as well as construction.

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

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

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

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

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

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

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

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

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

2015/2016 Results

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

The year-end 2016 total fund balance in the General Fund was $125.5 million. The year-end fund balance includes a one-time increase of more than $8 million as a result of a change in accounting practices. Within this total, the year-end 2016 undesignated fund balance is 8.0%, which exceeds the 6.5% target planned in the 2015/2016 Adopted Budget.

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

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

2017/2018 Adopted Budget

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

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

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

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

2017/2018 Results to Date

The financial performance of the General Fund for the first six months of the 2017/2018 biennium is consistent with the expectations of the 2017/2018 Adopted Budget. The higher than anticipated year-end fund balance at the end of 2016 will be used to support ongoing capital projects that have already been approved, for reappropriations of operating funds that are under contract, and to increase the fund balance held by the Rainy Day Reserve Fund. Revenue collections continue to meet expectations and no major unplanned expenditures have yet emerged in the 2017/2018 biennium.

Future General Obligation Financing Plans

The County expects to issue up to $200 million of limited tax general obligation bonds during the remainder of the 2017-2018 biennium to support land acquisitions for the Transit Division, technology investments, energy efficiency projects, building rehabilitations, and youth and amateur sports facilities.

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

Debt Repayment Record

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

King County Investment Pool

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

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

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

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

County Employees

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

COUNTY EMPLOYEES

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

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

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

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

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

Retirement Programs

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

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

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

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

OVERVIEW OF RETIREMENT PLANS

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

Source: State Department of Retirement Systems

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

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

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

ACTUARIAL ASSUMPTIONS FOR FUNDING CALCULATIONS

Investment return	7.70%(1)
General salary increases	3.75%
Consumer Price Index increase	3.00%
Annual growth in membership	0.95%(2)

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

(2) Assumed rate of 1.25% for LEOFF.

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

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

COUNTY CONTRIBUTION RATES AND AMOUNTS
($000)

	PERS Plan 1	PERS Plan 2	PERS Plan 3	LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2
2016						
Employer Contribution Rate	11.18% (1)	11.18% (1)	11.18% (1)	0.18% (1)(2)	5.23% (1)(2)	11.54% (1)
Average Employee Contribution Rate	6.00% (3)	6.12% (3)	Varies (3)(4)	0.00%	8.41%	6.59%
Employer Contribution Amount	$1,901	$92,157	$17,068	$ -	$4,735	$3,953
Employee Contribution Amount	1,030	50,707	10,710	-	7,613	2,257
Total Contribution Amount	$2,931	$142,864	$27,778	$ -	$12,348	$6,210
2017 (Current)(5)						
Employer Contribution Rate	12.70% (1)	12.70% (1)	12.70% (1)	0.18% (1)(2)	5.43% (1)(2)	11.94% (1)
Employee Contribution Rate	6.00% (3)	7.38% (3)	Varies (3)(4)	0.00%	8.75%	6.73%

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

(2) The State contributed an additional 3.36%.

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

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

(5) Rates went into effect July 1, 2017.

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

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

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

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

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

RETIREMENT SYSTEM FUNDED STATUS[(1)]
($000,000)

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

(1) Reflects the full retirement systems, not the County's share of each system.
(2) Asset valuations incorporate the smoothing of investment gains and losses.
(3) Unfunded actuarial accrued liability. Totals may not agree due to rounding.

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

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

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

HISTORICAL ONE-YEAR INVESTMENT RETURNS ON RETIREMENT FUNDS

Year	Investment Return[(1)]
2007	21.3%
2008	-1.2%
2009	-22.8%
2010	13.2%
2011	21.1%
2012	1.4%
2013	12.4%
2014	17.1%
2015	4.9%
2016	2.7%

(1) As of June 30.

Sources: Washington State Investment Board

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

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

Pension liabilities	$1,013,713
Deferred outflows of resources	188,243
Deferred inflows of resources	23,554
Pension expense/expenditures	113,892

Source: 2016 CAFR

For more information on employee retirement plans, see Appendix B—Excerpts from King County's 2016 Comprehensive Annual Financial Report.

Other Post-Employment Benefits

The King County Health Plan (the "Health Plan") is a single-employer defined-benefit healthcare plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees and employees. LEOFF Plan 1 retirees are not required to contribute to the Health Plan. Entry into LEOFF Plan 1 is now closed. All other retirees are required to pay the COBRA rate associated with the elected plan. The County's liability for other post-employment benefits ("OPEB") is limited to the direct Health Plan subsidy associated with LEOFF Plan 1 retirees and the implicit rate subsidy for other Health Plan retiree participants, which is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees. For the fiscal year ended December 31, 2016, the County contributed an actuarially estimated $5.9 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits. For the fiscal year ended December 31, 2016, the County's annual OPEB cost (expense), which is calculated based on the annual required contribution of the County, was $11.5 million and the County's net OPEB obligation was $70.9 million. The Health Plan liability is based on a computed annual required contribution that includes the current period's service cost and an amount to amortize unfunded accrued liabilities.

For additional information regarding the County's OPEB liability, see Appendix B—Excerpts from King County's 2016 Comprehensive Annual Financial Report.

Risk Management and Insurance

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

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

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

The cash balance in the Insurance Fund was $92.1 million as of December 31, 2016. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2016, was $75.6 million.

For additional information, see Appendix B—Excerpts from King County's 2016 Comprehensive Annual Financial Report.

Emergency Management and Preparedness

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

GENERAL OBLIGATION DEBT INFORMATION

General Obligation Debt Limitation

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

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

Debt Capacity and Debt Service Summary

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

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

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

See "Other Considerations—Federal Sequestration."

