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 Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, the interest on the Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "Legal and Tax Information—Tax Matters."

$62,340,000

KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2019, SERIES B

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

King County, Washington (the "County"), is issuing its Limited Tax General Obligation Bonds, 2019, 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 January 1 and July 1, beginning January 1, 2020, 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 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 Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. The form of legal opinion of Bond Counsel is attached hereto as Appendix A. Pacifica Law Group LLP also is serving 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 September 12, 2019.

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: August 21, 2019

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.

CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. The County takes no responsibility for the accuracy of such CUSIP numbers.

MATURITY SCHEDULE

$62,340,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2019, SERIES B

Due July 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
2020	$ 4,980,000	5.00%	0.98%	103.205	49474F UT5
2021	5,090,000	5.00%	0.99%	107.146	49474F UU2
2022	5,345,000	5.00%	1.00%	111.026	49474F UV0
2023	5,615,000	5.00%	1.01%	114.847	49474F UW8
2024	5,890,000	5.00%	1.03%	118.554	49474F UX6
2025	6,190,000	5.00%	1.05%	122.178	49474F UY4
2026	6,505,000	5.00%	1.09%	125.567	49474F UZ1
2027	3,525,000	5.00%	1.16%	128.565	49474F VA5
2028	3,700,000	5.00%	1.23%	131.359	49474F VB3
2029	3,875,000	5.00%	1.30%	133.949	49474F VC1
2030	925,000 (1)	5.00%	1.37%	133.189	49474F VD9
2031	970,000 (1)	5.00%	1.42%	132.650	49474F VE7
2032	1,020,000 (1)	5.00%	1.47%	132.114	49474F VF4
2033	1,070,000 (1)	5.00%	1.52%	131.580	49474F VG2
2034	1,125,000 (1)	5.00%	1.57%	131.048	49474F VH0
2035	1,180,000 (1)	5.00%	1.62%	130.520	49474F VJ6
2036	1,235,000 (1)	5.00%	1.66%	130.098	49474F VK3
2037	1,300,000 (1)	5.00%	1.70%	129.679	49474F VL1
2038	1,365,000 (1)	5.00%	1.75%	129.156	49474F VM9
2039	1,435,000 (1)	5.00%	1.79%	128.740	49474F VN7

(1) Priced to the July 1, 2029, par call date.

KING COUNTY, WASHINGTON
500 FOURTH AVENUE
SEATTLE, WASHINGTON 98104

KING COUNTY EXECUTIVE

Dow Constantine

METROPOLITAN KING COUNTY COUNCIL

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

OTHER ELECTED OFFICIALS

Dan Satterberg	Prosecuting Attorney
John Wilson	Assessor
Mitzi Johanknecht	Sheriff
Julie Wise	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

Pacifica Law Group LLP

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

$62,340,000

KING COUNTY, WASHINGTON

LIMITED TAX GENERAL OBLIGATION BONDS, 2019, 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, 2019, 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 18960, passed on July 17, 2019 (the "Ordinance"), and Motion 15486 of the Metropolitan King County Council (the "County Council") passed on August 21, 2019 (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. The Bonds will initially 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 January 1 and July 1, beginning January 1, 2020, to their maturities or prior redemption. Interest will be computed on the basis of a 360-day year and 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 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 Bonds maturing on or after July 1, 2030, are subject to optional redemption prior to their stated maturity at the option of the County, in whole or in part, at any time on or after July 1, 2029, 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.

Rescission of Redemption. In the case of an optional redemption, the notice of redemption may state that the County retains the right to rescind the redemption notice and the related 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 (except such notice as is required to be given by the County to the Registrar or to DTC), 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. See Appendix E for additional information.

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

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 to a successor of DTC or its nominee or to a substitute depository or its successor, 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, premium, if any, and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem, retire, refund, and/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 and/or noncallable Government Obligations (defined below) maturing at such time or times and bearing interest to be earned thereon in amounts sufficient (together with such money, if necessary) 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, premium, if any, and interest on the Defeased Bonds from the Trust Account.

The term "Government Obligations" in defined in the Ordinance to include obligations constituting 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 (i) provide financing for the parks' central maintenance facility project, various systems development and upgrade projects (including procurement, case management, property tax assessment and collection, and jail management systems), the distributed antenna network phase III project, and energy demand reduction projects, and (ii) pay the costs of issuing the Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds are expected to be applied as follows:

TABLE 1
SOURCES AND USES OF FUNDS

SOURCES OF FUNDS	
Par Amount of Bonds	$ 62,340,000
Reoffering Premium	13,124,378
Total Sources of Funds	$ 75,464,378
USES OF FUNDS	
Deposit to Project Subfunds	$ 74,900,000
Capitalized Interest	187,248
Costs of Issuance (1)	377,130
Total Uses of Funds	$ 75,464,378

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

SECURITY AND SOURCES OF PAYMENT FOR 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 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 ("Metro Transit") and wastewater treatment services ("Wastewater") (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 Metropolitan King County Council (the "County Council"), the Prosecuting Attorney, the County Assessor (the "Assessor"), the Director of Elections, and the Sheriff are all elected to four-year terms.

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

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

Superior and District Courts. The State Constitution provides for 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 ("PSB").

The PSB, 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. The County has adopted 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 includes four 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 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, 2018, and is incorporated into the County's Comprehensive Annual Financial Report ("CAFR") for 2018.

The County's 2018 CAFR in its entirety may be accessed on the internet at the following link:

https://www.kingcounty.gov/depts/finance-business-operations/financial-management/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 2018 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 94% of taxes and 96% of intergovernmental revenues in 2018. Taxes and intergovernmental revenues provided approximately 51% of the total revenue in the governmental funds of the County in 2017. Additional sources of revenue are licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues.

Taxes. Table 2 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.

TABLE 2
TAXES COLLECTED
AS OF DECEMBER 31
($000)

Source	2014	2015	2016	2017	2018
Real and Personal Property Tax(1)	$ 627,300	$ 641,916	$ 752,462	$ 778,591	$ 840,323
Retail Sales and Use Tax(2)	160,635	175,419	191,716	200,434	217,625
Penalty and Interest on Property Taxes	20,993	20,036	17,563	19,849	20,857
Hotel/Motel Tax(3)	23,237	22,843	3,287	-	-
Real Estate Excise tax	10,924	14,602	14,863	15,887	15,994
E-911 Excise Tax	22,440	21,396	21,430	22,270	22,264
Other Taxes(4)	16,115	20,000	20,559	20,903	10,206
Total	$ 881,644	$ 916,212	$ 1,021,880	$ 1,057,934	$ 1,127,269

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

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

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

(4) Excludes revenue reported as taxes prior to 2018, now reported as charges for services.

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.

Varying slightly due to local city levies, a sales and use tax is currently charged at a rate of between 10.0% and 10.2% on gross retail sales in the County within the boundaries of the Central Puget Sound Regional Transit Authority ("Sound Transit") and at rates of between 8.6% and 8.9% outside such boundaries. The bulk of the revenue from the sales and use tax goes to the State (a levy rate of 6.5%) and to Sound Transit (a levy rate of 1.4%). Of the remainder, 0.9% is allocated to the County to support public transit, 0.15% is allocated to the County in incorporated areas or 1.0% to the County in unincorporated areas to support general government operations, 0.1% is allocated to cities and to the County for criminal justice programs, and 0.1% is allocated 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.

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 "Initiative 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.

The State Legislature enacted certain provisions to mitigate net losses in sales and use tax collections of local taxing jurisdictions resulting from the change to a destination-based system during 2007. In 2017, the State Legislature enacted Engrossed House Bill 2163, Chapter 28, Laws of 2017, 3rd special session ("EHB 2163"). Pursuant to EHB 2163, the State will cease mitigation payments to local governments on September 30, 2019; however, EHB 2163 is expected to increase revenues from local sales and use taxes remitted by customers within the State and by sellers and "marketplace facilitators" located outside the State, including from certain online purchases. In *South Dakota v. Wayfair* (No. 17-494, June 21, 2018), the U.S. Supreme Court held for the first time that states have the authority to collect sales taxes directly from out-of-state sellers having no physical presence in the taxing state. Mitigation payments will be halted before September 30, 2019, if a jurisdiction's voluntary compliance and marketplace/remote seller revenue exceeds the losses due to destination-based taxation. The County stopped receiving all mitigation payments at the end of 2017.

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 to pay or reimburse payments 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. 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. Table 3 lists various intergovernmental revenues. A description of each type of intergovernmental revenue follows the table.

TABLE 3
VARIOUS INTERGOVERNMENTAL REVENUES
AS OF DECEMBER 31
($000)

Source	2014	2015	2016	2017	2018
Grants	$ 146,453	$ 135,870	$ 146,873	$ 149,166	$ 145,791
Revenue Sharing	12,703	13,604	13,801	14,200	14,566
Gas Tax	12,838	12,792	13,542	13,422	13,228
Liquor Tax and Profits	1,169	1,261	1,466	1,459	1,478
Intergovernmental Payments(1)	463,739	233,702	182,883	83,506	22,050
Other Intergovernmental Revenues	10,580	11,213	10,270	12,125	19,241
Total	$ 647,482	$ 408,442	$ 368,835	$ 273,878	$ 216,354

(1) As of 2015, intergovernmental payments that are not grants are reported as charges for services. For 2016-2018, 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 2018, operating, health, public employment, and capital improvement grants from the federal government, either directly or indirectly through the State or local governmental agencies, contributed an estimated $93.9 million in federal grant revenue to the County. This comprised 64.4% of total 2018 grant revenue received by the County. The remaining 35.6% of estimated grant revenue was from the State.

Table 4 lists by source and function the various grants received by the County for the years ended December 31, 2017 and 2018.

TABLE 4
2017 AND 2018 GRANT REVENUE
BY SOURCE AND FUNCTION

	2017		2018	
	Actual	**Item as a Percent of Total Actual**	**Actual**	**Item as a Percent of Total Actual**
Federal				
General Government Services	$ -	0.0%	$ 167	0.1%
Law, Safety and Justice	13,334	8.9%	12,236	8.4%
Physical Environment	2,488	1.7%	1,689	1.2%
Transportation	4,750	3.2%	4,138	2.8%
Economic Environment	29,278	19.6%	27,878	19.1%
Mental and Physical Health	50,141	33.6%	47,742	32.7%
Culture and Recreation	-	0.0%	-	0.0%
Total Federal	$ 99,991	67.0%	$ 93,850	64.4%
State:				
General Government Services	$ 655	0.4%	$ 195	0.1%
Law, Safety and Justice	7,426	5.0%	7,326	5.0%
Physical Environment	7,095	4.8%	8,181	5.6%
Transportation	461	0.3%	269	0.2%
Economic Environment	16,292	10.9%	19,199	13.2%
Mental and Physical Health	16,678	11.2%	16,617	11.4%
Culture and Recreation	568	0.4%	154	0.1%
Total State	$ 49,175	33.0%	$ 51,941	35.6%
Total Grants	$ 149,166	100.0%	$ 145,791	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 2018, 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 the 49.4 cents (RCW 82.38.030) 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 8.0916% of the tax distributed to counties in 2018.

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 the 49.4 cents of the State motor vehicle fuel tax (RCW 46.68.090(2)(i)). The County received 3.63847% of these funds in 2018, based on the County's share of State-wide arterial preservation funds.

LIQUOR TAX AND PROFITS. Liquor distribution and sales within the State have been privatized since June 1, 2012, following voter approval of Initiative 1183. Accordingly, the State receives revenue from both excise taxes on liquor and license fees on distributors and retailers. Local governments receive a share as intergovernmental revenues in separate distributions reflecting each of these sources.

Thirty-five percent of State liquor excise tax revenues are deposited in the liquor excise tax account for distribution to cities and counties. From this amount, $2.5 million per quarter is remitted to the State general fund, with the remainder distributed 80% to cities and 20% to counties.

Distributions of liquor board profits come from the license fees on distributors and retailers. Initiative 1183 required that these distributions remain at least as large as liquor board profit distributions prior to privatization and that, beginning in 2012, an additional $10 million annually be distributed on a quarterly basis to cities, counties, and border areas. After revenues are distributed to border areas (0.3% of the total), 80% of the remainder goes to cities and 20% to counties.

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 2018, these payments were primarily related to the County's provision of mental health, public health, law enforcement, housing opportunity, and roads.

OTHER INTERGOVERNMENTAL REVENUE. Other sources of intergovernmental revenue currently include distributions from the State for criminal justice purposes and criminal justice costs related to aggravated murder costs, foundational public health services, teenage pregnancy prevention, vessel registration fees, 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. 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).

TABLE 5
GENERAL FUND
COMPARATIVE BALANCE SHEET
(Years Ended December 31) ($000)

	2014	2015	2016	2017	2018
ASSETS					
Cash and cash equivalents	$ 71,558	$ 59,475	$ 80,231	$ 85,179	$ 109,419
Taxes receivable - delinquent	7,716	7,686	7,879	8,086	8,465
Accounts receivable	85,476	68,647	50,372	52,180	48,776
Estimated uncollectible accounts receivable	(71,194)	(59,283)	(37,250)	(34,943)	(33,386)
Interest receivable	6,817	8,872	11,497	14,323	16,594
Due from other funds	92	790	1,896	1,489	3,836
Due from other governments	34,828	49,562	57,469	64,301	60,270
Estimated uncollectible due from other governments	(297)	(10)	(10)	(94)	(5)
Advances to other funds	300	300	-	-	-
TOTAL ASSETS	$ 135,296	$ 136,039	$ 172,084	$190,521	$ 213,969
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	$ 3,806	$ 6,967	$ 8,331	$ 4,561	$ 6,485
Due to other funds	2,407	1,554	4,339	4,944	4,266
Due to other governments	513	-	2,200	2,025	542
Wages payable	14,471	16,194	18,133	19,720	24,852
Taxes payable	179	108	180	147	122
Unearned revenues	1,724	970	-	-	-
Custodial accounts	1,021	51	78	1,589	939
Total liabilities	$ 24,121	$ 25,844	$ 33,261	$ 32,986	$ 37,206
Deferred inflows of resources					
Unavailable revenue	$ 7,967	$ 7,566	$ 13,344	$ 12,765	$ 12,682
Fund balance					
Nonspendable	$ 300	$ 300	$ -	$ -	$ -
Restricted	2,803	1,781	1,659	2,016	1,348
Committed	20,212	20,310	20,497	25,161	26,310
Assigned	8,151	12,125	35,128	19,181	28,578
Unassigned	71,742	68,113	68,195	98,412	107,845
Total fund balance	$ 103,208	$ 102,629	$ 125,479	$144,770	$ 164,081
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 135,296	$ 136,039	$ 172,084	$190,521	$ 213,969

Totals may not foot due to rounding.

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

TABLE 6
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(Years Ended December 31) ($000)

	2014	2015	2016	2017	2018
REVENUES					
Property taxes	$ 319,188	$ 326,774	$ 334,446	$ 344,847	$ 357,771
Penalties and interest - delinquent taxes	20,993	20,036	17,563	-	-
Sales, excise and other taxes	112,333	128,979	132,846	138,435	148,456
Licenses and permits	4,753	4,971	5,712	7,783	8,075
Federal grants	9,028	8,803	8,087	7,263	7,584
State grants	2,326	2,590	2,594	3,039	3,088
Entitlements and shared revenues	10,422	11,439	10,485	10,803	17,445
Intergovernmental revenues (1)	3,370	3,470	13,563	199	101
Charges for services (1)	206,899	225,752	242,055	257,517	260,059
Fines and forfeits	5,922	6,906	8,191	25,754	26,888
Interest earnings	1,632	1,696	3,881	8,114	15,562
Rents and royalties	7,490	8,252	8,285	14,582	14,285
Other miscellaneous revenues	4,653	3,049	2,459	3,611	3,717
TOTAL REVENUES	$ 709,009	$ 752,717	$ 790,167	$ 821,945	$ 863,031
EXPENDITURES					
Current					
Personal services	$ 491,145	$ 513,910	$ 539,041	$ 552,544	$ 581,368
Supplies	14,619	13,601	14,905	15,188	17,093
Contract services and other charges	40,186	41,640	42,727	39,710	46,562
Contributions	2,901	3,217	3,657	4,469	4,767
Interfund service support	99,114	106,630	107,950	116,625	117,667
Debt service	44	64	203	75	5
Capital outlay	1,895	1,792	1,861	1,138	2,635
TOTAL EXPENDITURES	$ 649,904	$ 680,854	$ 710,344	$ 729,747	$ 770,097
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 59,105	$ 71,863	$ 79,823	$ 92,198	$ 92,934
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	$ 156	$ 81	$ 2	$ 168	$ 1
Transfers in	118	261	11,119	13,255	11,797
Transfers out	(71,991)	(72,784)	(68,094)	(84,358)	(85,421)
TOTAL OTHER FINANCING SOURCES (USES)	$ (71,717)	$ (72,442)	$ (56,973)	$ (70,935)	$ (73,623)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (12,612)	$ (579)	$ 22,850	$ 21,263	$ 19,311
FUND BALANCE - JANUARY 1 (Restated) (2)	115,820	103,208	102,629	123,507	144,770
FUND BALANCE - DECEMBER 31	$ 103,208	$ 102,629	$ 125,479	$ 144,770	$ 164,081

NOTES TO TABLE:

Totals may not foot due to rounding.

(1) Amounts for the years 2014-2015 previously reported as intergovernmental revenues were restated as charges for services due to a change in State reporting requirements.

(2) For 2014, the beginning fund balance was restated to reflect a change in the property tax availability policy. For 2017, the beginning fund balance was restated for an accounting system issue that did not distribute recording fees to County funds and the State.

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

TABLE 7

GENERAL GOVERNMENT FUNDS

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

(Years Ended December 31) ($000)

	2014	2015	2016	2017	2018
REVENUES					
Taxes	$ 867,250	$ 925,205	$ 1,016,654	$ 1,031,306	$ 1,127,586
Licenses and permits	23,633	24,564	28,697	28,002	29,254
Intergovernmental revenues [2]	627,173	388,549	216,260	224,316	190,958
Charges for services [2]	269,959	517,048	764,866	757,105	781,445
Fines and forfeits	6,357	7,334	8,989	26,368	27,662
Interest earnings	4,358	4,127	7,596	12,545	25,828
Miscellaneous revenues	67,924	73,912	67,321	45,668	45,043
TOTAL REVENUES	$ 1,866,654	$ 1,940,739	$ 2,110,383	$ 2,125,310	$ 2,227,776
EXPENDITURES					
Current					
General government services [3]	$ 180,300	$ 245,177	$ 262,528	$ 248,639	$ 173,021
Law, safety and justice [4]	618,175	641,962	592,710	604,713	719,701
Physical environment [5]	184,211	156,615	55,042	24,470	21,278
Transportation [6]	80,573	67,189	68,749	73,062	69,455
Economic environment [7]	101,865	102,918	116,746	179,724	198,999
Mental and physical health [8]	521,960	522,650	677,657	646,839	715,975
Culture and recreation [9]	42,774	46,255	79,950	54,601	58,895
Total current	$ 1,729,858	$ 1,782,766	$ 1,853,382	$ 1,832,048	$ 1,957,324
Debt service [10]					
Redemption of long-term debt	$ 71,998	$ 64,407	$ 57,641	$ 63,702	$ 64,093
Interest and other debt service costs	31,429	29,042	35,590	33,363	33,231
Payment to escrow agent	260	19,467	8,417	-	2,329
Total debt service	$ 103,687	$ 112,916	$ 101,648	$ 97,065	$ 99,653
Capital outlay [11]	12,857	17,514	20,577	37,647	32,300
TOTAL EXPENDITURES	1,846,402	1,913,196	1,975,607	1,966,760	2,089,277
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 20,252	$ 27,543	$ 134,776	$ 158,550	$ 138,499
OTHER FINANCING SOURCES (USES)					
General obligation bonds issued	$ 12,160	$ -	$ 25,025	$ 6,050	$ 5,845
Refunding bonds issued	34,815	198,290	-	-	-
Premium on bonds sold	5,971	29,888	3,764	880	863
Sale of capital assets	1,144	1,751	3,371	2,912	5,226
Transfers in	111,746	119,586	188,895	225,949	206,772
Transfers out	(142,594)	(173,270)	(270,268)	(298,651)	(295,399)
Payment to refunded bond escrow agent	(38,958)	(227,200)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	$ (15,716)	$ (50,955)	$ (49,213)	$ (62,860)	$ (76,693)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 4,536	$ (23,412)	$ 85,563	$ 95,690	$ 61,806
SPECIAL ITEM [12]	-	(12,756)	-	-	-
FUND BALANCE - JANUARY 1 - RESTATED [13]	$ 528,973	$ 540,915	$ 520,972	$ 606,955	$ 701,888
FUND BALANCE - DECEMBER 31	$ 533,509	$ 504,747	$ 606,535	$ 702,645	$ 763,694

NOTES TO TABLE:

Totals may not foot due to rounding.

(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.

For 2017, beginning fund balance was restated for an accounting system issue that did not distribute recording fees to County funds and the State and for a failure to recognize certain prior year advance grants as revenue.

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

Management Discussion of Financial Results

Revenues and Economic Conditions. As of May 2019, the unemployment rate was 2.9% in the County. The region's performance was driven by the strength of major industry sectors, including information, business, and professional services as well as construction.

Tax Limitation Legislation. Future property tax revenue growth will remain low due to State law limiting annual property tax revenue growth without voter approval to the lesser of inflation or 1%, plus an adjustment to reflect 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 Seattle meets this requirement. Other provisions in the law give incentives to cities to annex additional areas, even if they are already receiving a sales tax credit for a previous annexation.

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% to provide a larger undesignated reserve. At the end of 2016, this amount increased to 8%, which is the high end of the policy. The 2017-2018 and 2019-2020 Adopted Budgets maintained this level.

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 2017, the Rainy Day Reserve Fund, which is now a sub-fund of the General Fund, held $25.2 million.

Enterprise Funds. The County has four enterprises that fund operations from sources other than the General Fund: the Metro 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.

2018 Results

The financial performance of the General Fund for 2018 ended with a higher fund balance than previously projected. The strong local economy continues to result in strong and growing sales and property tax collections, resulting in higher than expected final revenues for 2018, while expenditures ended approximately at expected levels.

The General Fund ended the 2017-2018 biennium with a fund balance of $138.6 million, including an undesignated fund balance of 8.0%, which meets the target established in the budget process. This fund balance will be available to mitigate future risks and stabilize the General Fund. The Rainy Day Reserve Fund is expected to hold an additional approximately $25.5 million in fund balance.

At the August 8, 2018, primary election, County voters approved a levy lid lift for the automated fingerprint identification system ("AFIS") through an increase in the regular property tax levy. This proposition passed with 55% of the vote and authorized taxes to be levied for six years beginning in 2019 to fund the program.

2019-2020 Adopted Budget

The County Executive submitted his 2019-2020 Proposed Budget to the County Council on September 24, 2018, and the budget was adopted by the County Council on November 13, 2018. This is the third County-wide biennial budget. The 2019-2020 Adopted Budget totals $11.7 billion, including $1.8 billion for the General Fund. The 2019-2020 Adopted Budget invests in clean water and healthy habitats, affordable housing, public safety, mobility, and other important services.

The County Executive followed five principles in developing the 2019-2020 Proposed Budget: (i) continue strong financial practices; (ii) continue to improve County operations through the Best-Run Government initiative; (iii) maintain a long-term focus; (iv) continue to make progress on the County-wide initiatives of Equity and Social Justice ("ESJ"), the Strategic Climate Action Plan ("SCAP"), and the human resources strategy known as Investing in You (IIY"); and (v) focus additional resources on emerging priorities including homelessness, the path to Zero Youth Detention, and clean water and healthy habitat.

The 2019-2020 Adopted Budget continues to support and promote strong financial practices in several ways:

(i) The general obligation bond rating is further supported. The County has the highest possible ratings for its voter-approved and nonvoted general obligation bonds, and often uses its general obligation bond rating to support debt issued by other County agencies, including Wastewater, Solid Waste, and Metro Transit. These agencies pay a credit enhancement fee to the County's General Fund to reflect part of the savings they realize. Half of the credit enhancement fee will be used to continue to increase the General Fund balance in future years. The 2019-2020 Adopted Budget maintains an undesignated balance in the General Fund of 8.0%, which is the top of the range established by County policy. In addition, a projected Rainy Day Fund balance of $25.7 million is preserved.

(ii) Metro Transit's financial policies, approved by the County Council in 2016, are maintained. These focus on defining clearer purposes for various reserves, setting target funding levels for each reserve, establishing rules about drawing on and refilling reserves, and defining an updated method for financing bus purchases that involves building fund balances and occasionally using short-term debt in peak purchasing periods. The 2019-2020 Adopted Budget fully funds all the reserves called for in these policies.

(iii) Routine quarterly financial monitoring of significant County funds is continued. Starting in mid-2015, the PSB began regular quarterly reviews of all major County funds, including the development of a standard financial plan and the use of consistent accounting practices across all funds, which replaced a variety of different approaches used previously for various funds. This standardized reporting and review allowed excess balances in some funds to be identified during the 2019-2020 budget process that were used to reduce cost growth or expand services.