COMPUTATION OF STATUTORY DEBT CAPACITY

2016 Assessed Value (2017 Tax Year)	$ 471,456,288,019
Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions	
1 1/2 % of Assessed Value	$ 7,071,844,320
County Purposes	
Outstanding Limited Tax General Obligation Bonds for County Purposes	$ 945,027,000
The Bonds	33,460,000
General Obligation Lease Revenue Bonds for County Purposes	12,765,000
County Credit Enhancement Program for Housing[1]	132,379,476
Capital Leases/Installment Purchase Contracts for County Purposes	-
General Obligation Long-Term Liabilities for County Purposes	102,856,429
Less: Amount Legally Available for Payment of All Limited Tax General Obligation Indebtedness for County Purposes	(9,539,914)
Net Limited Tax General Obligation Debt for County Purposes	$ 1,216,947,991
Metropolitan Functions	
Outsanding Limited Tax General Obligation Bonds for Metropolitan Functions	$ 24,385,000
Outstanding Limited Sales Tax General Obligation Bonds	66,435,000
Outstanding Limited Tax General Obligation Bonds (Payable from Sewer Revenues)	837,114,000
Credit Enhancement Program for Reimbursement Agreements[2]	100,000,000
General Obligation Long-Term Liabilities for Metropolitan Functions	68,257,653
Capital Leases/Installment Purchase Contracts for Metropolitan Functions	-
Less: Amount Legally Available for Payment of all Limited Tax General Obligation Indebtedness for Metropolitan Functions	(37,689,574)
Net Limited Tax General Obligation Debt for Metropolitan Functions	$ 1,058,502,079
Total Net Limited Tax General Obligation Debt for County Purposes and Metropolitan Functions	$ 2,275,450,070
Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions	$ 4,796,394,250
Total General Obligation Debt Capacity for County Purposes	
2 1/2 % of Assessed Value	$ 11,786,407,200
Outstanding Unlimited Tax General Obligation Debt for County Purposes	90,135,000
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for County Purposes	(2,042,972)
Net Unlimited Tax General Obligation Debt for County Purposes	$ 88,092,028
Net Limited Tax General Obligation Debt for County Purposes (from above)	1,216,947,991
Total Net General Obligation Debt for County Purposes	$ 1,305,040,019
Remaining Capacity: General Obligation Debt for County Purposes	$ 10,481,367,181
Total General Obligation Debt Capacity for Metropolitan Functions	
2 1/2 % of Assessed Value	$ 11,786,407,200
Outstanding Unlimited Tax General Obligation Debt for Metropolitan Functions	-
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for Metropolitan Functions	-
Net Unlimited Tax General Obligation Debt for Metropolitan Functions	$ -
Net Limited Tax General Obligation Debt for Metropolitan Functions (from above)	1,058,502,079
Total Net General Obligation Debt for Metropolitan Functions	$ 1,058,502,079
Remaining Capacity: General Obligation Debt for Metropolitan Functions	$ 10,727,905,122

NOTES TO TABLE:

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

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

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

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

		Limited Tax General Obligation Bonds					
	Unlimited Tax	County Purposes					
	General		The Bonds		Lease Revenue	Metropolitan	Total LTGO
Year	Obligation Bonds	Outstanding[(1)(2)]	Principal	Interest	Bonds	Functions[(2)(3)]	Debt Service
2017	$ 16,708,975	$ 98,279,523	$ -	$ -	$ 4,488,913	$ 73,325,153	$ 176,093,588
2018	17,128,925	97,491,804	2,685,000	1,980,969	763,712	73,274,426	176,195,911
2019	16,209,475	97,529,945	3,410,000	1,379,100	763,559	73,207,165	176,289,769
2020	15,080,700	93,722,158	3,600,000	1,203,850	767,580	69,718,692	169,012,280
2021	13,807,700	87,364,206	3,750,000	1,038,850	765,499	64,735,401	157,653,956
2022	14,126,950	93,875,908	3,920,000	865,850	767,592	61,463,955	160,893,304
2023	14,460,825	67,279,549	4,125,000	664,725	763,582	61,411,499	134,244,355
2024	-	63,432,973	4,330,000	453,350	763,746	61,367,339	130,347,408
2025	-	61,597,293	1,675,000	303,225	762,808	61,295,019	125,633,345
2026	-	53,955,724	1,760,000	217,350	765,768	61,298,414	117,997,256
2027	-	55,204,997	515,000	160,475	762,351	61,231,198	117,874,020
2028	-	50,860,264	305,000	141,500	762,831	61,143,161	113,212,756
2029	-	47,935,507	320,000	129,000	766,934	61,081,767	110,233,207
2030	-	41,393,889	330,000	116,000	764,384	61,079,797	103,684,070
2031	-	34,949,959	345,000	102,500	765,457	47,133,994	83,296,909
2032	-	30,656,739	360,000	88,400	764,876	59,916,594	91,786,608
2033	-	21,857,979	375,000	73,700	762,643	59,847,666	82,916,987
2034	-	21,857,604	390,000	58,400	763,756	52,019,304	75,089,063
2035	-	19,499,994	405,000	42,500	762,941	24,342,600	45,053,035
2036	-	19,488,874	420,000	26,000	770,198	24,399,850	45,104,921
2037	-	8,650,987	440,000	8,800	-	24,346,600	33,446,387
2038	-	8,648,357	-	-	-	24,389,200	33,037,557
2039	-	8,650,406	-	-	-	4,000,000	12,650,406
2040	-	8,645,163	-	-	-	100,000,000	108,645,163
Total	$ 107,523,550	$ 1,192,829,792	$ 33,460,000	$ 9,054,544	$ 19,019,127	$ 1,326,028,792	$ 2,580,392,254

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

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

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

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

Net Direct and Overlapping Debt Outstanding

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

NET DIRECT AND OVERLAPPING DEBT

2016 Assessed Value (for 2017 Tax Year)	$471,456,288,019
Net Direct Debt[1]	$ 797,596,525
Estimated Overlapping Debt[2]	
School Districts	$ 3,773,587,000
City of Seattle	998,414,000
Other Cities and Towns	884,386,000
Port of Seattle	283,620,000
Hospital Districts	255,164,000
Fire Districts	96,099,000
Sewer Districts	-
Park Districts	6,120,000
King County Library System	95,864,000
Library Capital Facilities	1,921,000
Parks and Recreation Service District	753,000
Total Estimated Overlapping Debt	$ 6,395,928,000
Total Net Direct and Estimated Overlapping Debt	$ 7,193,524,525
County Debt Ratios	
Net Direct Debt to Assessed Value	0.17%
Net Direct and Overlapping Debt to Assessed Value	1.53%
2016 Population (estimated)	2,149,970
Per Capita Net Direct Debt	$371
Per Capita Net Direct and Overlapping Debt	$3,346
Per Capita Assessed Value	$219,285

NOTES TO TABLE:

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

Total Net General Obligation Debt for County Purposes	$ 1,305,040,019
Total Net General Obligation Debt for Metropolitan Functions	1,058,502,079
Total Net General Obligation Debt	$ 2,363,542,098
General Obligation Debt Serviced by Proprietary-Type Funds*	(180,210,000)
General Obligation Debt Issued for Component Units*	(194,854,018)
General Obligation Debt Issued for Metropolitan Functions*	(1,058,502,079)
County Credit Enhancement Program**	(132,379,476)
Net Direct Debt	$ 797,596,525

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

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

(2) As of December 31, 2016.

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

Contingent Loan Agreements

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

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

Credit Facilities

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

SUMMARY OF CREDIT FACILITIES

Series	Amount Outstanding as of 6/1/2017	Type of Facility	Provider	Expiration	Term-Out Provision	Maturity
Multi-Modal Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2010 A and B	$100,000,000	Standby Bond Purchase Agreement	State Street Bank and Trust Company	11/3/2017	Three Years	01/01/2040
Multi-Modal Limited Tax General Obligation Bonds, Series 2013	$33,020,000	Continuing Covenant Agreement	Bank of America Preferred Funding Corporation	8/1/2019	Three Years	06/01/2029
Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001 A&B[(1)]	$100,000,000	Letter of Credit	Landesbank Hessen-Thuringen Girozentrale (Helaba)	9/30/2020	Three Years	01/01/2032

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

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

PROPERTY TAX INFORMATION

Authorized Property Taxes

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

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

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

(i) *Maximum Rate Limitations.* The County may levy regular property taxes for two purposes: for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to $1.80 per $1,000 of assessed value, and the County is levying $1.25578 per $1,000 of assessed value for the 2017 tax year. The road district levy, which is levied in unincorporated areas of the County for road construction and maintenance and other County services provided in the unincorporated areas, is limited to $2.25 per $1,000 of assessed value, and the County currently is levying at a rate of $2.24557 per $1,000 of assessed value for the 2017 tax year. Additional statutory provisions limit the increase in the aggregate amount of taxes levied. See "Regular Property Tax Increase Limitation."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) In August 2013, the Parks levy lid lift was renewed by voters for six years, for a rate of no more than \$0.1877 per \$1,000 of assessed value. The 2017 tax year rate for the Parks levy lid lift is \$0.15029 per \$1,000 of assessed value.

(iii) The Veterans and Family Human Services levy, approved by voters in 2011, is a regular property tax levy to be levied for six years beginning in 2012 at a rate of no more than \$0.05 per \$1,000 of assessed value. Tax year 2017 is the last year for this lid lift, and the rate is \$0.03964 per \$1,000 of assessed value. The current veterans and human services levy is set to expire at the end of 2017. The County Executive has proposed a continuation of the levy, called the Veterans, Seniors, and Human Services Levy, to be on the ballot of the November 7, 2017 election. The legislation is currently under review at the County Council and must be passed in July to be placed on the November ballot.

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

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

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

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

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

Allocation of Tax Levies

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

ALLOCATION OF 2016 AND 2017 TAX LEVIES

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

(1) Assessed value for taxes payable in 2017.

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

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

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

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

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

Source: King County Department of Assessments

Assessed Value Determination

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

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

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

KING COUNTY
ASSESSED VALUE

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

Source: King County Department of Assessments

Tax Collection Procedure

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

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

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

PROPERTY TAX COLLECTION RECORD
ALL COUNTY FUNDS ($000)

Tax Year	Original Amount Levied(1)	Amount Collected Year of Levy	Percent Collected Year of Levy	Percent Collected as of 5/31/2017
2012	$583,597	$571,789	97.98%	99.56%
2013	608,445	597,455	98.19%	99.68%
2014	656,280	645,201	98.31%	99.60%
2015	674,231	663,663	98.43%	99.50%
2016	784,864	771,652	98.32%	99.14%
2017	811,718	418,739	51.59%	51.59%

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

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

Principal Taxpayers

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

LARGEST TAXPAYERS IN THE COUNTY
2017 TAX COLLECTION YEAR

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

Source: King County Department of Assessments

OTHER CONSIDERATIONS

Federal Sequestration

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

Sanctuary Jurisdiction Impact

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

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

INITIATIVES AND REFERENDA

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

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

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

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

LEGAL AND TAX INFORMATION

Litigation

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

The County, like other large units of state and local government, is involved in litigation on matters relating principally to claims arising from contracts, personal injury, property damage, tax claims, and other matters. For a general description of the types of non-tort claims in which the County is involved, see Appendix B—Excerpts from King County's 2016 Comprehensive Annual Financial Report—Note 19. Based on its past experience and the information currently known, the County does not believe that any pending litigation would materially adversely affect the ability of the County to pay when due the principal of or interest on the Bonds.

Approval of Counsel

Legal matters incident to the authorization, issuance, and sale of the Bonds by the County are subject to the approving legal opinion of Hillis Clark Martin & Peterson P.S., Bond Counsel. The form of the opinion of Bond Counsel is attached as Appendix A. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of issue of the Bonds (the "Date of Issue"), and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result.

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

Potential Conflicts of Interest

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

Limitations on Remedies and Municipal Bankruptcy

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

In addition to the limitations on remedies contained in the Ordinance, the rights and obligations under the Bonds and the Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by Hillis Clark Martin & Peterson P.S., as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency, and other laws relating to or affecting creditors' rights. A copy of the form of legal opinion of Bond Counsel is set forth in Appendix A.