In order to continue to improve County operations, the 2019-2020 Adopted Budget reflects three significant reorganizations that were approved in 2018. These are intended to create clearer accountability and improved customer service.

(i) Metro Transit, the County's largest and most widely used function, has become its own department rather than being a division of the Department of Transportation ("DOT"). The Marine Division of DOT, which provides passenger ferry service, is now included in Metro Transit.

(ii) A new Department of Local Services ("DLS") has been created to bring together most services that are used solely by residents of the unincorporated areas. The two largest functions are the Road Services Division, formerly part of DOT, and the Permitting Division, formerly its own department. DLS also includes several smaller functions, including a new economic development program. DLS will also coordinate functions provided by other agencies in the unincorporated areas and is pioneering a "product catalog" that tracks these services and related performance measures.

(iii) A new Department of Human Resources ("DHR") has been formed, drawn mostly from a former division in the Department of Executive Services. In addition, the payroll function and the alternative dispute resolution program are now part of DHR. Department human resources managers, who previously were housed in departments with a matrixed reporting relationship to the central agency, will be moved to DHR as part of the 2019-2020 Adopted Budget and will be matrixed to their individual departments, which is expected to improve consistency and coordination County-wide.

The 2019-2020 Adopted Budget completes a 12-year effort to replace the County's antiquated major information technology systems. New systems for the Department of Judicial Administration, District Court, and the Behavioral Health Division of the Department of Community and Human Services are expected to be deployed in 2019. The 2019-2020 Adopted Budget includes the final appropriations for a new Jail Management System and the Property Tax Administration System, and includes a wide range of technology projects for Metro Transit, some of which update existing systems and some that provide new services to riders.

For the last several budgets, the County has been providing funding for three County-wide policy priorities: ESJ, SCAP, and IIY. The 2019-2020 Adopted Budget expands on previous investments in all three areas. County residents and their government face several new or growing challenges, including water quality and habitat preservation, homelessness, and racial disproportionality in the juvenile justice system. The 2019-2020 Adopted Budget makes significant investments in each of these areas.

The 2019-2020 Adopted Budget for the General Fund includes $1.8 billion in estimated expenditures and $1.8 billion in revenues and transfers.

2019 Year to Date Results

The preliminary financial performance of the General Fund for the first six months of 2019 has remained consistent with expectations. The strong local economy continues to support sales and property tax collections. Expenditures have remained at expected levels with no significant variances forecast for the remainder of the biennium.

The General Fund is expected to end the 2019-2020 biennium with an ending fund balance of $126.1 million and an undesignated fund balance of 8.0%, which meets the target established in the budget process. This fund balance will be available to mitigate future risks and stabilize the General Fund. The Rainy Day Reserve Fund is expected to hold an additional approximately $25.7 million in fund balance.

Both the Parks levy and the Emergency Medical Services levy are being proposed to County voters in 2019. The $810 million, six-year Parks levy, replacing the Parks levy expiring in 2019, was passed in the August election. Results from the Emergency Medical Services levy vote will be available in November.

Future General Obligation Financing Plans

The County anticipates issuing as much as $350 million of new limited tax general obligation bonds through the end of the 2019-2020 biennium to fund land acquisitions, affordable housing developments, and the capital programs of the Solid Waste Division and the Metro Transit Department.

Beyond 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 opportunities.

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 had an average asset balance of more than $7.1 billion during 2018. Assets of County agencies in 2018 comprised between 40% and 47% 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, bankers’ acceptances, corporate notes, and commercial paper. A summary of the County’s current investment policy is attached as Appendix C.

The County has commissioned an outside financial consultant, Public Financial Management (“PFM”), to conduct quarterly reviews of all assets in the Investment Pool. In its most recent assessment, as of June 30, 2019, 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:

https://kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.aspx

County Employees

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

TABLE 8
COUNTY EMPLOYEES

Year	Full-time	Part-time
2013	13,540	894
2014	13,319	866
2015	13,614	929
2016	13,821	883
2017	14,395	872
2018	14,652	943

Source: King County Department of Human Resources—Benefits, Payroll, and Retirement Operations Section

The County's Office of Labor Relations negotiates, implements, and administers 81 collective bargaining agreements with 33 unions covering the terms of employment for the County's approximately 12,000 represented employees.

A two-year agreement with a coalition of County unions from January 1, 2019, through December 31, 2020, covers the majority of labor contracts and a total of 5,900 employees (approximately 45% of total employees). The agreement calls for a 4.00% wage increase for 2019 and for two subsequent increases of 1.50% each on January 1, 2020, and July 1, 2020, respectively. A majority of other unions not part of the coalition agreed to similar terms.

Negotiations with other unions not part of the coalition are ongoing. The County is still in negotiations with two of the larger unions in the County, the Police Officers Guild, and the King County Corrections Guild.

The Amalgamated Transit Union (the "ATU"), the largest union in the County, representing approximately 4,200 employees, has a three-year agreement which calls for a 2% wage increase in 2017, a 3% increase in 2018, and a 4% increase in 2019. Bargaining for the successor agreement began in spring of 2019.

All ratified agreements are submitted to the County Council for adoption.

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

Retirement Systems

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

TABLE 9
RETIREMENT SYSTEMS

Number of Employees As of December 31, 2018	Retirement System
13,145	State of Washington—Public Employees Retirement System ("PERS")
798	State of Washington—Law Enforcement Officers and Fire Fighters Retirement System ("LEOFF")
431	State of Washington—Public Safety Employees Retirement System ("PSERS")

Source: King County Department of Human Resources—Benefits, Payroll, and Retirement Operations Section

These retirement systems are State-wide governmental cost-sharing, multiple-employer 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.

TABLE 10
OVERVIEW OF RETIREMENT PLANS

Retirement System/Plan	Benefit Type	Plan Status
PERS - Plan 1	Defined Benefit	Closed in 1977
PERS - Plan 2	Defined Benefit	Open
PERS - Plan 3	Defined Benefit/Defined Contribution Hybrid	Open
PSERS - Plan 2	Defined Benefit	Open
LEOFF - Plan 1	Defined Benefit	Closed in 1977
LEOFF - Plan 2	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. Retirement funds are held in the Commingled Trust Fund and invested by the State Investment Board (the "WSIB"), a 15-member board created by the State Legislature. The average annual dollar-weighted investment return of the Commingled Trust Fund for the ten-year period from July 1, 2008 to June 30, 2018 was 7.48%. The actuarial assumptions used in the most recent rate calculations are summarized in Table 11:

TABLE 11
ACTUARIAL ASSUMPTIONS FOR FUNDING CALCULATIONS

Investment return	7.50%[(1)]
General salary increases	3.50
Consumer Price Index increase	2.75
Annual growth in membership	0.95

(1) Assumed rate of 7.40% for LEOFF Plan 2.

Source: 2017 Actuarial Valuation from the Office of the State Actuary

The County's employer and employee contribution rates and contribution amounts for all WSDRS-administered plans for the fiscal year ended December 31, 2018, and current contribution rates for 2019 are shown in Table 12:

TABLE 12
COUNTY CONTRIBUTION RATES AND AMOUNTS

	PERS Plan 1	PERS Plan 2	PERS Plan 3	LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2
2018						
Average Employer Contribution Rate (%)	12.74 (1)	12.74 (1)	12.74 (1)	0.18 (1)	5.43 (1)	12.09 (1)
Average Employee Contribution Rate (%)	6.00 (2)	7.43 (2)	Varies (2)(3)	0.00	8.75	6.50
Employer Contribution Amount ($000)	1,448	117,280	23,381	-	5,219	4,776
Employee Contribution Amount ($000)	690	68,347	12,798	-	8,409	2,706
Total Contribution Amount ($000)	2,138	185,626	36,179	-	13,628	7,482
2019 (January-June)						
Employer Contribution Rate (%)	12.83 (1)	12.83 (1)	12.83 (1)	0.18 (1)	5.43 (1)	12.38 (1)
Employee Contribution Rate (%)	6.00 (2)	7.41 (2)	Varies (2)(3)	0.00	8.75	7.07
2019 (Effective July 1)						
Employer Contribution Rate (%)	12.86 (1)	12.86 (1)	12.86 (1)	0.18 (1)	5.33 (1)	12.14 (1)
Employee Contribution Rate (%)	6.00 (2)	7.90 (2)	Varies (2)(3)	0.00	8.59	7.20

Note: Totals may not add due to rounding.

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

(2) 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.

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

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

Under State statute, contribution rates for WSDRS-administered plans are adopted by the State Pension Funding Council ("PFC") (and, for LEOFF 2, by the LEOFF 2 Board) in even-numbered years for the next ensuing State biennium. The rate-setting process begins with an actuarial valuation by the Office of the State Actuary, which makes non-binding recommendations to the Select Committee on Pension Policy, which then recommends contribution rates to the PFC and the LEOFF 2 Board. No later than the end of July in even-numbered years, the PFC and LEOFF 2 Board adopt contribution rates, which are subject to revision by the State Legislature. The County has met its funding obligations to these systems when they have come due. While the County's contributions represent its full statutorily required contribution to 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 2017 Actuarial Valuation Report (published August 2018), which can be found on the Office of the State Actuary's website at:

http://leg.wa.gov/osa/pensionfunding/Pages/HistoricalValuations.aspx

Retirement System Funded Status. Information regarding the funded status from the most recent actuarial report for each WSDRS-administered plan (as of June 30, 2017) is shown in Table 13:

TABLE 13
RETIREMENT SYSTEM FUNDED STATUS[(1)]
($000,000)

	Plan Status	2017 Actuarial Accrued Liability (a)	2017 Actuarial Valuation of Assets[(2)] (b)	2017 UAAL[(3)] (a-b)	2017 Funded Ratio % (b/a)	2016 Funded Ratio % (b/a)	2015 Funded Ratio % (b/a)
PERS - Plan 1	Closed in 1977	$ 12,341	$ 7,042	5,299	57 %	56 %	58 %
PERS - Plan 2/3	Open	37,166	33,191	3,975	89	87	88
PSERS - Plan 2	Open	506	480	25	95	94	95
LEOFF - Plan 1	Closed in 1977	4,121	5,403	(1,282)	131	126	125
LEOFF - Plan 2	Open	10,160	11,037	(878)	109	105	105

(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.

Source: 2017 Actuarial Valuation from the Office of the State Actuary

As shown in Table 13, 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.

Table 15 shows historical investment returns for retirement funds held in the WSDRS-administered plans.

TABLE 14
HISTORICAL ONE-YEAR INVESTMENT RETURNS ON RETIREMENT FUNDS

Year	Investment Return[(1)]
2009	-22.8%
2010	13.2
2011	21.1
2012	1.4
2013	12.4
2014	17.1
2015	4.9
2016	2.7
2017	13.4
2018	10.0

(1) As of June 30.

Source: 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, 2017, as the measurement date for reporting net pension liability. Table 15 represents the aggregate pension amounts for all pension plans subject to the requirements of GASB 68.

TABLE 15
AGGREGATE PENSION AMOUNTS—ALL WSDRS-ADMINISTERED PLANS, 2018
($000)

Net pension liabilities	$558,531
Net pension assets	60,414
Deferred outflows of resources	113,235
Deferred inflows of resources	241,106
Pension expense/expenditures	30,541

Source: 2018 CAFR—Note 9

For more information on employee retirement plans, see Appendix B—Excerpts from King County's 2018 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, 2018, the County contributed an actuarially estimated $5.6 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, 2018, the County's net OPEB obligation was $111.4 million.

For additional information regarding the County's OPEB liability, see Appendix B—Excerpts from King County's 2018 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 purchases reinsurance and excess liability insurance above a $7.5 million per occurrence self-insured retention ("SIR") for Metro Transit and a $6.5 million SIR per occurrence for non-Metro Transit operations. The County maintains $112.5 million in limits above the SIR for general liability and auto liability claims and $93.5 million in limits above the SIR for errors and omissions, employment practice liability, and medical malpractice claims.

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

TABLE 16
INSURANCE POLICIES

Coverage	Limits
Combined Property Damage and Extra Expense for covered County property (includes $100 million earthquake and $250 million flood)	$750 million
Stand-Alone Terrorism Insurance for covered County property (excluding the airport)	$500 million
Stand-Alone Terrorism Insurance for Liability (excluding the airport)	$40 million
Airport Liability	$300 million
Airport Property Damage and Extra Expense for covered airport property (includes $50 million earthquake and $100 million flood)	$186 million
Fiduciary Liability	$20 million
Crime Insurance/Employee Dishonesty	$2.5 million
Aviation (Police Helicopter) Program	$50 million
Excess Workers' Compensation	Statutory above $2 million deductible per occurrence
Marine Liability	$150 million
Cyber Liability	$50 million
Cedar Hill Pollution Legal Liability	$50 million

The balance of current assets in the Insurance Fund was $76.9 million as of December 31, 2018. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2018, was $70.5 million.

For additional information, see Appendix B—Excerpts from King County's 2018 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

For counties, the statutory limitation (RCW 39.36.020) on non-voted general obligation debt, 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

Table 17 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. Table 18 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."

TABLE 17

COMPUTATION OF STATUTORY DEBT CAPACITY

(AS OF DECEMBER 31, 2018, ADJUSTED FOR SUBSEQUENT COUNTY ISSUANCES)

2018 Assessed Value (for 2019 Tax Year)	$ 606,623,698,132
Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions	
1.5% of Assessed Value	$ 9,099,355,472
County Purposes	
Outstanding Limited Tax General Obligation Bonds for County Purposes	$ 851,282,793
The Bonds	62,340,000
General Obligation Lease Revenue Bonds for County Purposes[(1)]	8,291,000
County Credit Enhancement Program for Housing[(2)]	240,582,427
Capital Leases/Installment Purchase Contracts for County Purposes	-
General Obligation Long-Term Liabilities for County Purposes[(3)]	106,572,940
Less: Amount Legally Available for Payment of All Limited Tax General Obligation Indebtedness for County Purposes	(7,598,881)
Net Limited Tax General Obligation Debt for County Purposes	$ 1,261,470,279
Metropolitan Functions	
Outsanding Limited Tax General Obligation Bonds for Metropolitan Functions	$ 22,110,000
Outstanding Limited Sales Tax General Obligation Bonds	44,730,000
Outstanding Limited Tax General Obligation Bonds (Payable from Sewer Revenues)	891,983,423
Credit Enhancement Program for Reimbursement Agreements[(4)]	100,000,000
General Obligation Long-Term Liabilities for Metropolitan Functions[(3)]	70,559,676
Capital Leases/Installment Purchase Contracts for Metropolitan Functions	-
Less: Amount Legally Available for Payment of all Limited Tax General Obligation Indebtedness for Metropolitan Functions	(34,340,074)
Net Limited Tax General Obligation Debt for Metropolitan Functions	$ 1,095,043,025
Total Net Limited Tax General Obligation Debt for County Purposes and Metropolitan Functions	$ 2,356,513,305
Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions	$ 6,742,842,167
Total General Obligation Debt Capacity for County Purposes	
2.5% of Assessed Value	$ 15,165,592,453
Outstanding Unlimited Tax General Obligation Debt for County Purposes	64,430,000
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for County Purposes	(2,253,901)
Net Unlimited Tax General Obligation Debt for County Purposes	$ 62,176,099
Net Limited Tax General Obligation Debt for County Purposes (from above)	1,261,470,279
Total Net General Obligation Debt for County Purposes	$ 1,323,646,378
Remaining Capacity: General Obligation Debt for County Purposes	$ 13,841,946,075
Total General Obligation Debt Capacity for Metropolitan Functions	
2.5% of Assessed Value	$ 15,165,592,453
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)	1,095,043,025
Total Net General Obligation Debt for Metropolitan Functions	$ 1,095,043,025
Remaining Capacity: General Obligation Debt for Metropolitan Functions	$ 14,070,549,428

NOTES TO TABLE:

(1) Beginning in 2017, NJB Properties, Inc., a component unit of the County, changed from being blended to being discretely presented for financial reporting. As a result, the liability of the NJB Properties Lease Revenue Bonds (King County, Washington Project), 2006 Series A and 2006 Series B, was removed from the County and reported with the component unit. Because of the existing project lease agreement between the two parties, the County retroactively recognized a capital lease liability. Under the lease agreements, the County's obligation to pay rent to NJB Properties, Inc. is a limited tax general obligation.

(2) Reflects the outstanding principal amount plus accrued interest as of December 31, 2018, under contingent loan agreements authorized by the County Credit Enhancement Programs. See "—Contingent Loan Agreements" below.

(3) As of December 31, 2018.

(4) 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 Table 20–"Summary of Credit Facilities" under "General Obligation Debt Information—Credit Facilities."

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

TABLE 18
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)	Principal	Interest	Bonds	Functions(2)	Debt Service
2019	$ 16,209,475	$ 103,690,577	$ -	$ -	$ 763,434	$ 72,578,290	$ 177,032,301
2020	15,080,700	97,918,455	4,980,000	2,502,258	767,455	70,021,815	176,189,983
2021	13,807,700	93,537,202	5,090,000	2,868,000	765,374	53,847,215	156,107,791
2022	14,126,950	97,988,938	5,345,000	2,613,500	767,467	64,141,715	170,856,620
2023	14,460,825	79,978,378	5,615,000	2,346,250	763,457	73,156,490	161,859,575
2024	-	77,067,765	5,890,000	2,065,500	763,621	61,821,040	147,607,926
2025	-	71,152,777	6,190,000	1,771,000	762,683	61,800,540	141,677,000
2026	-	58,642,339	6,505,000	1,461,500	765,643	61,838,840	129,213,322
2027	-	57,480,382	3,525,000	1,136,250	762,226	61,826,865	124,730,723
2028	-	53,904,844	3,700,000	960,000	762,706	61,798,940	121,126,490
2029	-	49,151,672	3,875,000	775,000	766,809	61,772,715	116,341,196
2030	-	44,023,921	925,000	581,250	764,259	74,287,396	120,581,826
2031	-	35,872,009	970,000	535,000	765,332	49,318,509	87,460,849
2032	-	31,578,639	1,020,000	486,500	764,751	62,422,940	96,272,830
2033	-	22,780,279	1,070,000	435,500	762,518	54,429,230	79,477,526
2034	-	22,779,104	1,125,000	382,000	763,631	48,333,710	73,383,445
2035	-	20,424,394	1,180,000	325,750	762,816	30,266,400	52,959,360
2036	-	20,409,874	1,235,000	266,750	770,073	30,323,650	53,005,346
2037	-	9,572,286	1,300,000	205,000	-	30,270,400	41,347,686
2038	-	9,122,656	1,365,000	140,000	-	30,313,000	40,940,656
2039	-	8,650,406	1,435,000	71,750	-	9,923,800	20,080,956
2040	-	8,645,163	-	-	-	109,923,800	118,568,963
2041	-	-	-	-	-	5,923,800	5,923,800
2042	-	-	-	-	-	5,923,800	5,923,800
2043	-	-	-	-	-	5,923,800	5,923,800
2044	-	-	-	-	-	5,923,800	5,923,800
2045	-	-	-	-	-	5,923,800	5,923,800
2046	-	-	-	-	-	154,018,800	154,018,800
Total	$ 73,685,650	$ 1,074,372,056	$ 62,340,000	$ 21,928,758	$ 13,764,253	$ 1,418,055,100	$ 2,590,460,167

(Notes to the table are on the following page.)

NOTES TO TABLE:

(1) 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.

(2) 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 2017A and Series 2017B, the principal of which is payable in full on January 1, 2040, and Series 2019A, and Series 2019B, the principal of which is payable in full on January 1, 2046.

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

Net Direct and Overlapping Debt Outstanding

Table 19 lists the net outstanding direct debt and overlapping debt payable from taxes on property within the County.

TABLE 19

NET DIRECT AND OVERLAPPING DEBT

(AS OF DECEMBER 31, 2018, ADJUSTED FOR SUBSEQUENT COUNTY ISSUANCES)

2018 Assessed Value (for 2019 Tax Year)	$606,623,698,132
Net Direct Debt (rounded)[1]	$ 712,591,000
Estimated Overlapping Debt	
School Districts	$ 5,025,579,000
City of Seattle	971,384,000
Other Cities and Towns	831,663,000
Port of Seattle	362,390,000
Hospital Districts	229,369,000
Fire Districts	95,586,000
Sewer Districts	-
Park Districts	5,243,000
King County Library System	76,194,000
Library Capital Facilities	-
Parks and Recreation Service District	414,000
Total Estimated Overlapping Debt	$ 7,597,822,000
Total Net Direct and Estimated Overlapping Debt	$ 8,310,413,000
County Debt Ratios	
Net Direct Debt to Assessed Value	0.12%
Net Direct and Overlapping Debt to Assessed Value	1.37%
2019 Population	2,226,300
Per Capita Net Direct Debt	$320
Per Capita Net Direct and Overlapping Debt	$3,733
Per Capita Assessed Value	$272,481

NOTES TO TABLE:

(1) Total net general obligation debt per debt capacity schedules, as of December 31, 2018, adjusted for subsequent County debt-related transactions:

Total Net General Obligation Debt for County Purposes	$ 1,323,646,378
Total Net General Obligation Debt for Metropolitan Functions	1,095,043,025
Total Net General Obligation Debt	$ 2,418,689,403
General Obligation Debt Serviced by Proprietary-Type Funds*	(192,167,522)
General Obligation Debt Issued for Component Units*	(178,305,018)
General Obligation Debt Issued for Metropolitan Functions*	(1,095,043,025)
County Credit Enhancement Program**	(240,582,427)
Net Direct Debt	$ 712,591,411

* 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, 2018, under contingent loan agreements authorized by the County Credit Enhancement Program.

Source: King County Finance and Business Operations Division—Financial Management 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. In 2017, the County authorized an additional credit enhancement program in the maximum principal amount available solely to the King County Housing Authority. The combined maximum outstanding principal amount permitted under the County's two credit enhancement programs is $400 million. The aggregate outstanding principal of and accrued interest on the contingent loan agreements provided under the County's credit enhancement programs was $240,582,427 as of December 31, 2018.

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 Table 17—"Computation of Statutory Debt Capacity" and Table 19—"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 Table 20.

TABLE 20
SUMMARY OF CREDIT FACILITIES

Series	Amount Outstanding as of 6/1/2019	Type of Facility	Provider	Expiration	Term-Out Provision	Maturity
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	1/1/2032
Multi-Modal Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2017 A and B	$100,000,000	Continuing Covenant Agreement	State Street Bank and Trust Company	4/5/2021	Three Years	1/1/2040

(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.

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. Each of the credit facilities includes events of default (or events of termination) and remedies. Events of default include certain cross defaults, judgments against the County, and downgrade below certain thresholds of ratings. Remedies included in the credit facilities or available pursuant to a "most-favored nation" provision include acceleration or a requirement that the County immediately pay the outstanding principal amount of bank bonds as well as other available legal and equitable remedies, including the right of mandamus against the County and its officials. The Bonds are not subject to acceleration.

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 Table 18—"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 levied $1.09639 per $1,000 of assessed value for the 2019 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 levied at a rate of $1.87677 per $1,000 of assessed value for the 2019 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 2013 for an additional six years, at a rate not to exceed $0.335 per $1,000 of assessed value. The sixth and final year rate is $0.21762 per $1,000 of assessed value for 2019. The County's levy rate for conservation futures in 2019 is $0.03426 per $1,000 of assessed value, and its levy rate for transportation-related purposes is $0.04855 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.

In 2018, the State Legislature approved SHB 2597 (Chapter 46, Wash. Laws of 2018), which permits cities and counties to provide senior citizens, individuals with disabilities, and veterans in the Senior Exemption Program with an exemption from any portion of their regular property tax attributable to a levy lid lift, with voter approval.

Table 21—"Allocation of 2018 and 2019 Tax Levies" shows the allocation of the County's existing levies.

(i) The AFIS levy, a regular property tax levy authorized by RCW 84.55.050, was renewed on November 6, 2018, for a six-year term by a majority of voters in the County. In 2018, the rate was

$0.04153 per $1,000 of assessed value. Beginning in 2019, the rate will be $0.035 per $1,000 of assessed value, the reduction due to increased property values in the County.

(ii) In 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. 2019 is the final year of this levy, and the rate is $0.12926 per $1,000 of assessed value. See "—2019 year-to-Date Results."

(iii) In November 2017, voters approved a new temporary six-year lid lift for the Veterans, Seniors, and Human Services Levy at a rate of $0.10 per $1,000 of assessed value. This is a regular property tax levy and is to be increased by no more than 3.5% in each of the remaining five years. Due to the passage of SHB 2597 in the 2018 legislative session, this lid lift is now exempt for taxpayers in the Senior Exemption Program for the next five years of its existence. The 2019 tax rate is $0.09349 per $1,000 of assessed value.

(iv) The Children and Family Justice Center levy is a nine-year temporary levy lid lift approved by voters in 2012, at a rate of $0.07 per $1,000 of assessed value for the first year (2013). The rate for 2019 is $0.04278 per $1,000 of assessed value for a total dollar amount of $25.1 million.