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

Tax Matters

General. In the opinion of Hillis Clark Martin & Peterson P.S., Bond Counsel, as of the Date of Issue and assuming compliance by the County with the applicable requirements of the Code that must be satisfied subsequent to the Date of Issue, under existing federal law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. However, under existing federal law, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

Except as stated in the previous paragraph, Bond Counsel expresses no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds.

Continuing Requirements. The Code contains certain requirements that must be satisfied subsequent to the Date of Issue in order to maintain the federal tax treatment described in "Legal and Tax Information—Tax Matters—General," including requirements relating to application of the proceeds of the Bonds, use of facilities refinanced with such proceeds, limitations on income derived from the investment of gross proceeds (as defined in Section 148 of the Code) of the Bonds, and rebate to the United States Treasury of certain investment earnings on such gross proceeds. The County has covenanted to comply with these requirements to the extent applicable, and Bond Counsel's opinion with respect to the Bonds described in "Legal and Tax Information—Tax Matters—General" assumes such compliance. However, if the County should fail to comply with such requirements, interest on the Bonds could become includable in gross income for federal income tax purposes and could be treated as an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations, in each case, retroactively to the Date of Issue. Bond Counsel does not undertake to monitor the County's compliance with such requirements.

Bonds Not Qualified Tax-Exempt Obligations. The County has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Other Federal Tax Matters. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds, and taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof. Bond Counsel is not rendering any opinion as to any federal tax matters with respect to the Bonds other than as described in "Legal and Tax Information—Tax Matters—General." Prospective purchasers and owners of the Bonds should consult their own tax advisors concerning the other tax consequences of ownership of the Bonds.

Proposed Tax Legislation; Miscellaneous

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

CONTINUING DISCLOSURE UNDERTAKING

Annual Disclosure Report. The County agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") the following annual financial information and operating data for the prior fiscal year (collectively, the "Annual Financial Information"), commencing in 2018 for the fiscal year ended December 31, 2017:

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

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

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

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

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

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

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

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

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

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

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

(i) principal and interest payment delinquencies;

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

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

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

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

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

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

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

(ix) defeasances;

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

(xi) rating changes;

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

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

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

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

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

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

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

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

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

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

OTHER BOND INFORMATION

Ratings

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

Municipal Advisor

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

Purchaser of the Bonds

The Bonds are being purchased by J.P. Morgan Securities LLC (the "Purchaser") at a price of $38,454,087.91, and will be reoffered at a price of $38,522,493.20. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices and yields set forth on page i of this Official Statement, and such initial offering prices and yields may be changed from time to time by the Purchaser. After the initial public offering, the public offering prices and yields may be varied from time to time.

Official Statement

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

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

KING COUNTY, WASHINGTON

By: /s/ Ken Guy

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

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APPENDIX A

FORM OF BOND COUNSEL OPINION

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Form of Approving Opinion of
Hillis Clark Martin & Peterson P.S., Bond Counsel
with respect to the Bonds

August 10, 2017

King County, Washington
Seattle, Washington 98104

We have acted as bond counsel to King County, Washington (the "County"), in connection with the issuance by the County of the bonds described below (the "Bonds"):

$33,460,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2017, SERIES B
Dated: August 10, 2017 (the "Date of Issue")

The Bonds are issued under and in accordance with the provisions of chapters 36.67 and 39.46 RCW; the County Charter; and County Ordinance 18543 (the "Bond Ordinance") and Motion 14921 of the Metropolitan King County Council (together with the Bond Ordinance, the "Bond Legislation"). The Bonds are issued to provide financing for the BRC BI Analytics Project, the Courthouse Electrical Distribution Replacement Project, the DPD Lease Consolidation Project, the Elections Tabulation Project, the FMD Asset Management System Project, the FRED Projects and the Jail Management System Project, including costs of issuing the Bonds. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Bond Ordinance.

In rendering this opinion letter, we have examined the following: (i) the Bond Legislation; (ii) a copy of one executed and authenticated Bond (we assume that all other Bonds are in the same form and have been similarly executed and authenticated); (iii) the Blanket Letter of Representations from the County to The Depository Trust Company; and (iv) the certified proceedings of the County and other certificates of public officials and representatives of the County and representatives of J.P. Morgan Securities LLC, as the underwriter of the Bonds (the "Underwriter"), that have been furnished to us and which comprise the transcript of proceedings pertaining to the issuance of the Bonds (the "Transcript").

As to questions of fact material to the opinions expressed herein, we are relying upon the certified proceedings of the County and other certifications of public officials and representatives of the County and the Underwriter that have been furnished to us as part of the Transcript, all without undertaking to verify the same by independent investigation.

Based upon the foregoing and our examination of such questions of law as we have deemed necessary or appropriate for the purpose of this opinion letter, and subject to the limitations and qualifications expressed below, we are of the opinion that, as of this date:

1. The Bonds are lawfully authorized and issued pursuant to and in full compliance with the Constitution and applicable statutes of the State of Washington, the County Charter and the Bond Legislation.

2. The Bonds are legal, valid and binding limited tax general obligations of the County, enforceable against the County in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, and also to the exercise of judicial discretion in accordance with general principles of equity.

3. The County has irrevocably covenanted and agreed that, for as long as any of the Bonds are outstanding and unpaid, each year it will include in its budget and levy an *ad valorem* tax upon all the property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bonds as the same shall become due. The County has irrevocably pledged that the annual tax to be levied for the payment of such principal and interest will be within and as a part of the tax levy permitted to counties without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the County prior to the full payment of the principal of and interest on the Bonds will be irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The County has irrevocably pledged its full faith, credit and resources for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

4. Assuming compliance by the County with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the Date of Issue, under existing federal law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. However, under existing federal law, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

Except as stated in the preceding paragraph 4, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds.

The Code contains certain requirements that must be satisfied subsequent to the Date of Issue in order to maintain the federal tax treatment described in paragraph 4, including requirements relating to the application of the proceeds of the Bonds, use of facilities financed with such proceeds, limitations on income derived from the investment of gross proceeds (as defined in Section 148 of the Code) of the Bonds, and rebate to the United States Treasury of certain investment earnings on such gross proceeds. The County has covenanted to comply with these requirements to the extent applicable, and the opinion expressed in paragraph 4 assumes such compliance. However, we have not undertaken and do not undertake to monitor compliance by the County with such requirements; and if the County should fail to comply with such requirements, interest on the Bonds could become includable in gross income for federal income tax purposes and could be treated as an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations, in each case, retroactively to the Date of Issue.

The law covered by this letter is limited to the federal law of the United States of America and the law of the State of Washington.

The foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

This opinion is given as of the date hereof and we expressly disclaim any responsibility to advise you of any developments in areas covered by this opinion letter that may hereafter occur.

Respectfully submitted,

HILLIS CLARK MARTIN & PETERSON P.S.

By
Daniel S. Gottlieb

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APPENDIX B

EXCERPTS FROM KING COUNTY'S 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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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

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
Assets						
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
Deferred Outflows of Resources	136,468	90,967	319,215	225,970	455,683	316,937
Liabilities						
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
Deferred Inflows of Resources	15,300	87,306	54,848	101,275	70,148	188,581
Net Position						
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
Revenues						
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	2,122,758	1,952,879	1,864,124	1,572,524	3,986,882	3,525,403
Expenses (a)						
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	1,872,846	1,809,065	1,490,072	1,375,994	3,362,918	3,185,059
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	245,647	131,363	378,317	196,225	623,964	327,588
Net position, beginning of year (b)	2,334,154	2,202,791	2,471,976	2,275,751	4,806,130	4,478,542
Net position, end of year	$ 2,579,801	$ 2,334,154	$ 2,850,293	$ 2,471,976	$ 5,430,094	$ 4,806,130

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)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
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
TOTAL ASSETS	4,392,791	8,000,171	12,392,962	905,596
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refunding	25,191	242,249	267,440	—
Deferred outflows on pensions	111,277	76,966	188,243	326
TOTAL DEFERRED OUTFLOWS OF RESOURCES	136,468	319,215	455,683	326
LIABILITIES				
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
TOTAL LIABILITIES	1,934,158	5,414,245	7,348,403	188,128
DEFERRED INFLOWS OF RESOURCES				
Advanced grants	344	—	344	—
Deferred inflows on pensions	14,956	8,598	23,554	28
Deferred inflows for rate stabilization	—	46,250	46,250	—
TOTAL DEFERRED INFLOWS OF RESOURCES	15,300	54,848	70,148	28
NET POSITION				
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
TOTAL NET POSITION	$ 2,579,801	$ 2,850,293	$ 5,430,094	$ 717,766

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)

			Program Revenues			Net (Expense) Revenue and Changes in Net Position			
						Primary Government			Component Units Total
Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:									
Governmental activities:									
General government	$ 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	1,897,043	(24,197)	794,180	218,760	29,709	(830,197)	—	(830,197)	—
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	1,465,875	24,197	1,110,882	58,374	89,336	—	(231,480)	(231,480)	—
Total primary government	$ 3,362,918	$ —	$ 1,905,062	$ 277,134	$ 119,045	$ (830,197)	$ (231,480)	$ (1,061,677)	$ —
Component Units	$ 979,857		$ 958,228	$ 25,091	$ 6,174				$ 9,636
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						1,075,844	609,797	1,685,641	308
Change in net position						245,647	378,317	623,964	9,944
Net position - January 1, 2016 (Restated)						2,334,154	2,471,976	4,806,130	707,822
Net position - December 31, 2016						$ 2,579,801	$ 2,850,293	$ 5,430,094	$ 717,766

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
ASSETS				
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
TOTAL ASSETS	$ 172,084	$ 136,234	$ 782,604	$ 1,090,922
LIABILITIES				
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
TOTAL LIABILITIES	33,261	47,972	142,375	223,608
DEFERRED INFLOWS OF RESOURCES				
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
TOTAL DEFERRED INFLOWS OF RESOURCES	13,344	48	7,266	20,658
FUND BALANCES				
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
TOTAL FUND BALANCES	125,479	88,214	632,963	846,656
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 172,084	$ 136,234	$ 782,604	$ 1,090,922

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)
Net position of governmental activities	$ 2,579,801

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)

	GENERAL FUND	HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
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
TOTAL REVENUES	790,167	439,199	952,485	2,181,851
EXPENDITURES				
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
TOTAL EXPENDITURES	710,344	460,153	910,002	2,080,499
Excess (deficiency) of revenues over (under) expenditures	79,823	(20,954)	42,483	101,352
OTHER FINANCING SOURCES (USES)				
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
TOTAL OTHER FINANCING SOURCES (USES)	(56,973)	38,831	58,738	40,596
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	$ 125,479	$ 88,214	$ 632,963	$ 846,656

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)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
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
Total current assets	945,386	458,102	133,683	1,537,171	356,771
Noncurrent assets					
Restricted assets:					
Cash and cash equivalents	42,253	217,093	44,787	304,133	3,798
Due from other governments	26	—	—	26	—
Total restricted assets	42,279	217,093	44,787	304,159	3,798
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
Total capital assets	1,477,994	4,081,544	398,399	5,957,937	257,019
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	—
Total other noncurrent assets	5,611	113,277	—	118,888	13,880
Total noncurrent assets	1,525,884	4,411,914	443,186	6,380,984	274,697
TOTAL ASSETS	2,471,270	4,870,016	576,869	7,918,155	631,468
DEFERRED OUTFLOWS OF RESOURCES					
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
TOTAL DEFERRED OUTFLOWS OF RESOURCES	63,291	247,453	8,471	319,215	15,068

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				
	PUBLIC TRANSPOR-TATION	**WATER QUALITY**	**NONMAJOR ENTERPRISE FUNDS**	**TOTAL**	**INTERNAL SERVICE FUNDS**
LIABILITIES					
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	127,010	214,458	28,488	369,956	280,626
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	507,778	4,216,185	323,104	5,047,067	235,117
TOTAL LIABILITIES	634,788	4,430,643	351,592	5,417,023	515,743
DEFERRED INFLOWS OF RESOURCES					
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	6,504	47,467	877	54,848	1,830
NET POSITION					
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	$ 1,893,269	$ 639,359	$ 232,871	2,765,499	$ 128,963
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				84,794	
Net position of business-type activities				$ 2,850,293	