The Children and Family Justice Center levy is levied for a limited purpose that includes constructing a new Children and Family Justice Center to replace the County's existing juvenile-justice complex. Construction has begun on the $210 million facility.

(v) The Puget Sound Emergency Radio Network replacement levy lid lift was approved by voters in 2015, at a rate of $0.07 per $1,000 of assessed value for nine years, beginning in 2016. The rate for 2019 is $0.05394 per $1,000 of assessed value.

(vi) The Best Starts for Kids levy was approved by voters at the 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 2019 is $0.11428 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 levied regular property taxes at rates of $0.09660 and $0.01012 per $1,000 of assessed value, respectively, for the 2019 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. The County assumed the ferry district and its taxing authority in 2015. Since that time the ferry district has been a County agency and, following a County reorganization in 2019, has moved from the Department of Transportation—Marine Division to the newly formed Metro Transit Department.

Allocation of Tax Levies

Table 21 sets forth the allocation of the County-wide, EMS, and unincorporated County (road district) levies.

TABLE 21
ALLOCATION OF 2018 AND 2019 TAX LEVIES

County-wide Levy Assessed Value[(1)] **$534,662,434,753**	**2018 Original Taxes Levied ($000)**	**2018 Levy Rate ($ per $1,000)**	**2019 Original Taxes Levied ($000)**	**2019 Levy Rate ($ per $1,000)**
Items Within Operating Levy[(2)]				
General Fund	$ 358,302	0.67262	$ 369,346	0.61087
Veteran's Relief	3,011	0.00565	3,107	0.00514
Human Services	6,761	0.01269	6,977	0.01154
Intercounty River Improvement	50	0.00009	48	0.00008
Automated Fingerprint Identification System[(3)]	22,123	0.04153	21,169	0.03501
Parks[(3)]	74,259	0.13940	78,152	0.12926
Veterans, Seniors, and Human Services[(3)]	53,265	0.10000	56,290	0.09349
Children and Family Justice Center[(3)]	25,054	0.04703	25,865	0.04278
Puget Sound Emergency Radio Network[(3)]	31,590	0.05930	32,614	0.05394
Best Starts for Kids[(3)]	65,656	0.12325	69,095	0.11428
Total Operating Levy	$ 640,071	1.20156	$ 662,663	1.09639
Conservation Futures Levy[(4)]				
Conservation Futures Levy	$ 11,071	0.02078	$ 20,714	0.03426
Farmland and Park Debt Service	8,999	0.01689	-	0.00000
Total Conservation Futures Levy	$ 20,070	0.03767	$ 20,714	0.03426
Unlimited Tax G.O. Bonds				
(Voter-approved Excess Levy)	$ 17,298	0.03261	$ 17,906	0.02974
Transportation[(5)]	23,642	0.04438	29,353	0.04855
Marine Operating (Ferry)	5,930	0.01113	6,120	0.01012
Flood Control Zone	57,041	0.10708	58,406	0.09660
Total County-wide Levy	$ 764,052	1.43443	$ 795,162	1.31566
EMS Assessed Value[(1)]				
$320,439,276,143				
EMS Levy[(6)]	$ 76,412	0.23940	$ 78,403	0.21762
Unincorporated County Assessed Value[(1)]				
$43,773,720,022				
Unincorporated County Levy (Road District)[(7)]	89,354	2.05402	91,211	1.87677
Total County Tax Levies	$ 929,818		$ 964,776	

(1) Assessed value for taxes payable in 2019.
(2) The operating levy is limited statutorily to $1.80 per $1,000 of assessed value.
(3) Voter-approved temporary lid lifts.
(4) The Conservation Futures Levy is limited statutorily to $0.0625 per $1,000 of assessed value.
(5) The Transportation Levy is limited statutorily to $0.075 per $1,000 of assessed value.
(6) 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.
(7) 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

Overlapping Taxing Districts

In addition to the $1.80 per $1,000 of assessed value in property taxes that the County is authorized to levy throughout the County and the $2.25 per $1,000 of assessed value that the County is authorized to levy in unincorporated areas for road district purposes, the overlapping taxing districts within the County have the statutory power to levy regular property taxes at the following rates and to levy excess voter-approved property taxes.

TABLE 22
OVERLAPPING LEVY RATES

Taxing District	Statutory Levy Authority (Per $1,000 of Assessed Value)
State (1)	$3.60
City (2)	3.60
Port District	0.45
Fire Protection District	1.50
Hospital District	0.75
Metropolitan Park District	0.75
Library District	0.50
School District (3)	0.00
Sound Transit	0.25

(1) The maximum levy rate for the State, to be used exclusively for the support of the common schools, is $3.60 per $1,000 of assessed value adjusted to the State equalized value in accordance with the indicated ratio fixed by the State Department of Revenue.

(2) The maximum levy rate for a city that is annexed into a library district or a fire protection district is reduced by the levy rates imposed by those districts.

(3) School districts do not have authority to levy regular property taxes but may levy excess property taxes with voter approval.

These rates are subject to certain of the limitations described above under "Authorized Property Taxes—Regular Property Taxes."

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.

Table 23 presents the assessed value of the taxable property within the County for the current year and the last six years.

TABLE 23
KING COUNTY
ASSESSED VALUE

Tax Year	Amount	Percentage Change From Previous Year
2014	$ 340,643,616,343	8.20%
2015	388,118,855,592	13.90%
2016	426,335,605,837	9.80%
2017	471,456,288,019	10.58%
2018	534,662,434,753	13.45%
2019	606,623,698,132	13.42%

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 once 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.

Table 24 shows the County's property tax collection record.

TABLE 24
PROPERTY TAX COLLECTION RECORD
ALL COUNTY FUNDS

Tax Year	Original Amount Levied ($000)(1)	Amount Collected Year of Levy	Percent Collected Year of Levy	Percent Collected As of 6/1/2019
2014	708,251	696,451	98.33%	99.70%
2015	727,802	716,418	98.44%	99.72%
2016	839,988	825,870	98.32%	99.51%
2017	866,842	846,388	97.64%	98.68%
2018	929,813	915,950	98.51%	99.31%
2019	$ 964,779	$ 497,679	51.58%	51.58%

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

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

Principal Taxpayers

Table 25 lists the ten largest taxpayers in the County and the assessed value of their real and personal property for the 2019 tax collection year.

TABLE 25
LARGEST TAXPAYERS IN THE COUNTY
2019 TAX COLLECTION YEAR

Taxpayer	Assessed Value	AV as Percentage of County's Total AV
Microsoft	$ 4,140,395,442	0.68%
Boeing	2,894,810,295	0.48%
Amazon.Com	2,691,324,955	0.44%
Puget Sound Energy/Gas/Electric	2,642,928,363	0.44%
Essex Property Trust	1,923,762,005	0.32%
Alaska Airlines	1,307,962,411	0.22%
Union Square LLC	1,046,601,127	0.17%
Altus Group US Inc.	946,516,900	0.16%
Prologis - RE Tax	832,141,000	0.14%
Kemper Development	813,663,953	0.13%
Total Assessed Value of Top Ten Taxpayers	$ 19,240,106,451	3.17%
Total Assessed Value of All Other Taxpayers	587,383,591,681	96.83%
2018 Assessed Value for Taxes Due in 2019	$ 606,623,698,132	100.00%

Source: King County Department of Assessments

OTHER CONSIDERATIONS

The purchase of the Bonds involves investment risk. Prospective purchasers of the Bonds should consider carefully all of the information set forth in this Official Statement, including its appendices, evaluate the investment considerations and merits of an investment in the Bonds, and confer with their own tax and financial advisors when considering a purchase of the Bonds.

The following section discusses some of the other factors affecting the County and the Bonds. The following discussion cannot, however, describe all of the factors that could affect the County and the Bonds. In addition to these known factors, other factors could affect the County and the Bonds.

Federal Budget and Sequestration

The County receives operating, health, public employment, and capital improvement grants from the federal government (either directly or indirectly through the State or local governmental agencies). In 2018, the County received $93.4 million in federal grant revenue (64.4% of total 2018 grant revenue received by the County). These federal grant funds may be adversely impacted by federal legislative and executive actions, including to cuts to federal spending. Federal funding is subject to federal legislative action, including through the federal budget process.

Budgetary acts, including the sequestration provisions of the Budget Control Act of 2011 ("Sequestration"), could continue to affect the availability of federal funds. 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 taxable bonds eligible for federal interest subsidies. Payments made by the federal government between October 1, 2018, and September 30, 2019, were reduced by 6.2%, totaling approximately $87,000. Sequestration of such interest payments has been extended by Congress and is scheduled to remain in effect through federal fiscal year 2027.

Cybersecurity

The County, like many other large public and private entities, relies on a complex technology environment to conduct its operations and support the community it serves. The County has invested in cybersecurity protections in recent years that include staffing, a restructure of its security office, technology tools; and policies, standards, and processes. Notwithstanding these and other cybersecurity measures, a cybersecurity breach could damage County systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose the County to litigation and other legal risks, which could cause the County to incur costs related to legal or regulatory claims. Since 2015, the County has maintained cyber liability insurance to help offset these financial risks. See "King County—Risk Management and Insurance."

Climate Change and the County's Strategic Climate Action Plan

There are potential risks to the County associated with long-term changes in climate and associated changes in the frequency, timing, and severity of extreme weather events. Expected impacts include sea level rise, more intense heavy rain events, more intense summer heat events, lower and warmer summer streamflows, ocean acidification, and an increased risk of flooding, drought, landslides, and forest fires. The County is preparing for a changing climate and the resulting economic, infrastructure, health, and other community impacts by integrating consideration of climate change into decision making and implementing mitigation and preparedness actions that enhance the resilience of County services, infrastructure, assets, and natural resources.

In 2015, the County updated its existing SCAP and strengthened initiatives to reduce greenhouse gas ("GHG") emissions and prepare for the impacts of climate change in County operations and throughout the community. The goals of the SCAP are to increase the use and efficiency of transit, provide land use planning and community design supporting transportation choices, reduce non-renewable energy use and increase production of renewable energy, support healthy and productive farms and forests, minimize consumption and waste of materials, and safeguard facilities and infrastructure from anticipated environmental change. The SCAP requires County divisions to analyze capital improvement projects for opportunities to reduce energy use and GHG emissions and to incorporate building efficiency standards into capital improvement planning. A copy of the SCAP can be found on the County's website at *https://www.kingcounty.gov/services/environment/climate/strategies/strategic-climate-action-plan.aspx.*

While the County cannot predict precisely how, when, and where specific climate impacts will occur, there will be climate impacts on the County. Although the County has not yet developed a methodology for precisely quantifying the impact climate change will have on the County, its population, or its operations, based on current County projections, the County anticipates that the costs could be significant and could have a material adverse effect on the County's finances over time by requiring greater expenditures to counteract the effects of climate change.

Seismic Risk

The County is located above or near a number of geological faults capable of generating significant earthquakes. The Puget Sound region is characterized by geotechnical conditions that could result in areas of liquefaction and landslide in an earthquake. In anticipation of such potential disasters, the County designs and constructs facilities to the seismic codes in effect at the time the projects are designed. Although the County has implemented disaster preparedness plans, there can be no assurance that these or any additional measures will be adequate in the event a natural disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Damage to County facilities could cause a material increase in costs for repairs and a material adverse impact on the County's finances. The County is not obligated to maintain earthquake insurance on its facilities, and the County does not now and does not plan to maintain earthquake insurance sufficient to replace its facilities.

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 is party to litigation in its normal course of business. The excerpts from the County's 2018 Comprehensive Annual Financial Report attached as Appendix B include Note 19 concerning non-tort legal matters. As to tort litigation, the County and its agencies are a party to litigation involving tort claims. Information under the heading

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

Recent Developments in Non-Tort Litigation. Certain class action litigation is described in Note 19 to the excerpts from the County's 2018 Comprehensive Annual Financial Report attached as Appendix B.

In *King County v. Dolan*, the Pierce County Superior Court (the "Court") has certified a class of approximately 400 public defender attorneys and staff who had worked for four nonprofit public defender entities under contract with the County within three years prior to filing the complaint (*i.e.*, since January 24, 2003). The County has vigorously defended the action, denying liability and damages.

On February 9, 2009, the Court issued a written opinion stating that "the Plaintiff and the class he represents should be enrolled in the PERS Retirement System" and that the Court will grant injunctive relief accordingly. As of the date of this Official Statement, the Court has not entered judgment or ordered injunctive relief, as there are two open issues in the case: (i) whether the class members are entitled to three years of relief pursuant to the statute of limitations (or retroactively to the beginning of their employment); and (ii) whether the class members will have to contribute their share of the PERS retirement contributions. The County is prepared to appeal, when a final or appealable judgment is entered.

Although the County cannot estimate the amount of damages that may be payable pursuant to this litigation, if any, the County does not believe that the amount of any such damages would materially adversely affect the ability of the County to make payments on the Bonds when due.

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 Pacifica Law Group LLP, Bond Counsel. The form of Bond Counsel's opinion 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, 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.

Pacifica Law Group LLP also is serving as Disclosure Counsel to the County.

Potential Conflicts of Interest

Some or all of 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 other parties 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 Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to such limitations. The form of Bond Counsel's opinion 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 Bond Counsel, under existing law and subject to certain qualifications described below, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in Appendix A.

The Tax Code contains a number of requirements that apply to the Bonds, and the County has made certain representations and has covenanted to comply with each such requirement. Bond Counsel's opinion assumes the accuracy of the representations made by the County and is subject to the condition that the County comply with the above-referenced covenants. If the County fails to comply with such covenants or if the County's representations are inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Except as expressly stated herein, Bond Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

Original Issue Premium. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes. *De minimis* original issue premium is disregarded.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax consequences of owning such Bonds.

Post Issuance Matters

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Tax Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the County or the owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Not Bank Qualified

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

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 2020 for the fiscal year ended December 31, 2019:

(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;

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

(xv) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

For the purposes of notices (xv) and (xvi), "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12 ("Rule 15c2-12").

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 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, in accordance with Rule 15c2-12, which, as currently interpreted by the Securities and Exchange Commission, requires that (i) the amendment or waiver be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted; (ii) the undertaking, as amended or waived, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by parties unaffiliated with the County (such as Bond Counsel) or by the approving vote of holders of the Bonds pursuant to the terms of the Ordinance

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. In reviewing its continuing disclosure filings on EMMA, the County notes the following. The County has undertaken to provide information regarding customers, revenues, and expenses of the County’s sewer system, in connection with outstanding sewer revenue bonds and certain LTGO bonds payable from sewer revenues. Although the County provided the information on customers, revenues, and expenses of the sewer system within its CAFR and the sewer system financial statements, it has not provided the full table as shown in its original disclosure. The County filed hotel/motel tax information for 2004-2013 on November 20, 2014, in connection with its Limited Tax General Obligation Refunding Bonds, 2007 Series A (which were defeased in May 2015). The County timely filed notice of the Fitch rating upgrade of certain LTGO bonds in April 2016. This notice was not linked to the County’s Limited Tax General Obligation Bonds, Series 2007D. Although the County annually timely filed its CAFRs for County-issued bonds, the 2013 CAFR was not linked and the 2012 CAFR was not timely linked to the CUSIPs for the Housing Authority of King County Revenue Bonds, 2008 (Greenbridge Redevelopment—Eastbridge Apartments Project). On September 20, 2017, the County filed notice on EMMA in connection with the foregoing items, and all CUSIPs have now been properly linked.

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 Jefferies LLC (the "Purchaser") at a price of $75,339,842.68, and will be reoffered at a price of $75,464,378.05. 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

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds. The information contained in this Official Statement is presented for the guidance of prospective purchasers of the Bonds described herein. The information has been compiled from official sources and, while not guaranteed by the County, is believed to be correct.

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 knowledge and belief of such official(s) at the date of the Official Statement and as of the Issue Date, the Official Statement (as it may have been amended or supplemented prior to the Issue Date) did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, the County will make no representation regarding Bond Counsel's form of opinion or the information provided by DTC, U.S. Bank National Association, the Purchaser of the Bonds, or any entity providing bond insurance or other credit facility).

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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PACIFICA
LAW GROUP

September 12, 2019

King County, Washington

Jefferies LLC

Re: King County, Washington
Limited Tax General Obligation Bonds, 2019, Series B (the "Bonds")

Ladies and Gentlemen:

We have acted as bond counsel to King County, Washington (the "County"), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the County of the Bonds pursuant to Ordinance 18960, passed on July 9, 2019 (the "Bond Ordinance") and Motion 15486, adopted on August 21, 2019 (the "Sale Motion" and together with the Bond Ordinance, the "Bond Legislation") to (i) provide financing for the parks' central maintenance facility project, various systems development and upgrade projects (including procurement, case management, property tax assessment and collection, and jail management systems), the distributed antenna network phase III project, and energy demand reduction projects, and to (ii) pay the costs of issuing the Bonds. Capitalized terms used in this opinion have the meanings given such terms in the Bond Legislation.

The Bonds are subject to redemption as provided in the Sale Motion.

Regarding questions of fact material to our opinions, we have relied on representations of the County in the Bond Legislation, and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bond Legislation is a legal, valid and binding obligation of the County, has been duly authorized and is enforceable in accordance with its terms, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The Bonds have been legally issued and constitute valid and binding general obligations of the County, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general

application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

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 will 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 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 when due.

4. 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 the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the County must comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all applicable requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

Very truly yours,

PACIFICA LAW GROUP LLP

APPENDIX B

EXCERPTS FROM KING COUNTY’S 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Basic Financial Statements

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 26, 2019

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, as of and for the year ended December 31, 2018, 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 or the Public Transportation fund, each major funds, which in aggregate represent 92 percent, 89 percent, and 90 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.

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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, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 and required supplementary information listed in the table of contents 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 combining financial statements and schedules are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. 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.

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OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 26, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the County's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of King County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2018. 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, 2018, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by $6.8 billion (referred to as *net position* of the primary government). Of this amount, $821 million represents unrestricted net position, which may be used to meet the County's short-term obligations to its vendors, creditors, employees and customers.

- The County's total net position increased 13 percent or $781 million over last year mainly because of capital assets acquisitions and construction that did not utilize borrowing. Public Transportation used federal grants to make several purchases of new fuel-efficient and high technology buses to add to its existing fleet. The Puget Sound Emergency Radio Network levy collections have been sufficient to support its capital construction activities, avoiding previously anticipated borrowing. The county has also decided to fund Child and Family Justice Center construction through current revenues. The County also sold Convention Place Station, part of its network of public transit stations serving the downtown Seattle area, to the Washington State Convention Center Public Utility District for cash ands notes receivable totaling $161 million; the County recognized a gain of $123 million on the sale.

- The governmental activities component of net position grew by 11 percent or $321 million over last year while the business-type activities component gained 15 percent or $460 million.

- At yearend 2018, the County's governmental funds reported combined fund balances of $983 million, an increase of $16 million over the prior year. Approximately 9 percent or $87 million of this amount is unassigned fund balance which is available for spending at the government's discretion.

- At yearend 2018, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) for the General Fund was $163 million, or approximately 21 percent of total General Fund expenditures. Total fund balance for the General Fund increased 13 percent or $19 million from the prior year.

- Total outstanding debt of the County decreased by 4 percent or $199 million in 2018. Newly issued debt comprised of general obligation bonds at $12 million and revenue bonds at $324 million while principal payments and refunding issues amounted to $512 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: government-wide financial statements, fund financial statements and 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 revenues from other governments (called "intergovernmental revenues" in the statements). The county classifies governmental activities into general government; law, safety and justice; physical environment; transportation; economic environment; health and human services; culture and recreation; debt service and capital outlay. Further discussion of these activities may be found in Note 1 to the Basic Financial Statements. Also included within governmental activities are the operations of the King County Flood Control District which, although legally separate, is reported as a blended component unit 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 county's business-type activities include public transportation, wastewater treatment, solid waste disposal and recycling, airport property leasing, ferry, radio communications, and public internet 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, Cultural Development Authority of King County and NJB Properties. 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 financial statements for these discrete component units can be found in the Basic Financial Statements section, immediately following the fiduciary funds financial statements.

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 **major funds**, namely, the General Fund and the Behavioral Health Fund. Each major fund 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 adopts biennial budgets for the General Fund and Behavioral Health Fund, appropriated at the department or division level. Budgetary comparison schedules are 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 column within the proprietary funds financial statements.

Internal service funds are used to report activities that provide centralized services to the County's other programs and activities on a cost reimbursement basis. The County uses this type of fund to account for services such as the motor pool, information and technology, employee benefits, facilities management, risk management, financial, and various other administrative services. Most of these funds support or benefit governmental rather than business-type functions and those funds have therefore been appropriately consolidated within governmental activities in the government-wide financial statements. One of the internal service funds, however, provides equipment and fleet maintenance services almost exclusively to the Water Quality Enterprise and is therefore consolidated within the business-type activities in the government-wide financial statements. At the fund level, because of their business-type nature, all the internal service funds are aggregated for reporting purposes under the proprietary fund group in the basic financial statements with individual fund statements provided as other supplementary information in the Internal Service Funds combining section.

Fiduciary funds

Fiduciary funds such as trust and agency funds are used to account for resources held for the benefit of parties outside the government. This fund group also includes 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, except fiduciary funds are not required to prepare a statement of activities. 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 budget to actual comparisons for major governmental funds, the current funding progress for pensions, the current funding progress for defined benefit postemployment benefits other than pensions, and 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

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 $6.8 billion at the close of the most recent fiscal year.

King County's Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets[(a)]	$ 1,566,797	$ 1,524,156	$ 2,304,834	$ 2,180,420	$ 3,871,631	$ 3,704,576
Capital assets[(a)]	3,341,120	3,173,569	6,245,746	6,046,506	9,586,866	9,220,075
Total Assets	4,907,917	4,697,725	8,550,580	8,226,926	13,458,497	12,924,651
Deferred Outflows of Resources	87,221	88,119	254,842	280,051	342,063	368,170
Liabilities						
Long-term liabilities[(a)]	1,407,329	1,588,903	4,841,219	5,037,852	6,248,548	6,626,755
Other liabilities	212,303	206,158	240,190	242,886	452,493	449,044
Total Liabilities	1,619,632	1,795,061	5,081,409	5,280,738	6,701,041	7,075,799
Deferred Inflows of Resources	152,063	88,326	143,918	106,109	295,981	194,435
Net Position						
Net investment in capital assets[(a)]	2,648,489	2,417,332	2,267,809	1,903,034	4,916,298	4,320,366
Restricted[(a)]	780,131	767,163	286,406	278,438	1,066,537	1,045,601
Unrestricted[(a)]	(205,177)	(282,038)	1,025,880	938,658	820,703	656,620
Total Net Position	$ 3,223,443	$ 2,902,457	$ 3,580,095	$ 3,120,130	$ 6,803,538	$ 6,022,587

(a) Prior year balances restated. See Note 18 - Components of Fund Balance, Restrictions and Restatements.

The largest portion of King County's net position, 72 percent or $4.9 billion, reflects its net investment in capital assets. The County employs these long-lived assets in providing a variety of public goods and services to its citizens. Accordingly, the net position associated with the capital assets does not represent amounts available for future spending. The County's investment in capital assets is reported net of related debt. The resources used to repay the capital-related borrowing must be provided from other more current, or liquid, assets.

An additional portion of the King County's net position, 16 percent or $1.1 billion, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $821 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 percent or $781 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 $321 million, or 11 percent from the prior fiscal year for an ending balance of $3.2 billion. Net position invested in capital assets comprised 82 percent of total net position, or $2.6 billion, an increase from the prior year of $231 million. The increase was caused by the combined net additions to capital assets and net reductions in outstanding capital related debt during the year. Net position restricted for specific purposes amounted to $780 million, including $131 million for future capital spending, $213 million dedicated to health and human services, $187 million for economic environment, and $101 million for law, safety and justice services.

Governmental activities accounted for 41 percent of the total improvement in net position of the County. The total revenues for governmental activities were $2.3 billion, an increase of 6 percent or $125 million from the prior year. Increases in property taxes accounted for the largest portion, $65 million, followed by charges for services with $30 million. The increase in property taxes was the result of strong growth in newly constructed properties, totaling $9.8 billion of assessed value in 2018, from which the county receives a full allocation of property tax in the first year. The increase in charges for services was due largely to a change in the behavioral health reimbursement rate and methodology for Medicaid which shifted $8 million of revenues from Operating Grants and Contributions to Charges for Services this year, and increased revenues by $11 million. A second contributor to the change was the reclassification of $6 million of revenues in the Roads Operating fund from Operating Grants to Charges for Services; these revenues were from cities contracting with Roads for maintenance work and are appropriately classified as Charges for Services.