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)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
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
TOTAL OPERATING REVENUES	340,925	464,541	153,703	959,169	529,248
OPERATING EXPENSES					
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
TOTAL OPERATING EXPENSES	850,030	315,003	134,561	1,299,594	509,552
OPERATING INCOME (LOSS)	(509,105)	149,538	19,142	(340,425)	19,696
NONOPERATING REVENUES					
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
TOTAL NONOPERATING REVENUES	658,114	138,398	12,062	808,574	6,644
NONOPERATING EXPENSES					
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
TOTAL NONOPERATING EXPENSES	1,874	151,674	39,668	193,216	2,144
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)
CHANGE IN NET POSITION	229,705	136,162	2,784	368,651	17,177
NET POSITION - JANUARY 1, 2016	1,663,564	503,197	230,087		111,786
NET POSITION - DECEMBER 31, 2016	$ 1,893,269	$ 639,359	$ 232,871		$ 128,963
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				9,666	
Change in net position of business-type activities				$ 378,317	

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)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
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)	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(370,202)	323,096	33,689	(13,417)	17,582
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
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)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	637,527	(1,098)	7,790	644,219	(34,894)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
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)	—
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(232,559)	(330,873)	(57,225)	(620,657)	(20,113)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	4,889	4,019	1,300	10,208	2,824
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,889	4,019	1,300	10,208	2,824
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,655	(4,856)	(14,446)	20,353	(34,601)
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	$ 734,070	$ 620,073	$ 160,852	$ 1,514,995	$ 313,197

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)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (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)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (370,202)	$ 323,096	$ 33,689	$ (13,417)	$ 17,582

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)

	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS		
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
TOTAL ASSETS	$ 3,051,049	$ 3,318,101
LIABILITIES		
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
TOTAL LIABILITIES	—	$ 3,318,101
NET POSITION		
Held in trust for pool participants	$ 3,051,049	

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)

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

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

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

	Harborview Medical Center	Cultural Development Authority	Total
ASSETS			
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
TOTAL ASSETS	834,150	71,446	905,596
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	—	326	326
TOTAL DEFERRED OUTFLOWS OF RESOURCES	—	326	326
LIABILITIES			
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
TOTAL LIABILITIES	161,831	26,297	188,128
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	—	28	28
TOTAL DEFERRED INFLOWS OF RESOURCES	—	28	28
NET POSITION			
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
TOTAL NET POSITION	$ 672,319	$ 45,447	$ 717,766

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)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Harborview Medical Center**	**Cultural Development Authority**	**Total**
Component Units:							
Harborview Medical Center	$ 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	$ 979,857	$ 958,228	$ 25,091	$ 6,174	$ 21,403	$ (11,767)	$ 9,636
	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				$ 672,319	$ 45,447	$ 717,766

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

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

Nonmajor Governmental Funds

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

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

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

Nonmajor Proprietary Funds

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

Internal Service and Fiduciary Funds

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

New Accounting Standards

GASB Statement 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:

Description	**Estimated Life (Years)**
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	$ (1,466,154)

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)	(246,797)
Total adjustments related to capital assets	$ 2,799,258

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	$ 355,872

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	(5,025)
Total adjustments related to internal service funds	$ 44,169

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	$ 43,454

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	$ (4,809)

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	$ 1,411

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	$ 36,552

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	$ 19,580

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	$ 7,511

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	$ 84,794

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	$	9,666

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 the 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):

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

Custodial credit risk - Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositaries in 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):

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

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 and 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):

KING COUNTY INVESTMENT POOL

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)
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	634,558	634,558	0.50%	0.005
Total investments in Pool	$6,050,000	$6,053,615	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

Investment Type	AAA or A-1	AA	A	Not Rated	Total
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	$ 790,384	$ 1,624,435	$ 544,112	$ 634,558	$ 3,593,489

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

Investment Type	Maximum Maturity	Security Type Limit	Single Issuer Limit	Minimum Credit Rating
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency(1)	5 Years	100%	35%	N/A
U.S. Federal Agency MBS(2)	5 Year WAL	25%	25%	N/A
Certificates of Deposit(3)	1 Year	25%	5%	A-1 or P-1
Municipal Securities(4)	5 Years	20%	5%	A
Corporate Securities	5 Years	25%	5%	A(5)
Commercial Paper	270 Days	25%	5%	A-1/P-1(6)
Repurchase Agreements(7)	60 Days	100%	25%	A-1 or P-1
Bankers’ Acceptances	180 Days	25%	5%	A-1/P-1(8)
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 Measurements Using		
Investments by fair value level	**Fair Value 12/31/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
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	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
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

	Total	Main Pool	Impaired Pool
Net position held in trust for pool participants	$ 6,059,385	$ 6,053,547	$ 5,838
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	$ 6,059,385	$ 6,053,547	$ 5,838

Condensed Statement of Changes in Net Position

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

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

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

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 depositary 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 Measurements Using		
Investments by fair value level	**Fair Value 12/31/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
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	42,506	$ 4,355	$ 38,151	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
State Treasurer's Investment Pool	23,664			
Other/Money Market Fund	2,705			
Subtotal investments measured at cost	26,369			
Total CDA investments	$ 68,875			

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):

Cultural Development Authority

Investments By Type

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)	Concentration
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	68,875	$ 68,815	1.48%	1.332	100%
Less: State Treasurer's Investment Pool (Cash Equivalent)	(23,664)				
Total Investments per Statement of Net Position	$ 45,211				

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):

Governmental	**General Fund**	**Health Fund**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
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	$ 13,122	$ 5,633	$ 10,717	$ 29,472
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	$ 57,459	$ 31,826	$ 67,236	$ 156,521

Proprietary	**Public Transportation**	**Water Quality**	**Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
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	$ 29,342	$ 44,755	$ 11,959	$ 86,056	$ 1,578

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)
Countywide Levy				
Assessed Value:				
$426,335,605,837[a]				
Items Within Operating Levy:[b]				
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
Total Operating Levy	566,006	1.33255	463,682	1.19950
Public Transportation[c]	26,956	0.06346	26,255	0.06792
Conservation Futures Levy				
Conservation Futures Levy[d]	10,140	0.02058	10,104	0.02614
Farmland and Park Debt Service	8,741	0.02387	8,284	0.02143
Total Conservation Futures Levy	18,881	0.04445	18,388	0.04757
Unlimited Tax GO Bonds				
(Voter-approved Excess Levy)	16,818	0.03981	11,618	0.03023
Total Countywide Levy	628,661	1.48027	519,943	1.34522
EMS Levy				
Assessed Value:				
$242,938,385,808[a]				
EMS Levy	73,781	0.28235	73,111	0.30217
Unincorporated County Levy				
Assessed Value:				
$36,841,203,784[a]				
County Road Fund[e]	82,424	2.25000	81,183	2.25000
Total County Tax Levies[f]	$ 784,866		$ 674,237	

(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.

Tax Abatement Program	Total Amount of Taxes Abated (in thousands)
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
Governmental Activities:					
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
Business-type Activities:					
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
Governmental Activities	
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	$ 50,910
Business-type Activities	
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	324,086
Less amortization - Water Quality other assets	(7,167)
Total depreciation - business-type activities	$ 316,919

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):

	Balance 7/1/2015	Additions	Retirement	Transfers	Balance 6/30/2016
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	14,239	18,035	—	(17,258)	15,016
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	856,904	26,190	(9,030)	—	874,064
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	(563,884)	(33,521)	8,689	—	(588,716)
HMC capital assets, net	$ 307,259	$ 10,704	$ (341)	$ (17,258)	$ 300,364

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

Component Unit - Harborview Medical Center (HMC)		
HMC Construction Fund - restricted for construction projects, seismic, public safety and other improvements and furnishings of HMC buildings.	$	4,737
HMC Special Purpose Fund - restricted donations, gifts, and bequests from various sources for specific uses.		7,857
Total HMC restricted assets	$	12,594

Component Unit - Cultural Development Authority of King County (CDA)		
Public Arts Projects Fund - restricted for the one percent for public art programs operated for the benefit of King County.	$	16,346
Cultural Grant Awards Fund - restricted for arts and heritage cultural programs.		55,100
Total CDA restricted assets	$	71,446

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.

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.

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

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

PERS 1	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ —	$ —
Net difference between projected and actual investment earnings on pension plan investments	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	—
TOTAL	$ 37,149	$ —

PERS 2/3	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
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	—
TOTAL	$ 134,156	$ 22,587

PSERS 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
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	—
TOTAL	$ 3,918	$ 15

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

LEOFF 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
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	—
TOTAL	$ 11,081	$ 775

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	—
TOTAL	$ 1,310	$ 176

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	$ 70,894

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	$ 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)	$ 167,417
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):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
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:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
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:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
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:

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

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):

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

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):

Year	Office Space	Other	Total
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):

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

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

	Governmental	Business-type Activities		
Year	Activities	Airport	Other	Total
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 idenditied the Boeing Company, the City of Seattle and the Port of Seattle as parties to conduct the studies on which to base the cleanup decision. Each party has agreed in principle to pay one-fourth of the cleanup costs.

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

There are no estimated recoveries at this time that will reduce the amount of these obligations. The total pollution remediation liability at December 31, 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 260th 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)

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

Long-term Debt

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

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

For business-type activities, long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Solid Waste, Public Transportation and Water Quality Enterprise Funds. Capital leases are accounted for in the Public Transportation 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
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
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 Refunding1993B 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 (QECBs) (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 (QECBS) (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 [b]	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 [a]					
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
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,264,838	791,777

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
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
2007E LTGO (Solid Waste) Bonds (Partial)	11/27/2007	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 (b)	50,000	50,000
2010B Multi-Modal LTGO (WQ) Bonds	1/12/2010	1/1/2040	Variable (b)	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				1,394,085	992,665
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 (c)	50,000	50,000
2001B WQ Revenue Junior Lien Variable Rate Demand Bonds	8/6/2001	1/1/2032	Variable (c)	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 (c)	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 (c)	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 (c)	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				4,728,108	3,093,519
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				6,122,193	4,086,184
TOTAL LONG-TERM DEBT				$ 7,387,031	$ 4,877,961

(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)

GOVERNMENTAL ACTIVITIES

	General Obligation Bonds		Lease Revenue Bonds		Total	
Year	**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
TOTAL	$ 779,012	$ 241,450	$ 12,765	$ 6,254	$ 791,777	$ 247,704

	BUSINESS-TYPE ACTIVITIES						DEBT SERVICE REQUIREMENTS TO MATURITY	
	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
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
TOTAL	$ 992,665	$ 562,087	$ 3,093,519	$ 2,266,175	$ 4,086,184	$ 2,828,262	$ 4,877,961	$ 3,075,966

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
Governmental activities:					
General obligation bonds payable:					
General obligation (GO) bonds	$ 825,298	$ 25,025	$ (71,311)	$ 779,012	$ 66,617
Lease revenue bonds[(a)]	20,965	—	(8,200)	12,765	3,895
Unamortized bonds premium and discount	85,768	3,764	(13,592)	75,940	—
Total bonds payable	932,031	28,789	(93,103)	867,717	70,512
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	801,299	597,665	(514,889)	884,075	62,853
Total Governmental activities long-term liabilities	$ 1,733,330	$ 626,454	$ (607,992)	$ 1,751,792	$ 133,365
Business-type activities:					
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	4,144,207	983,808	(880,653)	4,247,362	90,635
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	792,514	357,017	(224,407)	925,124	34,784
Total Business-type activities long-term liabilities	$ 4,936,721	$ 1,340,825	$ (1,105,060)	$ 5,172,486	$ 125,419

[(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.