Expenses for governmental activities during the year increased by a net of 6 percent or $108 million. Transportation services expenditures returned to normal levels following a surge of roads and bridge work in 2017. Expenditure increases were focused on health and human services; and law, safety, and justice. In health and human services, expenditures in the Behavioral Health fund increased $17 million, supported in part by the new revenues discussed above. In other funds, expenditures are driven largely by expanded tax-supported programs including: Best Starts for Kids (in its second year of implementation), the Veterans, Seniors, and Human Services levy (first year of implementation) which added programs for seniors to the previous Veterans and Human Services levy, and the renewed Mental Illness and Drug Dependency sales tax (second year of implementation) which supports people living with, or at risk of, behavioral health conditions to have satisfying social relationships and avoid criminal justice involvement. Fee funded programs in Environmental Health and Local Hazardous Waste also experienced meaningful expansion following rate changes. The increase in law, safety, and justice represents the reclassification of expenditures previously reported under the general government function to law, safety, and justice from the Department of Public Defense and the office of the Prosecuting Attorney.

Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	$ 840,576	$ 810,984	$ 1,080,500	$ 1,055,751	$ 1,921,076	$ 1,866,735
Operating grants and contributions	220,680	234,877	41,488	36,387	262,168	271,264
Capital grants and contributions	30,461	17,169	138,057	46,741	168,518	63,910
General revenues						
Property taxes	897,969	833,442	29,536	29,000	927,505	862,442
Retail sales and use taxes	244,157	226,695	652,299	591,088	896,456	817,783
Other taxes	22,241	21,992	—	—	22,241	21,992
Unrestricted interest earnings	32,819	16,167	28,032	12,147	60,851	28,314
Miscellaneous revenue	—	2,463	—	—	—	2,463
Total revenues	2,288,903	2,163,789	1,969,912	1,771,114	4,258,815	3,934,903
Expenses[a]						
General government[b]	172,425	229,348	—	—	172,425	229,348
Law, safety and justice[b]	697,250	619,058	—	—	697,250	619,058
Physical environment[b]	25,468	20,784	—	—	25,468	20,784
Transportation[b]	93,723	102,309	—	—	93,723	102,309
Economic environment[b]	192,707	182,881	—	—	192,707	182,881
Health and human services	702,015	632,257	—	—	702,015	632,257
Culture and recreation[b]	64,153	52,930	—	—	64,153	52,930
Interest and other debt service costs	25,629	25,987	—	—	25,629	25,987
Airport[b]	—	—	22,869	23,833	22,869	23,833
Public transportation[b]	—	—	824,623	884,898	824,623	884,898
Solid waste[b]	—	—	155,026	105,601	155,026	105,601
Water quality[b]	—	—	486,545	466,585	486,545	466,585
Other enterprise activities[b]	—	—	15,431	15,061	15,431	15,061
Total expenses	1,973,370	1,865,554	1,504,494	1,495,978	3,477,864	3,361,532
Increase in net position before transfers and special items	315,533	298,235	465,418	275,136	780,951	573,371
Transfers	5,453	5,299	(5,453)	(5,299)	—	—
Special items	—	(213)	—	—	—	(213)
Increase in net position	320,986	303,321	459,965	269,837	780,951	573,158
Net position, beginning of year[c]	2,902,457	2,599,136	3,120,130	2,850,293	6,022,587	5,449,429
Net position, end of year	$ 3,223,443	$ 2,902,457	$ 3,580,095	$ 3,120,130	$ 6,803,538	$ 6,022,587

(a) Expenses for all functions include the allocation of indirect expenses from general government. The amount of indirect general government expenses allocated to each function is shown in a separate column on the government-wide Statement of Activities next to the column of direct operating expenses incurred by each function. In the above statement, the $172.4 million in general government expense consists of $214.7 million in direct program expenses reduced by indirect charges of $42.3 million that was charged to the other benefiting functions.

(b) 2017 expenses in these functions were adjusted for the corresponding effects of the restatements of beginning net position.

(c) Net position, beginning of year has been restated. See Note 18 - Components of Fund Balance, Restrictions and Restatements.

Business-type Activities King County's business-type activities reported a net position of $3.6 billion, increasing by 15 percent or $460 million from the prior year. Of the total net position for business-type activities, 63 percent or $2.3 billion was invested in capital assets net of the related debt used to finance the acquisition or construction of these capital assets. Another 8 percent or $286 million of the total net position of business-type activities is restricted for spending on capital projects, debt service, regulatory assets and environmental liabilities. The remaining 29 percent or $1.0 billion is unrestricted net position which is available to meet ongoing obligations to customers, vendors, other creditors and employees.

Business-type activities' net position of $3.6 billion comprised 53 percent of the total County net position at the end of 2018. This resulted from an increase during 2018 which accounted for 59 percent of the total increase in aggregate net position of the County. This growth in net position was due primarily to acquisitions of capital assets not funded through long-term debt, as in the case of new bus purchases by the Public Transportation Enterprise.

Total revenues of business-type activities increased by 11 percent or $199 million over the prior year. Operating Grants continued increases begun last year by increasing 14 percent over 2017, and capital grants more than recovered all of last year's reductions, increasing 195 percent and $91 million from 2017 and surpassing 2016 by 55 percent and $49 million. Retail sales and use tax revenues showed strong growth of 10 percent or $61 million driven by favorable economic conditions in the region.

Business-type activity expenses remained essentially flat, increasing by less than one percent or $9 million over the prior year for all business-type activities taken together. The Solid Waste enterprise had the largest increase in expenses, totaling 47 percent or $49 million corresponding to an upward revision in the system-wide estimated closure and post-closure care liability for municipal solid waste landfills. The Water Quality enterprise expenses increased 4 percent or $20 million due to increases in non-operating expenses including higher interest expenses on variable rate debt and legal costs associated with environmental remediation activities. Public Transportation, on the other hand, reduced expenses by 7 percent or $60 million as a result of the gain on the sale of capital assets.

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 Council.

At December 31, 2018, the County's governmental funds reported a combined fund balance of $983 million, an increase of 2 percent or $16 million in comparison with the prior year. Approximately 9 percent or $87 million constitutes *unassigned fund balance*. The remainder of fund balance is either *nonspendable, restricted, committed* or *assigned* to indicate, respectively, that it is 1) not in spendable form or legally required to be maintained intact, $11 million, 2) restricted for particular purposes, $786 million, 3) committed for particular purposes, $26 million, or assigned for particular purposes, $72 million.

The **General Fund** is the chief operating fund of the County. At the end of the 2018 fiscal year, total fund balance for the General Fund was $164 million. Unassigned fund balance totaled $108 million, an increase of 10 percent or $9 million over the prior year. 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 $770 million. The unassigned fund balance of $108 million represents 14 percent of total General Fund expenditures, unchanged from 2017 while the total fund balance of $164 million represents 21 percent of total expenditures in 2018, compared to 20 percent in 2017.

Fund balance of the General Fund increased by 13 percent or $19 million during 2018. The increase in fund balance was attributed to taking in more resources than spending. The notable revenue streams contributing to the increase of fund balance are property taxes, 42 percent of total revenues, charges for services, 30 percent of total revenues and retail sales and use taxes, 17 percent of total revenues. Property taxes are budgeted on a biennial basis at the level needed and retail sales and use taxes remain a reliable resource with the continued strength of the economy. Charges for services are mostly comprised of contracts with other jurisdictions to provide legal, law enforcement and rehabilitation and detention services. Total expenditures increased by $40 million, but were adequately covered by the revenues. The main expenditures are for law, safety and justice, 76 percent of total expenditures, related to contract costs with other jurisdictions, and general government, 19 percent of total expenditures, related to general operation costs such as elections, records and licensing, finance and budgeting and legislative expenditures.

The **Behavioral Health Fund** provides oversight and management of crisis services, mental health treatment, substance use disorder treatment and diversion and reentry services to low income clients, with an emphasis on prevention, intervention, treatment and recovery. At the end of 2018, it had a total fund balance of $34 million, a decrease of 40 percent or $23 million over the prior year.

The decrease in fund balance in the current year was caused by an increase in expenditures owing to growth in service demand. The increase of $17 million in expenditures was most notable in outpatient, inpatient and residential services costs with increases of $6 million, $5 million and $5 million, respectively. Many grants were not renewed or continued, decreasing by $10 million from last year. Although charges for services increased by $18 million, totaling $275 million, it was not enough to cover program costs of $323 million.

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, 2018, the County's proprietary funds reported a combined net position of $3.5 billion, an increase of 15 percent or $458 million compared to the prior year. The Public Transportation Enterprise net position increased 19 percent or $398 million while the net position of the Water Quality Enterprise improved by 7 percent or $49 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance and capital improvements of the County's public transportation system. At the end of 2018, the Public Transportation Enterprise had total net position of $2.4 billion of which 67 percent or $1.6 billion was invested in capital assets net of associated debt; 2 percent or $49 million was restricted for capital projects and debt service; while 31 percent or $768 million was unrestricted. Unrestricted net position increased from the prior year by 40 percent or $218 million. The large increase is due to continually keeping expenses under revenues. The key revenues that help continue to increase the Enterprise's net position are sales taxes at $652 million, or 59 percent of total revenues; passenger fares at $179 million, or 16 percent of total revenue; and service contracts at $163 million or 15 percent of total revenues. Total operating expenses increased by $45 million from the prior year, with personal services experiencing the largest increase at $25 million and depreciation expense increasing by $14 million.

The **Water Quality Enterprise** accounts for the operations, maintenance, capital improvements and expansion of the County's water pollution control facilities. At the end of 2018, the Water Quality Enterprise reported total net position of $746 million of which 47 percent or $353 million was invested in capital assets net of the related debt; 32 percent or $238 million was restricted for debt service and regulatory assets and environmental liabilities; and the remaining 21 percent or $155 million was unrestricted. Total net position improved by $49 million due to continually posting positive results from operations with $404 million in sewage disposal fees and $106 million in other operating revenues over $318 million in total operating expenses.

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 2017-2018 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 $48 million in expenditures due to supplemental budget appropriations. The largest increases to estimated revenues occurred in charges for services as a result of entering into additional contracts with other governments. Budget increases were made during the budget period to general government by $4 million; law, safety, and justice by $25 million; economic environment by less than $1 million; health and human services by $5 million; capital outlay by $2 million; and transfers out by $11 million. The majority of the significant increases to law, safety, and justice were a result of increases in full-time equivalents for the adult and juvenile detention program and public defense services, and increases due to the collective bargaining agreement between the King County Police Officers' Guild and King County Sheriff's Office to include cost of living adjustments and contract ratification bonuses. The increase to general government appropriations were due to supplemental spending for various agencies, including Elections, Records and Licensing Services and Office of Performance, Strategy and Budget.

Final Budget Compared to Actual Results Property taxes are by far the largest source to the general fund, accounting for 41 percent of the budgeted revenues. Charges for services and retail sales and use taxes are the other significant sources of revenue for the General Fund, representing 32 percent and 16 percent of total budgeted revenues, respectively. Actual revenues outperformed budgetary estimates yielding an additional $17 million, $15 million and $9 million of revenue from property taxes, interest earnings and retail sales and use taxes, respectively, exceeding budgetary estimates by 2 percent, 143 percent, and 3 percent, respectively. Higher-than-expected interest rates contributed to higher interest earnings. Retail sales and use taxes are dependent on increased spending in the economy, which increases with consumer confidence.

The actual budgetary basis expenditures were $42 million less than the final appropriation, driven by lower than expected expenditures in law, safety and justice, and transfers out. Law, safety, and justice and general government activities comprise the majority of total actual General Fund expenditures at 65 percent and 20 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, 2018, amounted to $3.3 billion for governmental activities and $6.2 billion for business-type activities totaling $9.5 billion, 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 $367 million, net of depreciation.

Major capital asset events during 2018 included the following:

- Construction is underway on the voter-approved, $210 million, Children and Family Justice Center which replaces the existing Youth Services Center. The new justice center is scheduled to be completed in the fall of 2019, and the parking garage is scheduled to be completed by the spring of 2021.

- Public Transportation purchased and placed into service 174 new buses into service during the year at a cost of $173 million.

- Water Quality brought new facilities into service during the year at a cost of $157 million. This includes buildings at a cost of $17 million and infrastructure at a cost of $127 million.

- Solid Waste is completing development and construction of a new refuse area, Area 8, at the Cedar Hills Regional Landfill. Area 8 is expected to be completed by mid-2019 with a total cost of $73 million. Area 8 has a 32-acre footprint and will provide 8 million cubic yards of refuse capacity. It includes a bottom liner system, landfill gas collection system, and leachate collection and conveyance system.

- Puget Sound Emergency Radio Network (PSERN) is engaged in replacing the existing radio system that is over 20 years old. The new system as a whole will provide improved coverage, capacity, capability and connectivity in PSERN's regional service area. The total estimated project cost is $266 million; $53 million has been spent through 12/31/2018. The radio network is anticipated to be operational in 2022.

A summary of the 2018 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	
	2018	2017	2018	2017	2018	2017
Land and land rights[(b)]	$ 1,090.6	$ 1,052.1	$ 469.9	$ 491.7	$ 1,560.5	$ 1,543.8
Buildings[(a)(b)]	515.0	541.1	1,788.3	1,828.5	2,303.3	2,369.6
Leasehold Improvements[(a)]	11.4	12.4	3.1	3.5	14.5	15.9
Improvements other than buildings[(a)(b)]	52.7	52.5	233.4	235.9	286.1	288.4
Infrastructure - roads and bridges	1,121.7	1,106.2	—	—	1,121.7	1,106.2
Infrastructure - other[(a)]	42.4	26.7	1,749.1	1,672.3	1,791.5	1,699.0
Equipment, software and art collection[(a)(b)]	123.0	100.0	1,345.0	1,281.2	1,468.0	1,381.2
Construction in progress[(b)]	384.3	282.6	656.9	533.4	1,041.2	816.0
Total	$ 3,341.1	$ 3,173.6	$ 6,245.7	$ 6,046.5	$ 9,586.8	$ 9,220.1

(a) Net of Depreciation

(b) 2017 Governmental Activities Balance Restated. See Note 18 - Components of Fund Balance, Restrictions, and Restatements.

On April 24, 2019 the Metropolitan King County Council accepted and referred to the 37 cities which contract with the County for municipal solid waste services, and the Washington State Department of Ecology, for their respective consideration the 2019 Comprehensive Solid Waste Management Plan. If ultimately approved, the plan calls for extending the life of the Cedar Hills Regional Landfill by developing new capacity, beyond Area 8 discussed above, on the existing site.

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 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 nine bridges at or below this threshold.

The amount budgeted for 2018 roads preservation and maintenance was $81 million, but the actual amount expended was $57 million. For maintenance and preservation of bridges, the amount budgeted for 2018 was $10 million, but the actual expended amount was $8 million. The variance between budget and spending is due to supplemental budget and remaining work under contract to be completed in 2019.

Debt Administration

At the end of 2018, King County had a total of $5.0 billion in debt outstanding. Of this amount, $1.7 billion comprises debt backed by the full faith and credit of the County. The other $3.3 billion 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	$ 729.8	$ 805.7	$ 1,002.9	$ 1,054.4	$ 1,732.7	$ 1,860.1
GO capital leases (a)	8.3	8.8	—	—	8.3	8.8
Revenue bonds	—	—	3,072.5	3,155.9	3,072.5	3,155.9
State revolving loans	—	—	229.5	218.0	229.5	218.0
Total	$ 738.1	$ 814.5	$ 4,304.9	$ 4,428.3	$ 5,043.0	$ 5,242.8

(a) Project lease agreements - NJB properties. Under the lease agreements, the County's obligation to pay rent to NJB Properties is a limited tax general obligation.

Total debt decreased over the previous year by 4 percent or $200 million (a 9 percent or $76 million decrease for governmental activities and a 3 percent or $123 million decrease for business-type activities). Governmental activities' outstanding debt decreased primarily due to $69 million debt service payments and defeasance of $2 million of bonds offset by the issuance of $6 million in new limited tax general obligation bonds, with related net premium of $863 thousand.

Business-type activities' outstanding debt decreased primarily due to $105 million in debt service payments and the defeasance of $136 million in bonds offset by the issuance of $131 million in both new limited tax general obligation bonds and sewer revenue bonds, with related net premiums of $7 million. In addition, $200 million of junior lien sewer revenue bonds were remarketed into a more favorable interest rate mode. State revolving loans increased by $12 million.

The County maintained a rating of “Aaa” from Moody’s, a rating of “AAA” from Standard & Poor’s, and a rating of “AAA” 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 “Aa1” 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 $15.2 billion, significantly higher than the County’s outstanding net general obligation long-term liabilities of $657 million. For metropolitan functions the debt limitation is also $15.2 billion and the County’s outstanding net general obligation debt for metropolitan functions is $829 million.

Additional information on King County’s long-term debt can be found in Note 15 of the Basic Financial Statements.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The Great Recession, which lasted from December 2007 to June 2009, significantly affected the County’s economy reducing employment, personal income, and real estate values. Since then, the local economy has experienced a long, sustained recovery and most economic indicators have surpassed pre-recession highs. Total assessed valuation (TAV) grew by 13 percent for tax year 2018, and 13 percent for tax year 2019, marking a sixth straight year of growth. Despite four years of downward pressure (2010-2013), TAV per capita is $277 thousand, relatively high compared to neighboring counties (Snohomish County $164 thousand; Pierce County $117 thousand).

Items of note within King County:

- King County’s unemployment rate is now at 3.3 percent (as of December 2018), lower than state and national unemployment rates, which are 4.8 percent and 3.9 percent, respectively. Diversification of the County's employment base was an important buffer during the economic downturn, and all sectors but one (Government) grew in 2018. Amazon continues to hire thousands of new employees in King County each year and boasts the most job openings in the area.

- Boeing, while still the largest employer in Washington State, has seen steady declines in employment the last several years due to attrition and increased efficiency of assembly processes. Despite the reductions Boeing’s outlook continues to be solid. Boeing booked record 2018 revenue of $101 billion, exceeding $100 billion for the first time in company history driven by record commercial airplane deliveries; higher defense, space and security volume; and continued growth in services.

- In the years since the Great Recession, taxable retail sales within the County's borders have rebounded thanks to growing incomes, enhanced consumer confidence, strong employment, and a booming construction sector. Local retail sales tax collections grew 8 percent in 2016, 5 percent in 2017 and 12 percent in 2018.

- Inflation remained steady in 2018. The Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W-STB) increased by 3.29 percent, down from 3.38 percent in 2017. The national CPI for All Urban Consumers (CPI-U-US) increased 2.44 percent during the same period.

King County will continue to face numerous challenges, including volatile energy prices, rising employee and programmatic health care costs, the need to raise sufficient revenues to support utilities, the transit system, and general government operations. Without action by the federal and state governments, public safety, transportation and public health infrastructures will continue to be problematic along with the quality of life these services afford. In order for the County to continue providing critical services for its residents, it has to introduce reforms, develop efficiencies through reorganization and promote technology. On November 23, 2018 the Metropolitan King County Council passed the County's 2019-2020 biennial budget, comprised of $11.7 billion in operating and capital expenditure authority. Highlights include restoring the King County Sheriff gang unit, appropriating $100 million for affordable housing projects, $230 million to combat homelessness, and 200,000 hours of increased transit service.

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 as below.

King County Chief Accountant
500 Fourth Avenue, Room 653
Seattle, WA 98104

STATEMENT OF NET POSITION
DECEMBER 31, 2018
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,346,932	$ 1,505,643	$ 2,852,575	$ 330,612
Investments	2,769	15,038	17,807	21,195
Receivables, net	208,483	395,627	604,110	175,644
Internal balances	(87,947)	87,947	—	—
Inventories	2,451	32,646	35,097	10,126
Prepayments and other assets	12,212	5,730	17,942	18,260
Net pension asset	69,414	—	69,414	—
Capital assets:				
Nondepreciable assets	2,607,028	1,125,007	3,732,035	17,130
Depreciable assets, net	734,092	5,120,739	5,854,831	264,307
Net investment in capital lease	—	—	—	8,291
Deposits with other governments	—	—	—	600
Regulatory assets - environmental remediation	—	117,791	117,791	—
Other assets	12,483	144,412	156,895	22,106
TOTAL ASSETS	4,907,917	8,550,580	13,458,497	868,271
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refunding	17,493	208,358	225,851	—
Deferred outflows on pensions	67,142	46,093	113,235	249
Deferred outflows on other post employment benefits	2,586	391	2,977	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	87,221	254,842	342,063	249
LIABILITIES				
Accounts payable and other current liabilities	131,381	137,413	268,794	76,379
Accrued liabilities	49,044	95,786	144,830	51,861
Unearned revenues	31,878	6,991	38,869	9,409
Noncurrent liabilities:				
Due within one year	134,516	151,560	286,076	2,253
Due in more than one year	1,272,813	4,689,659	5,962,472	24,503
TOTAL LIABILITIES	1,619,632	5,081,409	6,701,041	164,405
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	144,573	96,533	241,106	380
Rate stabilization	—	46,250	46,250	—
Deferred inflows on other post employment benefits	7,490	1,135	8,625	—
TOTAL DEFERRED INFLOWS OF RESOURCES	152,063	143,918	295,981	380
NET POSITION				
Net investment in capital assets	2,648,489	2,267,809	4,916,298	281,437
Restricted for:				
Capital projects	130,902	36,070	166,972	—
Debt service	8,138	175,848	183,986	—
General government	16,754	—	16,754	—
Law, safety and justice	101,458	—	101,458	—
Physical environment	25,098	—	25,098	—
Transportation	74,093	—	74,093	—
Economic environment	186,514	—	186,514	—
Health and human services	213,321	—	213,321	—
Culture and recreation	21,233	—	21,233	—
Regulatory assets and environmental liabilities	—	74,488	74,488	—
Expendable	—	—	—	36,372
Nonexpendable	2,620	—	2,620	2,664
Unrestricted	(205,177)	1,025,880	820,703	383,262
TOTAL NET POSITION	$ 3,223,443	$ 3,580,095	$ 6,803,538	$ 703,735

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 214,694	$ (42,269)	$ 134,248	$ 17,087	$ 506	$ (20,584)	$ —	$ (20,584)	$ —
Law, safety and justice	695,745	1,505	167,975	41,114	594	(487,567)	—	(487,567)	—
Physical environment	24,938	530	35,596	3,715	50	13,893	—	13,893	—
Transportation	91,557	2,166	10,413	16,758	23,923	(42,629)	—	(42,629)	—
Economic environment	189,575	3,132	69,348	52,417	4,320	(66,622)	—	(66,622)	—
Health and human services	695,205	6,810	413,469	87,212	—	(201,334)	—	(201,334)	—
Culture and recreation	62,941	1,212	9,527	2,377	1,068	(51,181)	—	(51,181)	—
Interest and other debt service costs	25,629	—	—	—	—	(25,629)	—	(25,629)	—
Total governmental activities	2,000,284	(26,914)	840,576	220,680	30,461	(881,653)	—	(881,653)	—
Business-type activities:									
Airport	22,467	402	31,532	1	946	—	9,610	9,610	—
Public Transportation	805,097	19,526	371,653	40,219	125,024	—	(287,727)	(287,727)	—
Solid Waste	152,324	2,702	137,943	202	—	—	(16,881)	(16,881)	—
Water Quality	482,535	4,010	527,565	—	265	—	41,285	41,285	—
Institutional Network	2,703	60	2,660	—	—	—	(103)	(103)	—
Marine	7,968	185	3,351	1,066	11,822	—	8,086	8,086	—
Radio Communications Services	4,486	29	5,796	—	—	—	1,281	1,281	—
Total business-type activities	1,477,580	26,914	1,080,500	41,488	138,057	—	(244,449)	(244,449)	—
Total primary government	$ 3,477,864	$ —	$ 1,921,076	$ 262,168	$ 168,518	$ (881,653)	$ (244,449)	$(1,126,102)	$ —
Component Units	$ 1,050,639		$ 1,022,304	$ 11,701	$ 135				$ (16,499)
General revenues:									
Property taxes						$ 897,969	$ 29,536	$ 927,505	$ —
Retail sales and use taxes						244,157	652,299	896,456	—
Business and other taxes						22,241	—	22,241	—
Interest earnings						32,819	28,032	60,851	1,309
Transfers						5,453	(5,453)	—	—
Total general revenues and transfers						1,202,639	704,414	1,907,053	1,309
Change in net position						320,986	459,965	780,951	(15,190)
Net position - January 1, 2018 (Restated)						2,902,457	3,120,130	6,022,587	718,925
Net position - December 31, 2018						$ 3,223,443	$ 3,580,095	$ 6,803,538	$ 703,735

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(IN THOUSANDS)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	$ 109,419	$ 49,690	$ 835,412	$ 994,521
Investments	—	—	2,769	2,769
Taxes receivable-delinquent	8,465	54	9,314	17,833
Accounts receivable, net	15,390	1,431	17,356	34,177
Interest receivable	16,594	—	—	16,594
Due from other funds	3,836	103	23,574	27,513
Due from other governments, net	60,265	6,093	72,151	138,509
Inventory	—	—	907	907
Prepayments	—	—	7,835	7,835
Advances to other funds	—	—	4,000	4,000
Notes receivable	—	—	12,481	12,481
TOTAL ASSETS	$ 213,969	$ 57,371	$ 985,799	$ 1,257,139
LIABILITIES				
Accounts payable	$ 6,485	$ 15,841	$ 79,296	$ 101,622
Due to other funds	4,266	—	29,627	33,893
Interfund short-term loans payable	—	—	15,800	15,800
Due to other governments	542	—	8,194	8,736
Wages payable	24,852	684	12,519	38,055
Taxes payable	122	—	86	208
Unearned revenues	—	6,680	24,784	31,464
Custodial accounts	939	—	5,859	6,798
Advances from other funds	—	—	13,725	13,725
TOTAL LIABILITIES	37,206	23,205	189,890	250,301
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	6,953	40	7,185	14,178
Unavailable revenue-other receivables	5,729	—	4,155	9,884
TOTAL DEFERRED INFLOWS OF RESOURCES	12,682	40	11,340	24,062
FUND BALANCES				
Nonspendable	—	—	11,362	11,362
Restricted	1,348	34,126	750,097	785,571
Committed	26,310	—	55	26,365
Assigned	28,578	—	43,799	72,377
Unassigned	107,845	—	(20,744)	87,101
TOTAL FUND BALANCES	164,081	34,126	784,569	982,776
TOTAL LIABILIITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 213,969	$ 57,371	$ 985,799	$ 1,257,139

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances - governmental funds	$ 982,776
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	3,285,322
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	146,990
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	93,938
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,285,583)
Net position of governmental activities	$ 3,223,443

See Note 2 for more detailed explanations of these adjustments.

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, 2018
(IN THOUSANDS)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes:				
Property taxes	$ 357,771	$ 3,362	$ 535,725	$ 896,858
Retail sales and use taxes	144,422	—	99,735	244,157
Business and other taxes	4,034	17	18,190	22,241
Licenses and permits	8,075	—	21,179	29,254
Intergovernmental revenues	28,218	15,581	172,715	216,514
Charges for services	260,059	274,881	248,474	783,414
Fines and forfeits	26,888	—	775	27,663
Interest earnings	15,562	1,233	13,545	30,340
Miscellaneous revenues	18,002	2,634	24,820	45,456
TOTAL REVENUES	863,031	297,708	1,135,158	2,295,897
EXPENDITURES				
Current:				
General government	142,418	—	43,490	185,908
Law, safety and justice	581,513	—	138,188	719,701
Physical environment	—	—	21,278	21,278
Transportation	—	—	97,039	97,039
Economic environment	435	—	202,268	202,703
Health and human services	43,091	322,541	350,372	716,004
Culture and recreation	—	—	62,573	62,573
Debt service:				
Principal	—	—	64,093	64,093
Interest and other debt service costs	5	—	33,346	33,351
Payment to escrow	—	—	2,329	2,329
Capital outlay	2,635	—	223,239	225,874
TOTAL EXPENDITURES	770,097	322,541	1,238,215	2,330,853
Excess (deficiency) of revenues over (under) expenditures	92,934	(24,833)	(103,057)	(34,956)
OTHER FINANCING SOURCES (USES)				
Transfers in	11,797	6,849	390,700	409,346
Transfers out	(85,421)	(5,172)	(295,741)	(386,334)
General government debt issued	—	—	5,845	5,845
Premium on general government bonds issued	—	—	863	863
Sale of capital assets	1	—	14,756	14,757
Insurance recoveries	—	—	6,952	6,952
TOTAL OTHER FINANCING SOURCES (USES)	(73,623)	1,677	123,375	51,429
Net change in fund balances	19,311	(23,156)	20,318	16,473
Fund balances - beginning	144,770	57,282	765,008	967,060
Prior period adjustment	—	—	(757)	(757)
Fund balances - ending	$ 164,081	$ 34,126	$ 784,569	$ 982,776

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, 2018

(IN THOUSANDS)

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	16,473
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.		176,236
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.		(904)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		4,704
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.		59,714
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.		54,342
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.		10,421
Change in net position of governmental activities	$	320,986

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018
(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	$ 707,693	$ 240,584	$ 134,226	$ 1,082,503	$ 368,401
Restricted cash and cash equivalents	527	2,757	12,070	15,354	18
Accounts receivable, net	26,978	42,131	17,869	86,978	1,301
Due from other funds	2,838	2,498	1,097	6,433	696
Interfund short-term loans receivable	—	—	—	—	15,800
Property tax receivable-delinquent	387	—	87	474	—
Due from other governments	300,250	—	7,898	308,148	66
Inventory of supplies	21,180	9,545	1,917	32,642	1,548
Prepayments and other assets	254	368	410	1,032	4,377
Total current assets	1,060,107	297,883	175,574	1,533,564	392,207
Noncurrent assets					
Restricted assets:					
Cash and cash equivalents	48,527	295,889	47,362	391,778	—
Investments	—	15,038	—	15,038	—
Due from other governments	27	—	—	27	—
Total restricted assets	48,554	310,927	47,362	406,843	—
Capital assets:					
Nondepreciable assets	363,910	631,360	129,737	1,125,007	—
Depreciable assets, net	1,327,041	3,464,716	319,996	5,111,753	64,784
Total capital assets	1,690,951	4,096,076	449,733	6,236,760	64,784
Other noncurrent assets:					
Prepayments	4,698	—	—	4,698	—
Notes receivable	141,161	—	—	141,161	—
Advances to other funds	—	—	—	—	9,725
Regulatory assets, net of amortization	—	117,791	—	117,791	—
Other assets	—	3,251	—	3,251	—
Total other noncurrent assets	145,859	121,042	—	266,901	9,725
Total noncurrent assets	1,885,364	4,528,045	497,095	6,910,504	74,509
TOTAL ASSETS	2,945,471	4,825,928	672,669	8,444,068	466,716
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on refunding	2,205	205,124	1,029	208,358	—
Deferred outflows on pensions	37,710	4,797	3,586	46,093	9,572
Deferred outflows on other post employment benefits	315	41	35	391	73
TOTAL DEFERRED OUTFLOWS OF RESOURCES	40,230	209,962	4,650	254,842	9,645

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018
(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	$ 87,261	$ 29,177	$ 17,410	$ 133,848	$ 12,531
Retainage payable	377	2,757	35	3,169	18
Estimated claim settlements	—	—	—	—	56,356
Due to other funds	278	37	329	644	104
Due to other governments	—	—	13	13	—
Interest payable	228	67,307	618	68,153	25
Wages payable	21,514	3,430	2,681	27,625	5,778
Compensated absences payable	10,026	735	766	11,527	979
Taxes payable	36	36	231	303	17
Unearned revenues	4,413	2,475	103	6,991	413
Pollution remediation	—	4,825	—	4,825	—
General obligation bonds payable	12,790	21,760	7,155	41,705	5,650
Revenue bonds payable	—	63,170	—	63,170	—
Capital leases payable	140	—	—	140	—
State revolving loan payable	—	16,538	—	16,538	—
Landfill closure and post-closure care	—	—	12,020	12,020	—
Other liabilities	—	193	1,447	1,640	1,747
Total current liabilities	137,063	212,440	42,808	392,311	83,618
Noncurrent liabilities					
Compensated absences payable	43,221	10,341	5,470	59,032	16,382
Other postemployment benefits	11,805	1,533	1,316	14,654	2,740
Net pension liability	219,519	17,200	13,659	250,378	50,392
General obligation bonds payable	53,080	725,138	182,972	961,190	625
Revenue bonds payable	—	3,009,327	—	3,009,327	—
Capital leases payable	2,241	—	—	2,241	—
State revolving loans payable	—	212,936	—	212,936	—
Landfill closure and post-closure care	—	—	134,122	134,122	—
Estimated claim settlements	—	—	—	—	101,363
Pollution remediation	592	41,729	1,500	43,821	—
Other liabilities	—	1,131	827	1,958	—
Total noncurrent liabilities	330,458	4,019,335	339,866	4,689,659	171,502
TOTAL LIABILITIES	467,521	4,231,775	382,674	5,081,970	255,120
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on rate stabilization	—	46,250	—	46,250	—
Deferred inflows on pensions	75,720	12,012	8,801	96,533	20,018
Deferred inflows on other post employment benefits	914	119	102	1,135	212
TOTAL DEFERRED INFLOWS OF RESOURCES	76,634	58,381	8,903	143,918	20,230
NET POSITION					
Net investment in capital assets	1,624,905	353,122	280,796	2,258,823	58,509
Restricted for:					
Capital projects	36,070	—	—	36,070	—
Debt service	12,484	163,364	—	175,848	—
Regulatory assets and environmental liabilities	—	74,488	—	74,488	—
Unrestricted	768,087	154,760	4,946	927,793	142,502
TOTAL NET POSITION	$ 2,441,546	$ 745,734	$ 285,742	3,473,022	$ 201,011
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				107,073	
Net position of business-type activities				$ 3,580,095	

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, 2018
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
I-Net fees	$ —	$ —	$ 2,660	$ 2,660	$ —
Airfield fees	—	—	3,753	3,753	—
Hangar, building and site rentals and leases	—	—	27,778	27,778	—
Radio services	—	—	5,482	5,482	—
Solid waste disposal charges	—	—	129,020	129,020	—
Passenger fares	178,576	—	3,189	181,765	—
Service contracts	162,599	—	—	162,599	—
Sewage disposal fees	—	403,589	—	403,589	—
Other operating revenues	26,293	105,961	8,237	140,491	572,138
TOTAL OPERATING REVENUES	367,468	509,550	180,119	1,057,137	572,138
OPERATING EXPENSES					
Personal services	523,520	45,508	55,432	624,460	149,053
Materials and supplies	74,781	16,593	10,481	101,855	13,784
Contract services and other charges	45,296	21,333	28,676	95,305	349,984
Utilities	5,675	16,701	3,752	26,128	—
Purchased transportation	66,162	—	—	66,162	—
Internal services	83,453	39,450	23,391	146,294	28,670
Environmental related amortization	—	2,818	—	2,818	—
Depreciation and amortization	143,982	175,699	26,608	346,289	14,410
TOTAL OPERATING EXPENSES	942,869	318,102	148,340	1,409,311	555,901
OPERATING INCOME (LOSS)	(575,401)	191,448	31,779	(352,174)	16,237
NONOPERATING REVENUES					
Sales tax	652,299	—	—	652,299	—
Property tax	23,633	—	5,903	29,536	—
Intergovernmental	40,219	—	1,269	41,488	
Interest earnings	14,310	9,969	3,481	27,760	2,761
Other nonoperating revenues	4,185	17,956	1,163	23,304	—
TOTAL NONOPERATING REVENUES	734,646	27,925	11,816	774,387	2,761
NONOPERATING EXPENSES					
Interest	3,143	142,283	6,318	151,744	496
Loss (Gain) on disposal of capital assets	(124,564)	8,714	2,161	(113,689)	334
Loss on extinguishment of debt	—	1,786	—	1,786	—
Landfill closure and post-closure care	—	—	33,686	33,686	—
Other nonoperating expenses	3,753	16,705	3,169	23,627	1,427
TOTAL NONOPERATING EXPENSES	(117,668)	169,488	45,334	97,154	2,257
Income before contributions, transfers and special item	276,913	49,885	(1,739)	325,059	16,741
Capital grants and contributions	125,024	273	12,768	138,065	13,531
Transfers in	—	—	1,551	1,551	512
Transfers out	(4,223)	(982)	(1,437)	(6,642)	(18,431)
CHANGE IN NET POSITION	397,714	49,176	11,143	458,033	12,353
NET POSITION - JANUARY 1, 2018 (RESTATED)	2,043,832	696,558	274,599		188,658
NET POSITION - DECEMBER 31, 2018	$ 2,441,546	$ 745,734	$ 285,742		$ 201,011
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				1,932	
Change in net position of business-type activities				$ 459,965	

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, 2018
(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	$ 329,754	$ 541,476	$ 160,376	$ 1,031,606	$ 7,378
Cash received from other funds - interfund services	6,061	1,816	17,431	25,308	574,287
Cash payments to suppliers for goods and services	(185,298)	(56,354)	(38,894)	(280,546)	(283,799)
Cash payments to other funds - interfund services	(83,255)	(39,437)	(23,474)	(146,166)	(122,124)
Cash payments for employee services	(563,357)	(58,161)	(62,319)	(683,837)	(149,295)
Other receipts	—	5	1,157	1,162	5,237
Other payments	—	(12,449)	(3,169)	(15,618)	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(496,095)	376,896	51,108	(68,091)	31,684
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	701,271	—	7,180	708,451	—
Interfund loan principal amounts loaned to other funds	—	—	—	—	(15,800)
Interfund loan principal repayments from other funds	—	—	—	—	15,144
Interfund advance principal loaned to other funds	—	—	—	—	(9,725)
Interfund advance principal repayments from other funds	—	—	—	—	13,679
Grants to others	(2,707)	(494)	—	(3,201)	—
Transfers in	—	—	1,551	1,551	512
Transfers out	(4,223)	(982)	(1,437)	(6,642)	(18,431)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	694,341	(1,476)	7,294	700,159	(14,621)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(347,761)	(212,376)	(49,131)	(609,268)	(7,823)
Proceeds from capital debt	—	169,880	7,097	176,977	—
Principal paid on capital debt	(12,383)	(102,207)	(10,891)	(125,481)	(5,040)
Interest paid on capital debt	(3,008)	(153,484)	(3,533)	(160,025)	(500)
Cash payments for bond defeasance	—	(144,199)	—	(144,199)	—
Capital grants and contributions	33,290	15	10,290	43,595	—
Proceeds from disposal of capital assets	16,766	430	(514)	16,682	677
Landfill closure and post-closure care	—	—	(10,426)	(10,426)	—
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(313,096)	(441,941)	(57,108)	(812,145)	(12,686)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment purchases	—	(15,000)	—	(15,000)	—
Interest on investments	13,940	9,637	3,481	27,058	2,748
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	13,940	(5,363)	3,481	12,058	2,748
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(100,910)	(71,884)	4,775	(168,019)	7,125
CASH AND CASH EQUIVALENTS - JANUARY 1, 2018	857,657	611,114	188,883	1,657,654	361,294
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2018	$ 756,747	$ 539,230	$ 193,658	$ 1,489,635	$ 368,419

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, 2018
(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)	$ (575,401)	$ 191,448	$ 31,779	$ (352,174)	$ 16,237
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	143,982	175,699	26,608	346,289	14,410
Other nonoperating revenues (expenses)	4,185	9,036	(2,012)	11,209	—
(Increases) decreases in assets:					
Accounts receivable, net	(2,652)	15,636	(2,907)	10,077	748
Due from other funds	11	—	(215)	(204)	3,682
Due from other governments, net	(30,410)	—	118	(30,292)	(29)
Inventory	(220)	(14)	(41)	(275)	(115)
Prepayments	254	211	(214)	251	(1,162)
Other assets	51	(805)	—	(754)	—
(Increases) decreases in deferred outflows of resources:					
Deferred outflows on pensions, refunding and OPEB	459	928	448	1,835	(304)
Increases (decreases) in liabilities:					
Accounts payable	6,512	(2,107)	6,487	10,892	(518)
Retainage payable	46	163	(3,326)	(3,117)	(1)
Due to other funds	(3,369)	12	(83)	(3,440)	(63)
Wages payable	2,185	331	366	2,882	831
Taxes payable	24	20	(137)	(93)	6
Unearned revenues	(2,838)	150	(45)	(2,733)	—
Claims and judgments payable	—	—	—	—	(954)
Compensated absences	1,832	(188)	102	1,746	465
Other postemployment benefits	(552)	(118)	(82)	(752)	(209)
Net pension liability	(70,316)	(17,912)	(11,102)	(99,330)	(9,071)
Customer deposits and other liabilities	(1)	99	1,983	2,081	(315)
Increases (decreases) in deferred inflows of resources:					
Deferred inflows on pension and OPEB	30,123	4,307	3,381	37,811	8,046
Total adjustments	79,306	185,448	19,329	284,083	15,447
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (496,095)	$ 376,896	$ 51,108	$ (68,091)	$ 31,684

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Public Transportation capital grants on account increased by $91.8 million in 2018.

Water Quality capital grants on account increased by $258 thousand in 2018.

Nonmajor Enterprise Funds transferred $19 thousand of capital assets to other funds.

Internal Service Funds received $13,531 thousand of capital assets from other funds and transferred $1,427 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, 2018

(IN THOUSANDS)

	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS		
Cash and cash equivalents	$ —	$ 203,560
Investments	4,142,683	11,707
Taxes receivable - delinquent	—	78,175
Accounts receivable	—	13,253
Interest receivable	7,319	—
Assessments receivable	—	2,727
Notes and contracts receivable	—	51
TOTAL ASSETS	$ 4,150,002	$ 309,473
LIABILITIES		
Warrants payable	$ —	$ 46,733
Accounts payable	—	1,034
Wages payable	—	9,680
Custodial accounts - County agencies	—	125,694
Due to special districts/other governments	—	126,332
TOTAL LIABILITIES	—	$ 309,473
NET POSITION		
Held in trust for pool participants	$ 4,150,002	

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, 2018

(IN THOUSANDS)

	INVESTMENT TRUST FUNDS
ADDITIONS	
Contributions	$ 9,180,063
Net investment earnings:	
Interest	63,894
Increase in the fair value of investments	2,519
TOTAL ADDITIONS	9,246,476
DEDUCTIONS	
Distributions	8,577,633
TOTAL DEDUCTIONS	8,577,633
Change in net position	668,843
Net position - January 1, 2018	3,481,159
Net position - December 31, 2018	$ 4,150,002

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

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2018
(IN THOUSANDS)

	Harborview Medical Center	Cultural Development Authority	NJB Properties	Total
ASSETS				
Cash and cash equivalents	$ 305,423	$ 25,150	$ 39	$ 330,612
Investments	—	21,195	—	21,195
Receivables, net	175,644	—	—	175,644
Inventories	10,126	—	—	10,126
Prepayments	17,961	293	6	18,260
Nondepreciable assets	17,130	—	—	17,130
Depreciable assets, net of depreciation	264,307	—		264,307
Net investment in capital lease	—	—	8,291	8,291
Deposits with other governments	600	—	—	600
Other assets	20,936	67	1,103	22,106
TOTAL ASSETS	812,127	46,705	9,439	868,271
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on pensions	—	249	—	249
TOTAL DEFERRED OUTFLOWS OF RESOURCES	—	249	—	249
LIABILITIES				
Accounts payable and other current liabilities	75,816	563	—	76,379
Accrued liabilities	51,822	—	39	51,861
Unearned revenues	—	9,409	—	9,409
Noncurrent liabilities:				
Due within one year	686	1,277	290	2,253
Due in more than one year	11,131	5,067	8,305	24,503
TOTAL LIABILITIES	139,455	16,316	8,634	164,405
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	—	380	—	380
TOTAL DEFERRED INFLOWS OF RESOURCES	—	380	—	380
NET POSITION				
Net investment in capital assets	281,437	—	—	281,437
Restricted for:				
Expendable	6,114	30,258	—	36,372
Nonexpendable	2,664	—	—	2,664
Unrestricted	382,457	—	805	383,262
TOTAL NET POSITION	$ 672,672	$ 30,258	$ 805	$ 703,735

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

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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**	**NJB Properties**	**Total**
Component Units:								
Harborview Medical Center	$ 1,035,052	$ 1,021,992	$ 6,470	$ 135	$ (6,455)	$ —	$ —	$ (6,455)
Cultural Development Authority	14,960	175	5,231	—	—	(9,554)	—	(9,554)
NJB Properties	627	137	—	—	—	—	(490)	(490)
Total Component Units	$ 1,050,639	$ 1,022,304	$ 11,701	$ 135	$ (6,455)	$ (9,554)	$ (490)	$ (16,499)
General revenues:								
Interest earnings					$ —	$ 875	$ 434	$ 1,309
Net general revenues					—	875	434	1,309
Change in net position					(6,455)	(8,679)	(56)	(15,190)
Net position - January 1, 2018 (Restated)					679,127	38,937	861	718,925
Net position - December 31, 2018					$ 672,672	$ 30,258	$ 805	$ 703,735

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

Notes to the Financial Statements
For the Year Ended December 31, 2018

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 District (FCD)

King County Flood Control 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 FCD.

FCD 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 FCD board because the County Council members are the ex officio supervisors of the district; and (3) the County can impose its will on FCD. FCD 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 FCD. FCD contracts with King County Department of Natural Resources and Parks for flood control projects and programs. During 2018, FCD reimbursed the County $53.7 million for such projects and programs.

FCD issues its own financial statements, which are audited by the State Auditor's Office. Financial statements of FCD are included in Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR. Independently audited statements for the FCD can be obtained from Francis & Company, PLLC, 200 West Mercer St, Suite 208, Seattle, WA 98119.

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 - "Debt" reports on all the general obligation bonds issued by the County as of December 31, 2018, including bonds reported by HMC as of June 30, 2018.

HMC hires independent auditors and prepares its own financial statements with a fiscal year ending June 30. 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.

NJB Properties

King County has a project lease agreement with NJB Properties, a Washington State nonprofit corporation, which provided for the design and construction of the Ninth and Jefferson Building (NJB) for use by Harborview Medical Center, a discrete component unit of the County. The agreement is in accordance with IRS Revenue Ruling 63-20 and Revenue Procedure 82-26. The building was financed through bonds issued by NJB Properties on behalf of the County. The building is being leased to the County by the nonprofit corporation under guaranteed monthly rent payments over the term of the lease or until the bonds are fully retired. Harborview Medical Center makes monthly transfers to King County to satisfy the County’s monthly rental payments to NJB Properties.

NJB Properties is recognized as a component unit of the County. Although it has an independently-appointed board, the nonprofit corporation is a single-purpose entity that is fiscally dependent on the County and who imposes a financial burden on the County because the monthly rent payments are considered limited general obligation debt. Because NJB Properties provides services almost exclusively to Harborview Medical Center and not to the County, it is reported using discrete presentation. Separately issued and audited financial statements for NJB Properties may be obtained from the National Development Council, 1218 Third Avenue, Suite 1403, Seattle, WA 98101.

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, 2018, 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 2018, the WDC reimbursed King County approximately $1.9 million for the Employment and Education Resource Program in eligible program costs. King County has a $70 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, fiduciary funds (excluded from the government-wide financial statements), and component units. As discussed earlier, the government has three discretely presented component units, HMC, CDA and NJB. While none of the three is considered to be a major component unit, each is nevertheless shown in a separate column in the component unit 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 Behavioral Health Fund encompasses the continuum of services for the King County Behavioral Health Organization and provides for crisis services within the community, mental health and substance use disorder services for children and adults, the operations of the involuntary treatment program, the provision of community services for these individuals and criminal justice-related programs to reduce jail populations. Its main sources of funding are Medicaid, federal and state grants, charges for services and property taxes.

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.

<u>Nonmajor Proprietary Funds</u>

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.

<u>Internal Service and Fiduciary Funds</u>

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, 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. Assets owned by special districts that are invested in the County-managed external investment pool, and therefore accounted for in Investment Trust Funds, are not reported in the Agency Funds statements.

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.

<u>Measurement Focus and Basis of Accounting</u>

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. King County implemented this statement in 2018.

GASB Statement No. 85, *Omnibus 2017*, was issued in March 2017. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement was adopted by King County in 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The statement was implemented by King County in 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period and the objectives are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement was implemented early in 2018 with no material impact on King County's financial statements.

Terminology

Expenditure Functions

Expenditures are presented on the non-major special revenue fund statements by county function. A short description of each function appears below.

General Government - Provided by the administrative branch~~es~~ of the government entity for the benefit of the public or governmental body as a whole. This function includes the County Council, County Executive, Performance Strategy and Budget, Information and Technology, Records and Licensing Services, Elections and Assessments.

Law, Safety and Justice - Essential to the safety of the public, including expenditures for law enforcement, detention and/or correction, judicial operations, protective inspections, emergency services and juvenile services. This function includes the Sheriff's Office, Prosecuting Attorney, Superior Court, Public Defense, Judicial Administration, Adult and Juvenile Detention and Emergency Medical Services.

Physical Environment - Provided to achieve a satisfactory living environment for the community and the individual. This function includes 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, child-care services, and services for the aging and disabled. This function includes Youth Employment Programs, Development and Environmental Services, Planning and Community Development, River Improvement, Animal Control, River and Flood Control Construction and Natural Resources.

Health and Human Services - 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.

Interfund Reimbursements

Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not recognized in the fund-level activity statements. Charge back transactions for shared services from certain departmental funds or cost centers to the fund of divisions under their administration are also treated as reimbursements.

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, intangible assets 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.

Capital assets are valued at historical cost or estimated historical cost where actual historical cost is not available. Donated capital assets are recorded at their acquisition value at the date of donation. Expenditures for normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item, or extend its useful life beyond the original estimate, are expensed as incurred. Expenditures for repairs and upgrades that materially add to the value or life of an asset are capitalized. Costs incurred to extend the life of governmental infrastructure assets are considered preservation costs and are therefore not capitalized.