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)	$ 471,456,288	
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		(928,514)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 2,607,408
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	(928,514)	
Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions		(1,604,559)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS		$ 5,467,285
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		(928,514)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 10,857,893
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	(676,045)	
Total net general obligation indebtedness for general county purposes		(764,137)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES		$ 11,022,270

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."

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

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

Advances from/to other funds (in thousands)

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

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.”

Transfers Out	Transfers In	Amount
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		$ 307,958

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	1,659	87,620	611,073	700,352
Committed for:				
Antiprofiteering Program	69	—	—	69
Rainy Day Reserve	20,428	—	—	20,428
Urban Restoration and Habitat	—	—	37	37
Total Committed Fund Balance	20,497	—	37	20,534
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	35,128	—	33,468	68,596
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	68,195	—	(20,232)	47,963
Total Fund Balance	$ 125,479	$ 88,214	$ 632,963	$ 846,656

Restatements of Beginning Balances

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

GOVERNMENTAL ACTIVITIES Changes in Net Position or Fund Balance	Governmental Activities	Total Governmental Funds	Nonmajor Governmental Funds
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)	$ 2,334,154	$ 704,708	$ 531,742

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)			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
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
TOTAL REVENUES	1,486,816	1,496,129	1,554,503	58,374
EXPENDITURES				
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
TOTAL EXPENDITURES	1,499,744	1,566,516	1,533,091	33,425
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	$ (12,928)	$ (70,387)	21,412	$ 91,799
Adjustment from budgetary basis to GAAP basis[(a)]			859	
Net change in fund balance			22,271	
Fund balance - January 1, 2015			103,208	
Fund balance - December 31, 2016			$ 125,479	

(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	$ 859

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)			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
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)
TOTAL REVENUES	815,351	887,150	887,807	657
EXPENDITURES				
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)
TOTAL EXPENDITURES	811,002	884,158	853,979	30,179
Excess of revenues over expenditures (budgetary basis)	$ 4,349	$ 2,992	33,828	$ 30,836
Adjustment from budgetary basis to GAAP basis[(a)]			1,695	
Net change in fund balance			35,523	
Fund balance - January 1, 2015			52,691	
Fund balance - December 31, 2016			$ 88,214	

(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	$ 1,695

II. Pension Funding

Schedule of the County's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30*
(dollars in thousands)

	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%

Schedule of the County's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30*
(dollars in thousands)

	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)	$ (28,980)	$ (49,535)
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.

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended December 31, 2016
(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)	$ —	$ —
Covered-employee payroll	$ 17,003	$ 20,440
Contributions as a percentage of covered-employee payroll	11.18%	10.16%

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended December 31, 2016
(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)	$ —	$ —
Covered-employee payroll	$ 977,342	$ 933,304
Contributions as a percentage of covered-employee payroll	11.18%	10.20%

Schedule of Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
Fiscal Year Ended December 31, 2016
(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)	$ —	—
Covered-employee payroll	$ 34,253	$ 33,102
Contributions as a percentage of covered-employee payroll	11.54%	11.11%

Schedule of Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Fiscal Year Ended December 31, 2016
(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)	$ —	—
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)	$ —	$ —
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.

	2016-2014		2013-2011		2010-2008	
Condition ratings	(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.

	2016-2014		2013-2011		2010-2008	
PCI score interval	**(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	453.8	100.0	458.7	100.0	485.2	100.0
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	1,012.1	100.0	1,049.9	100.0	1,147.0	100.0

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	Number of Bridges		
Sufficiency Rating	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.

APPENDIX C

SUMMARY OF KING COUNTY'S INVESTMENT POLICY

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SUMMARY OF KING COUNTY'S INVESTMENT POLICY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Population

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

POPULATION

Year	Washington	King County	Seattle
1980 (1)	4,130,163	1,269,749	493,846
1990 (1)	4,866,692	1,507,319	516,259
2000 (1)	5,894,121	1,737,034	563,374
2010 (1)	6,724,540	1,931,249	608,660
2013 (2)	6,882,400	1,981,900	626,600
2014 (2)	6,968,170	2,017,250	640,500
2015 (2)	7,061,410	2,052,800	662,400
2016 (2)	7,183,700	2,105,100	686,800
2017 (2)	7,310,300	2,153,700	713,700

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

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

Per Capita Income

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

PER CAPITA INCOME

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

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

Construction

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

KING COUNTY
RESIDENTIAL BUILDING PERMIT VALUES

	New Single Family Units		New Multi-Family Units		
Year	**Number**	**Value($)**	**Number**	**Value($)**	**Total Value($)**
2012	3,864	$ 1,133,343,731	7,750	$ 1,118,023,021	$ 2,251,366,752
2013	4,419	1,419,065,243	7,858	1,053,237,846	2,472,303,089
2014	4,215	1,478,116,875	10,488	1,478,117,263	2,880,006,794
2015	4,010	1,539,049,136	14,527	2,227,509,189	3,766,558,325
2016	4,254	1,616,722,532	13,445	1,759,255,696	3,375,978,228
2016(1)	1,848	691,472,719	3,513	474,303,222	1,165,775,941
2017(1)	1,809	714,330,126	4,318	591,429,934	1,305,760,060

(1) Through May.

Source: U.S. Bureau of the Census

Retail Activity

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

KING COUNTY AND THE CITY OF SEATTLE
TAXABLE RETAIL SALES

Year	King County	Seattle
2011	$ 40,846,118,928	$ 15,751,585,856
2012	43,506,804,227	17,162,539,275
2013	46,601,198,766	18,258,200,683
2014	49,638,174,066	19,995,171,842
2015	54,890,159,770	22,407,443,037
2016	59,530,882,870	24,287,539,378

Source: Washington State Department of Revenue and Quarterly Business Review

Industry and Employment

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

PUGET SOUND AREA
MAJOR EMPLOYERS

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

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

Source: Puget Sound Business Journal Book of Lists, 2017

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

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

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

	May 2017
Civilian Labor Force	1,227,456
Total Employment	1,189,091
Total Unemployment	38,365
Percent of Labor Force	3.1%

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

Source: Washington State Employment Security Department

APPENDIX E

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

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

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

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

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

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

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

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

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

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

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

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