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

Description	Estimated Life (Years)
Buildings and other improvements	10-50
Buses and trolleys	12-18
Cars, vans and trucks	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, program payments to Rainwise participants, and strategic planning costs 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 7 to 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 1 - 14	$5,000
February 15 - March 8	$50,000
March 9 - 18	$100,000
March 19 - April 16	$1,000,000

Individual assessments for specific funds are made for amounts not meeting the stated materiality thresholds. Grant-related items to be reported on the Schedule of Expenditures of Federal Awards or Schedule of State Financial Assistance are 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 - “Debt”)

Long-term debt and other long-term obligations are reported in the applicable accrual basis statements of net position. Bond premiums and discounts, and refunding gains and losses, are deferred and amortized over the life of the associated bonds using the 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 - “Debt.” Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. The County had no arbitrage liability at December 31, 2018, in part because the yields on the County's Investment Pool remained at relatively low levels during 2018.

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 three items that qualify for reporting in this category. They are the deferred charge on debt refunding and deferred outflow of resources associated with pensions and other postemployment benefits (OPEB) 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, the difference between projected and actual investment earnings, the difference between expected and actual experience, and changes in actuarial assumptions and changes in proportions. The deferred outflows related to OPEB arise from changes in actuarial assumptions.

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

The deferred inflows of resources on pensions and OPEB 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 Metropolitan King 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses that have been allocated from general government to various functional activities are reported in a separate column.

Compensated Absences

Employees earn vacation based on their date of hire and years of service. Employees hired prior to January 1, 2018 have a maximum vacation accrual of 480 hours, while those hired January 1, 2018 or after have a maximum vacation accrual of 320 hours unless the employee's collective bargaining unit agreement specifies a different maximum. Unused vacation at retirement or normal termination is considered vested and payable to the employee, up to the employee's maximum accrual. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit. If the employee is leaving their employment due to death or retirement, they are paid for 35 percent of the value of unused sick leave with no maximum. 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. Compensated absences are reported in governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). 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	$ (670,797)
Plus: Unamortized premiums on bonds sold	(52,763)
Accrued interest payable	(4,969)
Capital leases payable	(8,291)
Compensated absences	(89,212)
Net pension liability	(257,759)
Deferred inflows on pensions	(124,555)
Earned but unavailable court fines and penalties	7,440
Earned but unavailable taxes and assessments	16,619
Other postemployment benefits	(94,018)
Deferred inflows on OPEB	(7,278)
Total adjustments related to long-term liabilities	$ (1,285,583)

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 assets	$ 2,607,028
Depreciable assets	734,092
Less: Capital assets in governmental internal service funds (all internal service funds except Wastewater Equipment Replacement)	(55,798)
Total adjustments related capital assets	$ 3,285,322

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."

Other long-term assets reported for governmental activities:	
Net pension asset	$ 69,414
Deferred outflows on refunding (to be amortized as interest expense)	17,493
Deferred outflows on pensions	57,570
Deferred outflows on other post employment benefits	2,513
Total adjustments related to long-term assets	$ 146,990

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	$ 176,068
Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	(81,257)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	(873)
Total adjustments related to internal service funds	$ 93,938

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	$ 225,874
Depreciation expense	(49,638)
Total adjustments related to capital outlay	$ 176,236

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 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.	$ (25,342)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds.	24,438
Total adjustments related to miscellaneous capital asset transactions	$ (904)

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 the governmental activities:	
Unavailable revenue-property taxes	$ 1,112
Unavailable revenue-abatement fees	243
Unavailable revenue-noxious weeds	(23)
Unavailable revenue-charges for services	1,086
Unavailable revenue-fines and forfeits	(564)
Unavailable revenue-grants	(351)
Unavailable revenue-pet licenses	(35)
LEOFF special funding	3,236
Total adjustments related to revenues	$ 4,704

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	$ (5,845)
Premium on bonds sold	(863)
Principal repayments	64,093
Payment to escrow agent	2,329
Total adjustments related to debt issuance or refundings	$ 59,714

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	$ 547
Other postemployment benefits	982
Interest on long-term debt	8,218
Pension expense	57,140
Transfers out	(13,097)
Lease payments	552
Total adjustments related to expenses	$ 54,342

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	$ 2,489
Revenues related to services provided to outside parties	7,319
Expenses related to services provided to outside parties	(7,111)
Gain on disposal of capital assets	(1,797)
Interest on long-term debt	(496)
Capital contributions	13,371
Transfers in	512
Transfers out	(18,223)
Internal service fund gains allocated to governmental activities	14,357
Total adjustments related to internal service funds	$ 10,421

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	$ 24,943
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	81,257
Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	873
Total adjustments related to internal service fund activities related to enterprise funds	$ 107,073

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	$	272
Revenues related to services provided to outside parties		59
Expenses related to services provided to outside parties		(57)
Loss on disposal of capital assets		36
Capital contributions		160
Transfers out		(208)
Internal service fund gains allocated to business-type activities		1,670
Total adjustments related to internal service fund activities related to enterprise funds	$	1,932

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, Behavioral 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 Metropolitan 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.

Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the Byrne Justice Assistance Grants appropriation unit by $248 thousand. Appropriations were moved to the Grants Fund, but the expenditures were kept where they were because the project was half finished. Future activity will be in the Grants Fund.

The Housing Opportunity Loans fund expenditures exceeded appropriations by $47 thousand. This 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. This fund was closed in 2018.

Expenditures exceed appropriations in the OMB 2006 appropriation unit in the Risk Abatements fund by $273 thousand due to interest charges on cash deficits. Appropriations for interest charges were overlooked but will be included in the next biennium.

Deficit Fund Equity

Nonmajor Governmental Funds

The KC Flood Control Contract fund reports a total fund balance deficit of $41 thousand. The fund primarily provides services to the Flood Control District. Future contract billing receipts are anticipated to reduce the fund deficit.

The Long-Term Leases fund reports a total fund deficit of $1.1 million. The Facilities Management Division has developed a plan to address the fund deficit which was approved by the Executive Finance Committee during 2016 and 2017. The fund balance deficit will be resolved by the end of 2022 through streamlined rates.

The Risk Abatement fund reports a total fund balance deficit of over $8.4 million. In December 2016, a judgment directed King County to pay the Washington State Department of Retirement Systems (DRS) $10.5 million in interest payments. The Risk Abatement fund made the payment to DRS in 2016. The deficit will be paid down over five years by transfers from the General Fund.

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, 2018 (in thousands):

Fund:	Total Net Position
Construction and Facilities Management	$ (18,044)
Financial Management Services	(10,620)
King County Geographic Information Systems	(1,070)

Note 4
Deposits and Investments

Deposits

King County maintains deposit relationships with several local commercial banks in addition to its concentration bank. The deposits that are not covered by the Federal Deposit Insurance Corporation (FDIC) are collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC) at no less than fifty percent. Effective June 7, 2018, resolution 2018-1 adopted by Commission on June 1, 2018, allowed that "all Well Capitalized public depositaries may collateralize uninsured public deposits at no less than fifty percent." The PDPC is a statutory authority established under chapter 39.58 RCW that governs public depositaries and provides that "All public funds deposited in public depositories, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter." It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositories within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

Custodial credit risk - Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositaries in the State of Washington and total deposits cannot exceed the net worth of the financial institution. Those institutions not meeting fifty percent 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, 2018, the County's total deposits, excluding the equity in the component units, were $43.3 million in carrying amount and $29.1 million in bank balance, of which $6.9 million was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

King County Investment Pool - The King County Investment Pool (KCIP), the main pool, consists of monies invested on behalf of the County and other special purpose districts within the County including school, fire, sewer, library, water and other districts. The KCIP 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 KCIP 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 King County Investment Pool. The IPAC has not been vested with decision-making authority for the KCIP; it makes recommendations to the EFC on agenda items related to the KCIP.

The King County Investment Policy is designed to help King County meet the objectives of the KCIP. 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 KCIP 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 King County Investment 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 and supranational institutions where the United States is its largest shareholders.

- 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 values its investments at amortized cost, which approximates fair value. The LGIP portfolio will be managed to meet the portfolio maturity, quality, diversification and liquidity requirements set forth in GASB 79 for external investment pools who wish to measure, for financial reporting purposes, all of its investments at amortized cost. LGIP is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee and the Washington State Auditor's Office.

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

The County is authorized to enter into repurchase agreements to meet the investment needs of the King County Investment Pool. Such transactions are governed by a Master Repurchase Agreement. County investment policies require that securities' tri-party underlying repurchase agreements must have a fair 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.

<u>External Investment Pool</u> - 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 KCIP (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 King County Investment Pool. All non-County participation in the KCIP 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 King County Investment Pool's shares.

The King County Investment 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 King County Investment Pool's total fair value of investment including purchased interest was $7.5 billion. Excluding $329.6 million of equity in the component unit, the net total investment was $7.1 billion. 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 $27.1 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, 2018 (dollars in thousands):

KING COUNTY INVESTMENT POOL

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)
Repurchase Agreements	$ 366,000	$ 366,000	2.51%	0.006
Commercial Paper	576,197	579,500	2.54	0.205
U.S. Agency Discount Notes	73,880	75,000	2.64	0.594
Supranational Discount Notes	49,927	50,000	2.03	0.066
Corporate Notes	964,179	974,945	2.23	1.160
Corporate Notes Floating Notes	99,948	100,500	2.93	0.140
U.S. Treasury Notes	2,873,869	2,905,000	1.98	1.153
U.S. Agency Notes	648,763	655,000	1.49	1.023
U.S. Agency Collateralized Mortgage Obligations	4,031	3,872	4.33	3.403
Supranational Coupon Notes	1,212,097	1,221,709	2.33	1.434
State Treasurer's Investment Pool (LGIP)	589,306	589,306	2.36	0.003
Total investments in Pool	$ 7,458,197	$ 7,520,832	2.15	0.943

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 King County Investment Pool had concentrations greater than 5 percent in the following issuers: International Bank Recon, 7.3 percent; and Bank of Montreal, 5.4 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 King County Investment Pool. The policy limit for the KCIP's maximum effective duration is 1.5 years or less, and 40 percent of the KCIP'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, 2018, the effective duration of the main Pool was .943 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, the King County Investment Pool's policy authorizes investments in U.S. Treasury securities, U.S. federal 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 King County Investment 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	$ 366,000	$ —	$ —	$ —	$ 366,000
Commercial Paper	576,197	—	—	—	576,197
U.S. Agency Discount Notes	73,880	—	—	—	73,880
Supranational Discount Notes	49,928	—	—	—	49,928
Corporate Notes	111,938	291,121	561,120	—	964,179
Corporate Notes Floating Notes	—	49,916	50,032	—	99,948
U.S. Agency Notes	—	648,763	—	—	648,763
U.S. Agency Collateralized Mortgage Obligations	—	4,032	—	—	4,032
Supranational Coupon Notes	1,212,097	—	—	—	1,212,097
State Treasurer's Investment Pool	—	—	—	589,306	589,306
Total investments	$ 2,390,040	$ 993,832	$ 611,152	$ 589,306	$ 4,584,330

The King County Investment Pool's policies limit the maximum amount that can be invested in various securities. The following table summarizes the King County Investment 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%	2%	A(5)
Commercial Paper	270 Days	25%	3%	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(9)	N/A	25%	25%	N/A

N/A = Not applicable

(1) Senior debt only and includes Supranational agencies where the U.S. is the largest shareholder.

(2) MBS counts towards the total that can be invested in any one U.S. federal agency.

(3) Must be a public depository; if not 100% collateralized, must be rated at least A-1 or P-1.

(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 for 2 percent issuer limit. But if rated AA or higher, 3 percent issuer limit applies.

(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. Ten percent of the portfolio can be in overnight repos rated A-2 or P-2.

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

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

At year-end the King County Investment Pool was in compliance. The KCIP's actual composition consisted of Repurchase Agreements, 4.9 percent; Commercial Paper, 7.7 percent; U.S. Agency Discount Notes, 1.0 percent; Supranational Discount Notes, 0.7 percent; Corporate Notes, 12.9 percent; Corporate Notes Floating Rate, 1.3 percent; U.S. Treasury Notes, 38.5 percent; U.S. Agency Notes, 8.7 percent; U.S. Agency Collateralized Mortgage Obligations, 0.1 percent; Supranational Coupon Notes, 16.3 percent; and the LGIP, 7.9 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, 2018 (in thousands):

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value 12/31/2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Commercial Paper	$ 576,197	$ —	$ 576,197	$ —
U.S. Agency Discount Notes	73,880	—	73,880	—
Corporate Notes	964,179	—	964,179	—
Corporate Notes Floating Rate	99,948	—	99,948	—
U.S. Treasury Notes	2,873,869	2,873,869	—	—
U.S. Agency Notes	648,763	—	648,763	—
Supranational Discount Notes	49,927	—	49,927	—
U.S. Agency Collateralized Mortgage Obligations	4,031	—	4,031	—
Supranational Coupon Notes	1,212,097	—	1,212,097	—
Subtotals	6,502,891	$ 2,873,869	$ 3,629,022	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
Repurchase Agreements	366,000			
State Treasurer's Investment Pool	589,306			
Subtotal investments measured at cost	955,306			
Total investments in Investment Pool	$ 7,458,197			

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, Corporate Notes Floating Rate, U.S. Agency Notes, Supranational Discount Notes, U.S. Agency Collateralized Mortgage Obligations and Supranational Coupon Notes 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. Interactive Data also monitors market indicators, industry and economic events and corroborating market data and are classified in Level 2 of the fair value hierarchy.

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. At year-end, the County has a total of $28.8 thousands in "reserve" for the Cheyne restructurings that was retained by the receivers.

When accounting for all four impaired investments, the fair value of the Impaired Pool at December 31, 2018, was $4.0 million and the book value was $5.7 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 2018, 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 VFNC Trust investment to 89 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 5 to 6 more years or as long as the underlying securities continue to make cash payments. 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 $4.0 million, are based on market price of the underlying securities that are held by VFNC Trust (Victoria) and the cash value retained by the receivers as of December 31, 2018, 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 (main Pool) and the Impaired Investment Pool's Condensed Statements of Net Position and Changes in Net Position as of December 31, 2018 (in thousands) are as follows:

Condensed Statement of Net Position

	Total	King County Investment Pool	Impaired Pool
Net position held in trust for pool participants	$ 7,470,912	$ 7,466,891	$ 4,021
Equity of internal pool participants	$ 3,329,079	$ 3,327,387	$ 1,692
Equity of external pool participants	4,141,833	4,139,504	2,329
Total equity	$ 7,470,912	$ 7,466,891	$ 4,021

Condensed Statement of Changes in Net Position

	Total	King County Investment Pool	Impaired Pool
Net position - January 1, 2018	$ 6,895,033	$ 6,889,659	$ 5,374
Net change in investments by pool participants	575,879	577,232	(1,353)
Net position - December 31, 2018	$ 7,470,912	$ 7,466,891	$ 4,021

Pool Plus - Long-Term Investment Option

King County's Executive Finance Committee (EFC) adopted the Pool-Plus program which allows approved County agencies and districts to invest funds beyond the maximum maturity limit established for the KCIP. This policy provides an investment option that allows a participant in the KCIP to request the County to combine a portfolio of individual long-term securities in the same fund that is invested in KCIP. The pooling of the long-term portfolio with the KCIP provides the ability to invest at durations longer than KCIP, while maintaining access to the liquidity of the KCIP. The Pool-Plus program allows qualifying funds to invest over longer durations recognizing there are: (1) potential risks such as increased price volatility and the possibility of selling securities before maturity to pay unexpected expenditures that could result in a loss of principal; (2) benefits from reducing reinvestment risk which improves the predictability of future budget revenue; (3) and potential rewards such as increased earnings.

The KCIP will be used for the liquidity portion of the portfolio, while the following investment types will be used for the longer term investments:

- U.S Treasuries or securities with full faith and credit of the U.S. government backing them.
- Senior debt obligations issued by U.S. agencies, instrumentalities, or government-sponsored enterprises such as Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). While these agencies have credit ratings equivalent to the U.S. government, they are not explicitly guaranteed by the U.S. government. Financial market participants view them as having an "implied guarantee" because these agencies were chartered by Congress.

At yearend, the fair value of securities invested in the Pool Plus program was $15.0 million for County's agencies and $8.0 million for districts. The following schedule shows a summary of the characteristics of the assets in the program at December 31, 2018 (dollars in thousands):

KING COUNTY POOL PLUS PROGRAM

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)
U.S Treasury Notes - County's agencies	$ 15,038	$ 15,321	2.45%	4.160
U.S. Treasury Notes - Districts funds	8,030	8,174	2.56%	4.190

Individual Investment Accounts

King County also purchases individual investments for other legally separate entities, such as special districts and public authorities, which are not part of the financial reporting entity. Net assets in these individual investment accounts are reported in a separate Investment Trust Fund in the Fiduciary Funds section.

Nonfinancial Assets

The County has some land that is being held for future sale. The investment is valued at $2.8 million which is determined based on comparable sales in the area or average per acre value of similar size and layout in the vicinity at the end of 2018.

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, 2018, the deposits not covered by the FDIC are uninsured and collateralized by the PDPC collateral pool at no less fifty percent. The HMC's custodial credit risk for its deposits as shown in the following table (in thousands):

Harborview Medical Center
As of June 30, 2018

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Cash in other banks	$ 3,369	$ 221	$ 3,148
Equity in Investment Pool	302,054	308,048	—
Total deposits	$ 305,423	$ 308,269	$ 3,148

Cultural Development Authority of King County (CDA)

Custodial credit risk - Deposits - The Cultural Development Authority of King County (CDA) maintains a deposit relationship with a local commercial bank. The deposits with this qualified public depositary that are not insured by the FDIC are collateralized by the PDPC at no less than fifty percent. At yearend, the CDA's total deposits consisted of $1.3 million in carrying amount, and $1.5 million in bank balance of which $613 thousand was exposed to custodial credit risk as uninsured and uncollateralized.

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 Washington State Local Government Investment Pool (LGIP). The LGIP values its investments at amortized cost, which approximates fair value. 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, 2018 (in thousands):

Investments by fair value level	Fair Value 12/31/2018	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Notes	$ 1,402	$ 1,402	$ —	$ —
U.S Agency Notes:				
Federal Home Loan Mortgage Corp Debentures	1,195	—	1,195	—
Federal National Mortgage Association Notes	5,575	—	5,575	—
Federal Home Loan Bank Bonds	11,740	—	11,740	—
Federal Farm Credit Bank Bonds	1,282	—	1,282	—
Subtotal investments at fair value	21,194	$ 1,402	$ 19,792	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
State Treasurer's Investment Pool (LGIP)	23,895			
Other/Money Market Fund	1			
Subtotal investments measured at cost	23,896			
Total CDA investments	$ 45,090			

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 notes are valued using significant other observable inputs other than quoted prices including 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, 2018 (in thousands):

Cultural Development Authority
Investments By Type

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)	Concentration
U.S. Treasury Notes	$ 1,402	$ 1,402	2.86%	1.047	3.11%
U.S. Agency Notes:					
Federal Home Loan Mortgage Corp Debentures	1,195	1,218	1.50	0.737	2.65
Federal National Mortgage Association Notes	5,575	5,715	1.46	2.003	12.37
Federal Home Loan Bank Bonds	11,740	11,861	2.74	0.984	26.04
Federal Farm Credit Bank Bonds	1,282	1,290	1.06	0.422	2.84
State Treasurer's Investment Pool	23,895	23,895	2.35	0.003	52.99
Other/Money Market Fund	1	1	2.04	0.003	—
Subtotal investments	45,090	$ 45,382	2.29	0.569	100.00%
Less: State Treasurer's Investment Pool (Cash Equivalent)	(23,895)				
Total investments per Statement of Net Position	$ 21,195				

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, 2018, the combined weighted average effective duration of the CDA's portfolio was 0.569 years.

Credit risk - Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2018, 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, 2018, CDA had concentrations greater than 5 percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal Home Loan Banks, 26.0 percent; and Federal National Mortgage Association, 12.4 percent.

NJB Properties

Concentration of credit risk - The Organization maintains its cash and reserves in various financial institutions in which the accounts are insured up to $250 thousand per depositor under the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. The Organization believes it is not exposed to any significant credit risk on its cash, reserves and other deposits.

Deposits Held In Trust - In accordance with the Indenture of Trust, certain restricted deposits and funded reserves have been established in the form of escrows. The balance of each fund as of December 31 is as follows (in thousands):

	2018
Non-bond Proceeds	$ 278
Revenue Fund	825
	$ 1,103

Note 5
Receivables

Receivables are reported net of estimated uncollectible amounts in the basic financial statements: Balance Sheet for Governmental Funds and Statement of Net Position for Proprietary Funds. The schedule below shows receivables at gross with the related estimated uncollectible amounts (in thousands):

Governmental	**General Fund**	**Behavioral Health Fund**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
Accounts receivable:				
Accounts receivable	$ 48,776	$ 1,431	$ 26,352	$ 76,559
Estimated uncollectible	(33,386)	—	(8,996)	(42,382)
Accounts receivable, net	$ 15,390	$ 1,431	$ 17,356	$ 34,177
Due from other governments:				
Due from other governments	$ 60,270	$ 6,093	$ 72,678	$ 139,041
Estimated uncollectible	(5)	—	(527)	(532)
Due from other governments, net	$ 60,265	$ 6,093	$ 72,151	$ 138,509

Proprietary	**Public Transportation**	**Water Quality**	**Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
Current assets:					
Accounts receivable:					
Accounts receivable	$ 27,075	$ 43,128	$ 18,226	$ 88,429	$ 1,348
Estimated uncollectible	(97)	(997)	(357)	(1,451)	(47)
Accounts receivable, net	$ 26,978	$ 42,131	$ 17,869	$ 86,978	$ 1,301
Due from other governments:					
Due from other governments	$ 300,250	$ —	$ 7,898	$ 308,148	$ 66
Estimated uncollectible	—	—	—	—	—
Due from other governments, net	$ 300,250	$ —	$ 7,898	$ 308,148	$ 66
Noncurrent assets:					
Due from other governments	$ 27	—	—	$ 27	—

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 $1.20156 per $1,000 of assessed value for the 2018 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 $2.05402 per $1,000 of assessed value for the 2018 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 1.0 percent 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 1.0 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 1.0 percent or $5.90 per $1,000 of assessed value limitations, then, in order to bring the aggregate levy into compliance, levies requested by “junior” taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010). Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts and public utility districts.

Regular Property Tax Increase Limitation. The regular property tax increase limitation (RCW 84.55) limits the total dollar amounts of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year's rate. The limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than 1.0 percent, the limit factor can be increased to 101.0 percent, if approved by a majority plus one vote of the governing body of the taxing district, upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the taxing district upon a finding of substantial need and is also approved by the voters at a general or special election within the taxing district. Such election must be held less than 12 months before the date on which the proposed levy will be made, and any tax increase cannot be greater than described under "Maximum Rate Limitations." The approval of a majority of the voters would be required for the limit factor to be increased. The new limit factor will be effective for taxes collected in the following year only.

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

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

With a majority 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 60.0 percent 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 40.0 percent of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the number of voters approving the excess levy is at least 60% 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 2018, the county-wide flood control zone district levy rate was $0.10708 per $1,000 of assessed value. The boundaries of the District s coterminous with the boundaries of the County and the members of the County Council serve initially as the legislative body for the District, but under state law, it 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 46.0 percent to 54.0 percent, 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 2018 and 2017 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 2018 countywide assessed valuation was $534.6 billion, a $63.2 billion increase from 2017; the assessed valuation for the unincorporated area levy was $43.8 billion, an increase of $4.5 million from 2017.

ALLOCATION OF 2018 AND 2017 TAX LEVIES

	2018 Original Taxes Levied (in thousands)	2018 Levy Rate (per thousand)	2017 Original Taxes Levied (in thousands)	2017 Levy Rate (per thousand)
Countywide Levy				
Assessed Value:				
$534,662,434,753[(a)]				
Items Within Operating Levy:[(b)]				
General Fund	$ 358,302	0.67262	$ 346,708	0.73827
Veterans' Relief	3,010	0.00565	2,921	0.00622
Human Services	6,761	0.01269	6,556	0.01396
Intercounty River Improvement	49	0.00009	52	0.00011
Automated Fingerprint Identification System	22,123	0.04153	21,024	0.04477
Parks Levy	74,259	0.13940	70,579	0.15029
Veterans and Human Services	53,267	0.10000	18,614	0.03964
Children and Family Justice Center	25,054	0.04703	24,518	0.05221
Best Starts for Kids	65,656	0.12325	62,384	0.13285
Radio Communications	31,590	0.05930	30,602	0.06517
Marine Operating	5,930	0.01113	5,770	0.01229
Total Operating Levy	646,001	1.21269	589,728	1.25578
Conservation Futures Levy				
Conservation Futures Levy[(c)]	11,071	0.02078	10,445	0.02224
Farmland and Park Debt Service	8,999	0.01689	9,002	0.01917
Total Conservation Futures Levy	20,070	0.03767	19,447	0.04141
Unlimited Tax GO Bonds (Voter-approved Excess Levy)	17,298	0.03261	16,878	0.03609
Transportation Levy[(d)]	23,642	0.04438	23,322	0.04966
Total Countywide Levy	707,011	1.32735	649,375	1.38294
Emergency Medical Services Levy				
Assessed Value:				
$534,548,340,357[(a)]				
Emergency Medical Services Levy[(e)]	76,412	0.23940	74,664	0.26305
Unincorporated County Levy				
Assessed Value:				
$43,773,720,022[(a)]				
County Road Fund[(f)]	89,354	2.05402	87,679	2.24557
Total County Tax Levies	$ 872,777		$ 811,718	

(a) Assessed value for taxes payable in 2018.

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

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

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

(e) The Emergency Medical Services Levy is limited statutorily to $0.335 over $1,000 of assessed value. The assessed value for the County's Emergency Medical Services levy does not include the cities of Seattle or Milton.

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

The Automated 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 2017 and 2018, the tax rate was 0.04477 and 0.04153 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 2017 and 2018 tax year rate for the Parks levy lid lift is 0.15029 and 0.13940 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 2017 and 2018 tax rate is 0.03964 and 0.10000 per $1,000 of assessed value, respectively.

The Children and Family Justice Center is a nine-year temporary levy lid lift approved by voters on August 7, 2012 at a rate of 0.070000 per $1,000 of assessed value for the first year (2013). The rate for 2017 and 2018 is 0.05221 and 0.04703 per $1,000 of assessed value.

A nine-year 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 of assessed value for the first year (2016). The rate for 2017 and 2018 is 0.06517 and 0.05930 per $1,000 assessed value.

The Best Starts for Kids levy was approved by voters at the November 3, 2015, general election that will be used to invest in prevention and early intervention strategies for children and families. This is a six-year levy beginning in 2016 at a rate of 0.13285 per $1,000 of assessed value. The rate for 2017 and 2018 is 0.13285 and 0.12325 per $1,000 of assessed value.

The County's levy rate for transit-related purposes is 0.04438 per $1,000 of assessed value, and its levy rate for conservation futures is 0.03767 per $1,000 of assessed value in 2018.

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 rate for 2017 and 2018 is 0.26305 and 0.23940 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 100.0 percent of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the County Council receives the Assessor's final certificate of assessed value of property within the County.

Tax Collection 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 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 thousand in proceeds of the forced sale of a family residency or other "homestead" property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments due
May 31	Assessed value of property established for next year's levy at 100% 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, 2018, 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. The tax abatements did not result in a reduction or loss of revenue to the County because, pursuant to state law, these taxes were effectively reallocated to other property taxpayers.

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.

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). Abatement under this program remains valid for ten (10) consecutive assessment years from the date of application.

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 (3) 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 during the calendar year ended December 31, 2018 (in thousands):

Tax Abatement Program	Total Amount of Taxes Abated
Current Use	$ 2,471
Single-family Dwelling Improvement	176
Historic Preservation	409

State of Washington Tax Abatements

The information provided by Washington State is based upon calendar 2017 as a proxy for fiscal year 2018. The State’s fiscal year end is June 30, 2018. The state of Washington provides tax abatements through seven programs subject to the requirements of GASB Statement No. 77, some of which are only available to businesses in the aerospace industry. Only tax abatement programs that are material and attributable to activities in King County are disclosed below.

High Unemployment County Sales and Use Tax Deferral for Manufacturing Facilities

To encourage public and private investment in low-income areas with high rates of unemployment, sales and use tax arising from certain construction and equipment purchases for new and expanding manufacturers, persons conditioning vegetable seeds, research and development, and commercial testing for manufacturers in a Community Empowerment Zone (CEZ) may be permanently deferred if the project meets specific criteria per chapter 82.60 RCW.

Deferred taxes need not be repaid if the business fills at least one permanent full-time position for each $750 thousand investment with a resident of the CEZ by the end of the second calendar year following the year in which the project is certified as operationally complete. Failure to meet the employment requirement causes all deferred taxes to become immediately due.

High-Technology Sales and Use Tax Deferral

Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately.

Multi-Unit Urban Housing Exemption

Chapter 84.14 RCW provides for an exemption from ad valorem property taxation for eligible housing construction, conversions, and rehabilitation improvements for a duration between eight and twelve years, depending on the circumstances of each project. The goal being to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for housing in urban centers. Among the eligibility requirements, the housing must be located in a residentially targeted area as designated by the city or county. If the recipient of the tax abatement fails to comply with the statutory requirements of this Chapter a lien will be placed on the property in the amount of the real property taxes that would normally be imposed, plus a penalty and interest.

Aerospace Incentives

The state of Washington provides seven tax abatement and incentive programs to the aerospace industry to encourage the industry's continued presence in the state of Washington.

RCWs 82.04.260(11), 82.04.290(3), and 82.04.250(3) allow for a reduced business and occupation (B&O) tax for manufacturers and processors for hire of commercial airplanes, component parts of commercial airplanes, or tooling designed for use in manufacturing commercial airplanes or components; non-manufacturers engaged in the business of aerospace product development; and certificated Federal Acquisition Regulation (FAR) repair stations making retail sales.

The purchase of goods and services, including labor, for the construction of new buildings used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCWs 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers.

RCW 82.04.4461 allows a business and occupation tax credit equal to 1.5 percent of expenditures on aerospace product development performed within Washington.

Per RCW 82.04.4463, manufacturers and processors for hire of commercial airplanes or their component parts and aerospace tooling manufacturers are eligible for a business and occupation tax credit equal to the property and leasehold taxes paid on certain buildings, land, and the increased value from certain building renovations or expansions, as well as a portion of property taxes paid on certain machinery and equipment. Eligibility for the credit requires the building, land, and/or machinery and equipment be used exclusively in manufacturing commercial airplanes or their components or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components.

Non-manufacturers engaged in the business of aerospace product development and certificated FAR repair stations making retail sales are eligible for a business and occupation tax credit equal to property and leasehold taxes on certain buildings, land, and the increased value of renovated buildings, and qualifying computer equipment and peripherals under RCW 82.04.4463. Eligibility for the credit requires the building, land, and/or computer equipment and peripherals be used exclusively in aerospace product development or in providing aerospace services.

The purchase and use of computer hardware, software, or peripherals, including installation charges is exempt from sales and use tax per RCWs 82.08.975 and 82.12.975 if the buyer uses the purchased item primarily in developing, designing, and engineering aerospace products.

Leasehold interests in port district facilities used by a manufacturer of super-efficient airplanes are exempt from leasehold excise tax per RCW 82.29A.137. In addition, all buildings, machinery, equipment, and other personal property of a lessee of a port district used exclusively in manufacturing super-efficient airplanes is exempt from property taxation per RCW 84.36.655. No taxpayers were eligible for either of these exemptions during the calendar year ended December 31, 2017.

The following table shows the amount of taxes, attributable to activities in King County, abated by the state of Washington during the calendar year ended December 31, 2017 (in thousands):

Tax Abatement Program	Total Amount of Taxes Abated
High Unemployment County Sales and Use Tax Deferral for Manufacturing Facilities	D*
High-Technology Sales and Use Tax Deferral	$1,352
Multi-Unit Urban Housing Exemption	$7,264
Aerospace incentives: Computer Hardware, Software and Peripherals sales and use tax exemption	D

*Washington State cannot disclose the amounts abated.

Note 7
Capital Assets

Primary Government

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

	Balance 01/01/2018	Additions	Retirements / WIP Deductions	Transfers / Reclassifications	Balance 12/31/2018
Governmental Activities:					
Capital assets not being depreciated:					
* Land	$ 595,615	$ 22,557	$ (310)	$ (1,585)	$ 616,277
* Rights-of-way and easements	456,509	16,250	(48)	1,585	474,296
Infrastructure - road and bridges	1,106,168	15,806	(304)	—	1,121,670
Art collections	10,495	—	—	—	10,495
* Work in progress (Restated)	282,570	182,568	(25,693)	(55,155)	384,290
Total capital assets not being depreciated	2,451,357	237,181	(26,355)	(55,155)	2,607,028
Capital assets being depreciated:					
* Buildings	1,024,900	1,375	(3)	878	1,027,150
Leasehold improvements	19,076	—	—	—	19,076
* Improvements other than buildings	76,858	—	—	3,059	79,917
Infrastructure – levees	29,374	—	—	16,571	45,945
* Furniture, machinery and equipment	170,441	17,167	(8,480)	16,752	195,880
* Software	111,755	85	(290)	17,969	129,519
Total capital assets being depreciated	1,432,404	18,627	(8,773)	55,229	1,497,487
Less accumulated depreciation for:					
Buildings	(483,842)	(28,333)	(6)	—	(512,181)
Leasehold improvements	(6,677)	(953)	—	—	(7,630)
Improvements other than buildings	(24,390)	(2,795)	—	—	(27,185)
Infrastructure – levees	(2,711)	(837)	—	—	(3,548)
Furniture, machinery and equipment	(123,554)	(15,493)	8,443	(63)	(130,667)
Software	(69,138)	(13,336)	290	—	(82,184)
Total accumulated depreciation	(710,312)	(61,747)	8,727	(63)	(763,395)
Total capital assets being depreciated, net	722,092	(43,120)	(46)	55,166	734,092
Governmental activities capital assets, net	$ 3,173,449	$ 194,061	$ (26,401)	$ 11	$ 3,341,120
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 454,003	$ 465	$ (32,995)	$ 11,846	$ 433,319
Rights-of-way and easements	31,371	15	(1,003)	187	30,570
Art collections	3,747	—	—	511	4,258
Work in progress	533,413	571,687	—	(448,240)	656,860
Total capital assets not being depreciated	1,022,534	572,167	(33,998)	(435,696)	1,125,007
Capital assets being depreciated:					
Buildings	3,458,259	1,474	(9,501)	56,697	3,506,929
Leasehold improvements	7,307	—	—	—	7,307
Improvements other than buildings	406,290	—	(16)	19,245	425,519
Rights-of-way - temporary easement	7,635	—	—	—	7,635
Infrastructure – water quality	2,295,338	—	(5,193)	128,852	2,418,997
Furniture, machinery and equipment	2,751,556	9,487	(95,119)	228,134	2,894,058
Software	146,624	—	—	2,694	149,318
Total capital assets being depreciated	9,073,009	10,961	(109,829)	435,622	9,409,763
Less accumulated depreciation for:					
Buildings	(1,629,759)	(92,438)	3,549	—	(1,718,648)
Leasehold improvements	(3,783)	(378)	—	—	(4,161)
Improvements other than buildings	(170,404)	(21,750)	16	—	(192,138)
Rights-of-way - temporary easement	(1,363)	(218)	—	—	(1,581)
Infrastructure – water quality	(622,992)	(49,891)	2,979	—	(669,904)
Furniture, machinery and equipment	(1,515,966)	(166,752)	94,326	63	(1,588,329)
Software	(104,770)	(9,493)	—	—	(114,263)
Total accumulated depreciation	(4,049,037)	(340,920)	100,870	63	(4,289,024)
Total capital assets being depreciated, net	5,023,972	(329,959)	(8,959)	435,685	5,120,739
Business-type activities capital assets, net	$ 6,046,506	$ 242,208	$ (42,957)	$ (11)	$ 6,245,746

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.

Beginning Balance Adjustment

Net beginning balance adjustment for Work In Progress of $6.1 million consists of $1.3 million of prior period capital costs not capitalized related to Roads Division projects and the Flood Control District adjusted its 2017 balances by $4.8 million after the County released its 2017 financial statements. Beginning balance adjustments for Buildings, Improvements other than buildings, Furniture, machinery and equipment and Software consists of a total of $6.8 million in Parks capital projects not reported in the prior year.

Depreciation Expense

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

	2018
Governmental Activities	
General government	$ 32,525
Law, safety and justice	10,611
Physical environment	1,064
Transportation	230
Economic environment	7
Health and human services	1,097
Culture and recreation	4,104
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	12,109
Total depreciation - governmental activities	$ 61,747
Business-type Activities	
Water Quality	$ 175,699
Public Transportation	143,982
Solid Waste	18,519
King County International Airport	5,988
Institutional Network	359
Radio Communications	681
Marine Fund	1,061
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on its usage of the assets	2,301
Total depreciation and amortization expense - business-type activities	$ 348,590
Less amortization - Water Quality other assets	(7,670)
Total depreciation - business-type activities	$ 340,920

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 - $87.8 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - $242.9 million is committed to ensuring the continued operation, reliability and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises - $9.4 million is committed to improving the County's solid waste regional landfill and maintenance of existing facilities, $900 thousand for Airport facility improvements within the County, and $14.8 million for the construction of a new permanent passenger-only facility in downtown Seattle for Marine Enterprise.

Capital Projects Funds

$249.1 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 and 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, 2018 (in thousands):

	Balance 7/1/2017	Additions	Retirements	Transfers	Balance 6/30/2018
Capital assets not being depreciated:					
Land	$ 2,432	$ —	$ —	$ —	$ 2,432
Work in progress	19,269	12,707	—	(17,278)	14,698
Total capital assets not being depreciated	21,701	12,707	—	(17,278)	17,130
Capital assets being depreciated:					
Buildings	421,868	—	(25,966)	9,790	405,692
Improvements other than buildings	16,389	—	(420)	1,517	17,486
Equipment	361,274	7,687	(62,684)	5,971	312,248
Total capital assets being depreciated	799,531	7,687	(89,070)	17,278	735,426
Less accumulated depreciation for:					
Buildings	(213,698)	(13,264)	25,966	—	(200,996)
Improvements other than buildings	(8,647)	(1,072)	420	—	(9,299)
Equipment	(308,710)	(14,279)	62,165	—	(260,824)
Total accumulated depreciation	(531,055)	(28,615)	88,551	—	(471,119)
HMC capital assets, net	$ 290,177	$ (8,221)	$ (519)	$ —	$ 281,437

HMC owns other properties (net book value of $20.9 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.	$	49,081
Water Quality - restricted for future construction projects, debt service, and reserves and obligations.		313,684
King County International Airport - restricted for construction projects and obligations.		842
Radio Communications Services - restricted for construction projects and obligations.		6
Solid Waste - restricted for construction projects, landfill closure and post-closure care costs.		57,048
Marine- restricted for construction projects and obligations.		1,536
Construction & Facilities Management - restricted for construction projects and obligations.		18
Total Proprietary Funds restricted assets	$	422,215
Component Unit - Harborview Medical Center (HMC)		
HMC Special Purpose Fund - restricted donations, gifts and bequests from various sources for specific uses.		8,806
Total HMC restricted assets	$	8,806
Component Unit - Cultural Development Authority of King County (CDA)		
1% for Art Fund - restricted for the one percent for public art programs operated to benefit King County.	$	6,527
Building for Culture Program - restricted for a regional King County cultural capital investment partnership program.		2,990
Cultural Special Account & Other Funds - restricted for arts and heritage cultural programs.		37,188
Total CDA restricted assets	$	46,705
Component Unit - NJB Properties		
Non-bond Proceeds Fund - restricted for costs of the NJB Project	$	278
Revenue Fund - restricted for transfers to the Bond Fund and authorized administrative fees		825
Total NJB Properties restricted assets	$	1,103

Note 9
Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the year 2018:

Aggregate Pension Amounts - All Plans (in thousands)	
Pension liabilities	$ 558,531
Pension assets	69,414
Deferred outflows of resources related to pensions	113,235
Deferred inflows of resources related to pensions	241,106
Pension expense/expenditures	30,541

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 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through August 2018	12.70%	6.00%
September through December 2018	12.83%	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 $1.4 million for the year ended December 31, 2018.

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 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 OSA 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 2018 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***	**Employee 3**
January through August 2018	12.70%	7.38%	Varies (5-15%)
September through December 2018	12.83%	7.41%	Varies (5-15%)

* For employees participating in JBM, the contribution rate was 18.45% for January - August 2018 and 18.53% for September - December 2018.

The County's actual contributions to the plan were $140.7 million for the year ended December 31, 2018.

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 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, 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 OSA to fully fund Plan 2. The Plan 2 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. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through August 2018	11.95%	6.74%
September through December 2018	12.38%	7.07%

The County's actual contributions to the plan were $4.8 million for the year ended December 31, 2018.

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, 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 2018. 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 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 OSA 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 2018 were as follows:

LEOFF 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through December 2018	5.43%	8.75%

The County’s actual contributions to the plan were $5.2 million for the year ended December 31, 2018.

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, 2018, the State contributed $68.2 million to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is $26.8 million.

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 covered payroll) for 2018 were as follows:

SCERS		
Actual Contribution Rates:	**Employer**	**Employee**
January through December 2018	15.29%	10.03%

The County’s actual contributions to the plan were $300 thousand for the year ended December 31, 2018.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018.

Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

Mortality rates for DRS pension plans 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 changes in methods and assumptions since the last valuation.

- For LEOFF Plan 2, the calculation for benefits paid to remarried duty-related survivors was modified.
- The trend used to project medical inflation and certain medical related duty disability benefits for LEOFF Plan 2 was updated.
- For all plans, the average expected remaining service lives calculation was revised.

The following laws enacted in 2018 had an impact on the latest actuarial valuation.

- PERS Plans 1 COLA (C151, L18): For all eligible PERS Plan 1 retirees, the bill enacts a one-time permanent increase equal to 1.5% of their benefit, not to exceed a maximum of $62.50 per month.
- PSERS Nursing, Custody and Safety (C241, L18): This bill adds new members to PSERS and provides a transfer option for eligible PERS Plan 2/3 members.
- PTSD Law Enforcement and Fire Fighters (C264, L 18) This bill ads Post-Traumatic Stress Disorder (PTSD) to the list of occupational diseases and creates a rebuttable presumption of LEOFF members that PTSD is an occupational disease.
- Definition of Veteran (C61, L 18): This bill modifies the definition of Veteran by expanding the eligibility of no-cost interruptive military service credit, clarifying the end period designated for the Persian Gulf War and adding two new conflicts that qualify as a period of war.

The TPL for SCERS pension plan was determined by an actuarial valuation as of December 31, 2017. The actuarial assumptions used in the valuation were based on an actuarial experience study for the period January 1, 2010 through December 31, 2013. The following actuarial assumptions were applied to all periods including the measurement period.

- Inflation: 3.25%
- Salary increases: In addition to the 4.0% salary increase assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5% compounded annually, net of expenses

Mortality rates for the SCERS plan were based on the RP-2000 report's Employee Table, Combined Healthy Table and Combined Disabled Table. All mortality tables are generational using Projection Scale AA to reflect expected future mortality improvement.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test.

The discount rate used to measure the total pension liability for SCERS pension plan was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's 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 on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS and SCERS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	7%	4.9%
Real Estate	18%	5.8%
Public Equity	32%	6.3%
Private Equity	23%	9.3%
	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, 2017 are summarized in the chart that follows:

Asset Class	% Long-term Expected Real Rate of Return Geometric
Equity: Public	4.9%
Equity: Private	6.3%
Fixed Income: Broad	0.4%
Fixed Income: Credit	3.3%
Real Assets: Real Estate	3.6%
Real Assets: Infrastructure	3.0%
Diversifying Strategies	3.1%

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 7.4 percent (7.5 percent for SCERS), 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 (6.4 percent, 6.5 percent for SCERS) or one percentage point higher (8.4 percent, 8.5 percent for SCERS) than the current rate.

Sensitivity of Net Pension Liability (Asset) (in thousands)			
Plans	**1% Decrease (6.4%)**	**Current Discount Rate (7.4%)**	**1% Increase (8.4%)**
PERS 1	$ 469,613	$ 382,129	$ 306,350
PERS 2/3	803,786	175,728	(339,208)
PSERS 2	12,479	120	(9,578)
LEOFF 1	(8,666)	(10,894)	(12,811)
LEOFF 2	(7,782)	(58,520)	(99,903)

Sensitivity of Net Pension Liability (Asset) (in thousands)			
Plans	**1% Decrease (6.5%)**	**Current Discount Rate (7.5%)**	**1% Increase (8.5%)**
SCERS	$ 793	$ 554	$ 352

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' and SCERS plan's fiduciary net position are available in the separately issued DRS and City of Seattle financial reports.

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

At December 31, 2018, the County reported a total pension liability of $558.5 million and total pension asset of $69.4 million for its proportionate share of the net pension liabilities (assets) as follows:

Total Pension Liability (Asset) (in thousands)	
PERS 1	$ 382,129
PERS 2/3	175,728
PSERS 2	120
LEOFF 1	(10,894)
LEOFF 2	(58,520)
SCERS	554

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	$ (58,520)
LEOFF 2 - State's proportionate share of the net pension liability/(asset) associated with King County	(37,891)
TOTAL	$ (96,411)

The County proportionate share of the collective net pension liabilities was as follows:

Collective Net Pension Liabilities			
	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	8.45%	8.56%	0.11%
PERS 2/3	10.14%	10.29%	0.15%
PSERS 2	9.92%	9.69%	-0.23%
LEOFF 1	0.60%	0.60%	0.00%
LEOFF 2	2.91%	2.88%	-0.03%

Collective Net Pension Liabilities			
	Proportionate Share 12/31/16	Proportionate Share 12/31/17	Change in Proportion
SCERS	0.07%	0.05%	-0.02%

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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2018, 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) for all DRS pension plans was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

The collective net pension liability for SCERS was measured as of December 31, 2017, and the actuarial valuation date on which the total pension liability was based was as of January 1, 2017, with update procedures used to roll forward the total pension liability to the measurement date taking into account any significant changes between the valuation date and the fiscal year end.

Pension Expense

For the year ended December 31, 2018, the County recognized pension expense as follows:

Pension Expense (in thousands)	
PERS 1	$ 38,926
PERS 2/3	(6,218)
PSERS 2	2,038
LEOFF 1	(1,803)
LEOFF 2	(2,145)
SCERS	(257)
TOTAL	$ 30,541

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, 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	—	15,186
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	30,193	—
TOTAL	$ 30,193	$ 15,186

PERS 2/3	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 21,540	$ 30,767
Net difference between projected and actual investment earnings on pension plan investments	—	107,835
Changes of assumptions	2,056	50,011
Changes in proportion and differences between contributions and proportionate share of contributions	7,252	12,687
Contributions subsequent to the measurement date	42,011	—
TOTAL	$ 72,859	$ 201,300

PSERS 2	**Deferred Outflows of Resources (in thousands)**	**Deferred Inflows of Resources (in thousands)**
Differences between expected and actual experience	$ 891	$ 123
Net difference between projected and actual investment earnings on pension plan investments	—	1,620
Changes of assumptions	13	743
Changes in proportion and differences between contributions and proportionate share of contributions	82	284
Contributions subsequent to the measurement date	1,400	—
TOTAL	$ 2,386	$ 2,770

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	—	884
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	—	—
TOTAL	$ —	$ 884

LEOFF 2	**Deferred Outflows of Resources (in thousands)**	**Deferred Inflows of Resources (in thousands)**
Differences between expected and actual experience	$ 3,135	$ 1,358
Net difference between projected and actual investment earnings on pension plan investments	—	10,243
Changes of assumptions	33	8,398
Changes in proportion and differences between contributions and proportionate share of contributions	1,133	464
Contributions subsequent to the measurement date	2,335	—
TOTAL	$ 6,636	$ 20,463

SCERS	**Deferred Outflows of Resources (in thousands)**	**Deferred Inflows of Resources (in thousands)**
Differences between expected and actual experience	$ 1	$ 14
Net difference between projected and actual investment earnings on pension plan investments	—	49
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	850	440
Contributions subsequent to the measurement date	310	—
TOTAL	$ 1,161	$ 503

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, 2019. 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)**
2019	$ 664
2020	(3,320)
2021	(9,961)
2022	(2,569)
2023	—
Thereafter	—

Year ended December 31:	**PERS 2/3 (in thousands)**
2019	$ (17,884)
2020	(36,730)
2021	(67,100)
2022	(25,537)
2023	(10,142)
Thereafter	(13,059)

Year ended December 31:	**PSERS 2 (in thousands)**
2019	$ (37)
2020	(210)
2021	(554)
2022	(288)
2023	(99)
Thereafter	(596)

Year ended December 31:	LEOFF 1 (in thousands)
2019	$ 1
2020	(200)
2021	(543)
2022	(142)
2023	—
Thereafter	—

Year ended December 31:	LEOFF 2 (in thousands)
2019	$ (1,217)
2020	(2,767)
2021	(6,088)
2022	(2,176)
2023	(724)
Thereafter	(3,191)

Year ended December 31:	SCERS (in thousands)
2019	$ 173
2020	132
2021	37
2022	3
2023	5
Thereafter	—

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, deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2018 were $ 1.1 million, $249 thousand and $380 thousand, respectively.

Note 10

Defined Benefit Other Postemployment Benefit (OPEB) Plan

The County is required to accrue other postemployment benefits (OPEB) expense related to its postretirement health care plan based on a computed total OPEB liability. Instead of recording expense on a "pay-as-you-go" basis, the County has recorded a liability of $111.4 million for the difference between the actuarially calculated liability and the estimated contributions made.

In previous years, under GASB Statement No. 45, the County recognized only the annual required contribution (ARC) to fund current year expenses and to amortize the unfunded obligation over a period not to exceed 30 years. The County recognized a net OPEB obligation as of December 31, 2017 of $73.0 million.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year ended December 31, 2018 (in thousands):

OPEB liabilities	$ 111,412
OPEB assets	—
Deferred outflows of resources	2,977
Deferred inflows of resources	8,625
OPEB expense/expenditures	5,567

The County's total OPEB liability was measured as of December 31, 2018 using an actuarial valuation as of December 31, 2018.

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, dental, prescription drug, and vision benefits to eligible retirees, their spouses, and children. Retiree premiums for dental and vision plans are assumed to cover the full cost of those benefits. The Health Plan does not issue a separate stand-alone financial report.

LEOFF 1 retirees, representing less than 2 percent of plan participants, are not required to contribute to the Health Plan. All other retirees are required to pay into the health plan by contributing 100 percent of the rate established by the County for coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). As a self-insurer, COBRA rates are set by the County each budget year. At December 31, 2018 (the census date) the following employees were covered by the Health Plan.

Inactive employees or beneficiaries currently receiving benefits	449
Inactive employees entitled to, but not yet receiving benefits	—
Active employees	14,378
Total	14,827

For the fiscal year ended December 31, 2018, the County contributed an estimated $5.2 million to the Health Plan to pay for retiree benefits. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits. Accordingly, there are no assets in a qualifying trust.

Actuarial Methods and Assumptions The basis of benefit projections 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 benefit costs between the County and Members of the Health Plan. 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, 2018 valuation used the entry age normal level percentage of salary actuarial cost method. The actuarial assumptions included an initial annual health care cost trend rate of 7.00 percent reduced by decrements to an ultimate rate of 3.84 percent after 56 years. The Medicare premium trend rate is 6.00 percent, for all years. All trend rates include a 2.50 percent inflation assumption and 3.00 percent salary increase assumption. County employees have multiple medical plans to select from during and after employment. Plan Members are assumed to retain the same medical plan after retirement as they selected while an employee pre-retirement, including an assumption that employees choosing not to enroll in a County medical plan before retirement will not select a County medical plan after retirement. Mortality rates were based on tables from the Society of Actuaries.

These assumptions reflect the County's best estimates. The following presents the total OPEB liability of the County calculated using the current healthcare cost trend rate of 7.00 percent decreasing to 3.84 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands).

	1% Decrease	**Current Trend Rate**	**1% Increase**
	(6.0% decreasing to 2.84%)	(7.0% decreasing to 3.84%)	(8.0% decreasing to 4.84%)
Total OPEB Liability	$ 101,457	$ 111,412	$ 122,865

Discount Rate The discount rate used to measure the total OPEB liability is 3.75 percent. The County's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date. The County previously used a discount rate of 3.50 percent in 2017.

The following presents the total OPEB liability of the County calculated using the discount rate of 3.75 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands).

	1% Decrease	**Current Discount Rate**	**1% Increase**
	2.75%	3.75%	4.75%
Total OPEB Liability	$ 121,804	$ 111,412	$ 102,241

Changes in the Total OPEB Liability The County's actuarial analysis used a measurement date of December 31, 2018. For the current reporting period, the following schedule includes changes in the total OPEB liability since last year (in thousands).

	Total OPEB Liability
Balance at 1/1/2018 - Restated	$ 118,120
Changes for the Year:	
Service cost	2,092
Interest	4,146
Changes of benefit terms	—
Difference between expected and actual experience	3,332
Changes of assumptions	(9,651)
Benefit payments	(5,244)
Other changes	(1,383)
Net changes	(6,708)
Balance at 12/31/2018	$ 111,412

The County recognized $5.6 million in OPEB expense for the year. There were no changes to the plan benefits in 2018. Changes in actuarial assumptions included changing the actuarial method from unit credit actuarial cost to entry age normal level percent per GASB 75, increasing the payroll growth rate to 3 percent from zero, updating the mortality tables to use the MP-280 improvement scale, updating the medical trend assumptions to use a single rate for medical and pharmacological services, and updating the claims and contributions for medical plans.

Deferred Inflows and Deferred Outflows At December 31, 2018 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,977	$ —
Changes of assumptions	—	(8,625)
Payments subsequent to the measurement dates	—	—
Total	$ 2,977	$ (8,625)

The County did not make payments subsequent to the measurement date, which otherwise would have been reported as a deferred outflow of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ended December 31:	**Amount**
2019	$ (672)
2020	(672)
2021	(672)
2022	(672)
2023	(672)
Thereafter	(2,288)

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 net OPEB liability 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. With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2018, is $70.5 million.

Changes in the Insurance Fund's estimated claims liability in 2017 and 2018 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2017	$ 75,555	$ 9,229	$ (9,863)	$ 74,921
2018	74,921	14,191	(18,645)	70,467

In 2018, there was one settlement that resulted in payment in excess of the County's self-insured retention (SIR). In 2017, there were no losses paid in excess of the SIR, and in 2016 there were two settlements that exceeded the SIR.

The County purchases excess liability coverage that currently provides $92.5 million in limits above a $7.5 million per occurrence SIR for Transit and $6.5 million SIR for all other County agencies.

Effective July 1, 2018, the County renewed the property insurance policy. This policy has a blanket limit of $750.0 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 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 on the next page.

COVERAGE	COVERAGE AMOUNT	DEDUCTIBLE
Excess General Liability	$92.5 million	$6.5 million per occurrence / $7.5 million Transit bus losses
Property & Mobile Equipment	$750 million	$250 thousand per occurrence
	$100 million EQ (Earthquake)	EQ - 5% of location value / $500 thousand minimum
	$250 million Flood	Flood - $250 thousand / $500 thousand
Terrorism - Property	$500 million	$100 thousand
Excess Workers' Compensation	Statutory (unlimited)	$2 million per occurrence
Aircraft Liability & Physical Damage	$50 million per occurrence and scheduled value	None
King County International Airport General Liability	$300 million	None
King County International Airport Property Damage	$186 million	$100 thousand per occurrence
Marine Policies (includes King County Ferry District)	$150 million	Varies based on vessel and coverage type
Foreign Liability in General and Automobile	$1 million	$1 thousand
Fiduciary Liability for Employees' Benefit	$20 million	None
Parks Swimming Pools General Liability	$7.5 million	$5 thousand
Crime and Fidelity	$2.5 million	$50 thousand
Flood Insurance	Scheduled Values (property)	$1 thousand
Cyber Liability	$30 million	$1 million per claim; $250 thousand Professional
PSERN - Inland Marine	$41 million	$2.5 thousand per occurrence; EQ - $50 thousand per location; Flood - $10 thousand per location
PSERN - Site Specific Pollution (Scheduled locations only)	$2.0 million per occurrence; $4.0 million aggregate	$25 thousand (3rd party); $50 thousand (clean-up)

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 the low rate of return on investment. As of December 31, 2018, the total claim liability is $65.9 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, 2018, was $2.0 million. The county purchased the statutory limits coverage more than three years ago, and therefore has had no risk exposure over the statutory limits during the last three years.

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 2017 and 2018 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2017	$ 70,184	$ 11,814	$ (16,331)	$ 65,667
2018	65,667	15,855	(15,665)	65,857

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, 2018, is $21.4 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2017 and 2018 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2017	$ 23,621	$ 205,180	$ (210,716)	$ 18,085
2018	18,085	239,668	(236,358)	21,395

Component Unit - Harborview Medical Center (HMC)

Harborview is exposed to risk of loss related to professional and general liability, property loss, and injuries to employees. Harborview participates in risk pools managed by the University of Washington 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. Harborview'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. Harborview's contribution to the professional liability program was $4.1 million in 2018 and $3.7 million in 2017, recorded in supplies and other expense on the Statements of Revenues, Expenses and Changes in Net Position.

Employee Benefits Program

Harborview 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 and auto 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 1) Public Official Errors and Omissions Liability coverage with a limit of $20.0 million per occurrence and an aggregate limit of $20.0 million; 2) Terrorism Liability coverage with a limit of $500,000 per occurrence and an aggregate limit of $1.0 million; 3) Employment Practices Liability coverage with an aggregate limit of $20.0 million per member; 4) Crime Blanket Coverage with Faithful Performance of Duty with an aggregate limit of $250 thousand per member; 5) Cyber coverage with a limit of $2.0 million per occurrence and 6) Identity Fraud expense reimbursement with a limit of $25 thousand per occurrence and an aggregate limit of $25 thousand.

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. 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. CDA benefits-eligible employees can enroll in FSA through Wageworks, Inc.

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. 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, 2018 (in thousands) is as follows:

	Capital Assets		Capital Leases Payable	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Buildings	$ 194,935	$ —	$ 8,291	$ —
Leasehold improvements	—	4,881	—	2,381
Less depreciation	(42,896)	(2,736)	—	—
Totals	$ 152,039	$ 2,145	$ 8,291	$ 2,381

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, 2018 (in thousands):

	Governmental Activities	Business-type Activities
2019	$ 763	$ 255
2020	767	255
2021	766	255
2022	768	255
2023	764	255
2024-2028	3,817	1,275
2029-2033	3,824	659
2034-2037	2,296	—
Total minimum lease payments	13,765	$ 3,209
Less: Amount representing interest	(5,474)	(828)
Present value of net minimum lease payments	$ 8,291	$ 2,381

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, 2018 for long-term operating expenses for office space, equipment and other operating leases amount to $11.0 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
2019	$ 8,013	$ 5,836	$ 13,849
2020	7,169	5,096	12,265
2021	6,888	4,330	11,218
2022	5,776	3,829	9,605
2023	5,144	3,756	8,900
2024-2028	16,624	15,492	32,116
2029-2033	—	6,016	6,016
2034-2038	—	3,706	3,706
2039-2043	—	3,634	3,634
2044-2048	—	3,634	3,634

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, 2018 (in thousands):

	Governmental Activities	Business-type Activities	
		Airport	Other
Land	$ 65	$ 14,212	$ 438
Buildings	317	24,691	424
Less: Depreciation	(317)	(14,175)	(135)
Total cost of property under lease	$ 65	$ 24,728	$ 727

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2018 (in thousands):

Year	Governmental Activities	Business-type Activities Airport	Business-type Activities Other	Total
2019	$ 2,851	$ 20,056	$ 147	$ 23,054
2020	2,574	19,299	97	21,970
2021	1,176	18,858	66	20,100
2022	760	18,855	17	19,632
2023	625	18,855	17	19,497
2024-2028	2,719	92,019	74	94,812
2029-2033	1,125	50,063	24	51,212
2034-2038	18	23,755	24	23,797
2039-2043	18	23,755	13	23,786
2044-2048	18	18,878	—	18,896

Component Unit - NJB Properties

Capital Lease

NJB Properties' Project Lease Agreement with the County qualified as a capital lease under ASC 840 - Accounting for Leases. The composition of the net investment in capital lease as of December 31, 2018 is shown below, as well as the minimum lease rental payments expected to be received for the next five years and in the aggregate.

Year	Minimum Lease Payment
2019	$ 764
2020	768
2021	765
2022	768
2023	764
thereafter	9,938
	$ 13,767

Net Investment in Capital Lease	2018
Minimum lease payments receivable	$ 13,765
Uncollected income	(5,474)
Net investment in capital lease	$ 8,291

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 $146.1 million reported as landfill closure and post-closure care liability as of December 31, 2018, 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	81.76%	$ 121,313	$ 85,496	2027
Closed	100%	16,978	—	Closed
Custodial	100%	7,851	—	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, 2018, cash and cash equivalents of $33.5 million were held in the Landfill Reserve Fund and $4.9 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 2018 do not include potential costs of cleanup that may arise out of the legal issues described in Note 19 - “Legal Matters, Contingent Liabilities and Other Commitments.” The likelihood of negative outcomes in these matters, the amount of liabilities that may arise and the resultant allocation among potentially responsible parties (PRP), cannot be reasonably estimated at this time.

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

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

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

There are no estimated recoveries at this time that will reduce the amount of these obligations. The total pollution remediation liability at December 31, 2018 stands at $46.6 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 method 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 $592 thousand at December 31, 2018. 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, 2018.

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 ten years. As of December 31, 2016, the County completed the first phase of an 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 incurred in 2016 were capitalized. DOE issued a draft Cleanup Action Plan for Public Comment in April 2018. If approved, King County will begin implementation of the remaining cleanup activities in 2019.

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 $245 thousand at December 31, 2018.

East Perched Zone - The East Perched Zone (EPZ) is a 20-acre area of shallow groundwater located on the east side of the Cedar Hills Regional Landfill (CHRLF) in Maple Valley, Washington. Based on an incomplete draft Remedial Investigation (RI), shallow groundwater in the EPZ is impacted by vinyl chloride, arsenic, manganese, and iron. The County believes these contaminants were deposited through exposure of the water and surrounding soils to landfill gas. Regulations did not require liners between refuse and native soils when refuse was placed in this part of the landfill, which dated back to the mid-1960s. The Washington State Department of Ecology, on behalf of Public Health - Seattle and King County, requested that King County Solid Waste Division engage in a voluntary cleanup of the EPZ under the Model Toxics Control Act (MTCA). The Solid Waste Division reported a pollution remediation liability of $1.26 million at December 31, 2018 to complete the earlier RI work and a feasibility study.

Note 15
Debt

Short-term Debt Instruments and Liquidity

At December 31, 2018, King County has no short-term debt outstanding.

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 capital leases. The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds consist of limited, unlimited general obligation bonds and capital leases. 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 three 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, Marine Division, 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 is 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 12/31/18
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
2006 LTGO HUD Section 108 Bonds – Greenbridge Project	9/14/2006	8/1/2024	4.96-5.70%	$ 6,783	$ 1,437
2007C LTGO (Payoff BAN2006A) Bonds	11/1/2007	1/1/2019	4.00-4.50%	10,695	525
2009B2 LTGO Capital Facilities Project Bonds	5/12/2009	6/1/2029	2.00-5.13%	34,810	19,085
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	2,570
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2021	2.85-6.05%	17,355	6,605
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	12,245
2011B LTGO Flood Planning/Payoff BAN2010B Bonds	12/1/2011	12/1/2019	2.00-4.00%	5,725	2,090
2011D LTGO (Maury Island/Open Space Acquisition) Bonds	12/21/2011	12/1/2031	2.00-3.50%	21,895	13,085
2012A LTGO (ABT Project) Bonds	3/29/2012	7/1/2022	3.00-5.00%	65,935	34,025
2012B LTGO (S. Park Bridge) Bonds	5/8/2012	9/1/2032	3.00-5.00%	28,065	22,085
2012C LTGO Refunding 2004B and 2005 Bonds	8/28/2012	1/1/2025	5.00%	54,260	37,485
2012D LTGO Refunding 2002BOP Lease (HMC) Bonds	11/29/2012	12/1/2031	2.00-5.00%	41,810	32,065
2012E LTGO SE District Court Relocation Bonds (Partial)	12/19/2012	12/1/2027	2.00-5.00%	3,000	1,980
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	30,760
2013B LTGO Refunding 2005 GHP Lease Bonds	12/19/2013	12/1/2026	3.00-5.00%	42,820	31,090
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	14,040
2015B LTGO (FED TAX-EXEMPT) Bonds	10/13/2015	12/1/2030	2.50-5.00%	27,355	20,110
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	159,945
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	115
2017B LTGO Bond Various Purpose (Partial)	8/10/2017	6/1/2037	3.00-5.00%	33,325	30,640
2018A LTGO Bond Various Purpose (Partial)	8/8/2018	6/1/2038	5.00%	5,845	5,845
Total Payable From Limited Tax GO Redemption Fund				807,958	606,367
Payable From Internal Service Funds					
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2020	4.58-6.05%	7,125	2,075
2012E LTGO (IT Business Empowerment) Bonds (Partial)	12/19/2012	12/1/2019	2.00-5.00%	22,405	4,200
Total Payable From Internal Service Funds				29,530	6,275
Total Limited Tax General Obligation Debt				837,488	612,642
IB. Limited Tax GO Capital Lease[a]					
2006 Project lease agreement - NJB Properties	12/5/2006	12/1/2036	5.00-5.51%	189,720	8,291
Total Limited Tax GO Capital leases				189,720	8,291
IC. 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	2,905
2012 UTGO Refunding 2004 (HMC) and 2004B (HMC) Bonds	8/14/2012	12/1/2023	2.00-5.00%	94,610	60,060
2013 UTGO Refunding 2003 Bonds	7/2/2013	6/1/2019	3.00-5.00%	8,660	1,465
Total Payable From Unlimited Tax GO Bond Redemption Fund				122,840	64,430
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,150,048	685,363

(a) Project lease agreements - NJB properties. Under the lease agreements, the County's obligation to pay rent to NJB Properties 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.

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

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/18
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO) Payable From Enterprise Funds					
2008 LTGO (WQ) Refunding 1998B Bonds	2/12/2008	1/1/2023	3.25-5.25%	$ 236,950	$ 21,020
2009 LTGO (Transit) Refunding 1998A Bonds	2/18/2009	12/1/2019	2.00-4.00%	48,535	5,140
2009B LTGO (WQ) Capital Improvement Projects Bonds	4/8/2009	1/1/2019	5.00-5.25%	300,000	7,370
2010A LTGO Refunding 2001 (Airport) Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	5,110	1,675
2010B LTGO (BABs) (Transit) Taxable Bonds	12/1/2010	12/1/2030	2.85-6.05%	20,555	16,100
2010D LTGO (QECBs) (Transit) Taxable Bonds	12/1/2010	12/1/2020	4.33%	3,000	3,000
2012A LTGO (WQ) Refunding 2005A Bonds	4/18/2012	1/1/2025	2.00-5.00%	68,395	55,215
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	39,590
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	66,370
2014C LTGO & Refunding 2007E (Solid Waste) Bonds	7/30/2014	12/1/2034	2.00-5.00%	25,515	22,915
2015A LTGO (WQ) Refunding 2009B2 Bonds	2/18/2015	7/1/2038	2.00-5.00%	247,825	247,510
2015B LTGO (FED Tax-Exempt) (Solid Waste) Bonds	10/13/2015	12/1/2025	5.00%	60	45
2015D LTGO & Ref2007E (Solid Waste) Bonds	11/5/2015	12/1/2040	3.00-5.00%	50,595	46,300
2017A LTGO (WQ) Refunding 2008 Bonds	10/25/2017	7/1/2033	4.00-5.00%	154,560	147,360
2017A Multi-Modal LTGO (WQ) Refunding 2010A Bonds	10/26/2017	1/1/2039	Variable[b]	50,000	50,000
2017B Multi-Modal LTGO (WQ) Refunding 2010A Bonds	10/26/2017	1/1/2039	Variable[b]	50,000	50,000
2017A LTGO (Solid Waste) Bonds	6/8/2017	6/1/2040	3.25-5.00%	31,230	30,480
2017B LTGO (Solid Waste) Bond Various Purpose	8/10/2017	6/1/2027	4.00-5.00%	135	135
2018A LTGO (Marine Construction) partial	8/8/2018	6/1/2038	4.00-5.00%	6,330	6,330
Total Limited Tax GO Bonds Payable From Enterprise Funds				1,545,705	914,695
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
2010 WQ Revenue & Refunding 2001 Bonds	7/19/2010	1/1/2036	2.00-5.00%	334,365	43,900
2011 WQ Revenue (Capital Improvement Projects) Bonds	1/25/2011	1/1/2021	5-5.125%	175,000	12,050
2011B WQ Revenue Refunding 2001, 2002A, 2002B, and 04A	10/5/2011	1/1/2026	1.00-5.00%	494,270	61,560
2011C WQ Revenue Refunding 2001, 2002A, and 2004A Bonds	11/1/2011	1/1/2022	3.00-5.00%	32,445	7,885
2011 WQ Revenue Junior Lien Variable Rate Demand Bonds	10/26/2011	1/1/2042	Variable[d]	100,000	100,000
2012 WQ Revenue and Refunding 2004A Bonds	4/18/2012	1/1/2052	5.00%	104,445	89,785
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	62,775
2012 WQ Revenue Junior Lien Variable Rate Demand Bonds	12/27/2012	1/1/2043	Variable[e]	100,000	100,000
2013A WQ Revenue Refunding 2003, 2006, and 2005 WQ-LTGO	4/9/2013	1/1/2035	2.00-5.00%	122,895	107,375
2013B WQ Revenue and Refunding 2004B Bonds	10/29/2013	1/1/2044	2.00-5.00%	74,930	58,970
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	8/12/2014	7/1/2035	1.00-5.00%	192,460	187,250
2015A WQ Revenue Refunding 2007, 2008, and 2009 Bonds	2/18/2015	7/1/2047	3.00-5.00%	474,025	471,420
2015B WQ Revenue & Refunding 2006 Bonds	11/17/2015	1/1/2046	4.00-5.00%	93,345	80,730
2015AB WQ Revenue Junior Lien Variable Rate Demand Bonds	11/24/2015	1/1/2046	Variable[c]	100,000	99,080
2016A WQ Revenue & Refunding 2007, 2008, 2009, 2010 Bonds	2/17/2016	7/1/2041	4.00-5.00%	281,535	276,315
2016B WQ Revenue & Refg 2006-2, 2010, 2011A, 2011B, 2011C	10/12/2016	7/1/2049	4.00-5.00%	499,655	494,200
2017A WQ Revenue Refg 2009LTGO, 2010, 2011A, 2011B, 2011C	12/19/2017	7/1/2049	5.00%	149,485	140,500
2017A WQ Revenue Junior Lien Variable Rate Demand Bonds	12/19/2017	1/1/2048	Variable[c]	50,000	50,000
2018B WQ Revenue Refg 2010, 2011B, 2012 Bonds	11/15/2018	7/1/2032	5.00%	124,455	124,455
2000-2018 State of Washington Revolving Loans	Various	Various	0.50-3.10%	235,660	229,474
2000 Public Transportation Park and Ride Capital Leases	3/30/2000	12/31/2031	5.00%	4,722	2,381
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				4,048,367	3,039,365
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				5,594,072	3,954,060
TOTAL LONG-TERM DEBT				$6,744,120	$ 4,639,423

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

(d) On December 3, 2018 the junior lien variable rate demand bonds sewer revenue bonds, series 2011 was remarketed. The 2011 initially issued in the LIBOR Index Mode was converted to a Term Rate Mode and extending to November 30, 2020 (2011 Term Rate Period), subject to prior optional redemption on or after the 2011 Bonds Par Call Date and will bear interest at the 2011 Term Rate.

(e) On December 3, 2018 the junior lien variable rate demand bonds sewer revenue bonds, series 2012 was remarketed. The 2012 initially issued in the Index Rate Mode was converted to a Term Rate Mode and extending to November 30, 2021 (the 2012 Term Rate Period), subject to prior optional redemption on or after the 2012 Bonds Par Call Date and will bear interest at the 2012 Term Rate.

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		General Obligation Capital Leases		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 72,020	$ 29,083	$ 344	$ 419	$ 72,364	$ 29,502
2020	66,392	25,908	364	403	66,756	26,311
2021	67,846	22,864	380	386	68,226	23,250
2022	72,515	19,780	400	368	72,915	20,148
2023	62,555	16,164	415	349	62,970	16,513
2024-2028	191,319	50,997	2,347	1,470	193,666	52,467
2029-2033	111,480	18,186	2,531	1,293	114,011	19,479
2034-2038	32,945	2,598	1,510	786	34,455	3,384
TOTAL	$ 677,072	$ 185,580	$ 8,291	$ 5,474	$ 685,363	$ 191,054

	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
2019	$ 41,705	$ 42,573	$ 81,518	$ 126,125	$ 123,223	$ 168,698	$ 195,587	$ 198,200
2020	36,245	40,891	79,952	125,045	116,197	165,936	182,953	192,247
2021	26,685	39,139	78,111	121,789	104,796	160,928	173,022	184,178
2022	40,580	37,647	86,178	118,624	126,758	156,271	199,673	176,419
2023	48,650	35,705	84,577	115,173	133,227	150,878	196,197	167,391
2024-2028	215,780	146,957	413,603	521,126	629,383	668,083	823,049	720,550
2029-2033	241,970	92,578	594,829	416,461	836,799	509,039	950,810	528,518
2034-2038	146,605	46,685	521,853	283,057	668,458	329,742	702,913	333,126
2039-2043	116,475	6,221	594,655	171,190	711,130	177,411	711,130	177,411
2044-2048	—	—	451,320	67,790	451,320	67,790	451,320	67,790
2049-2053	—	—	52,769	4,587	52,769	4,587	52,769	4,587
TOTAL	$ 914,695	$ 488,396	$ 3,039,365	$ 2,070,967	$ 3,954,060	$ 2,559,363	$ 4,639,423	$ 2,750,417

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, 2018 is as follows (in thousands):

	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
General obligation (GO) bonds	$ 742,455	$ 5,845	$ (71,228)	$ 677,072	$ 72,020
Unamortized bonds premium and discount	63,247	863	(11,347)	52,763	—
Total bonds payable	805,702	6,708	(82,575)	729,835	72,020
Other liabilities:					
General obligation capital leases	8,843	—	(552)	8,291	344
Compensated absences liability	106,658	118,913	(118,998)	106,573	5,796
Net pension liability	406,313	231,515	(329,675)	308,153	—
Other postemployment benefits [(a)]	102,714	15,028	(20,984)	96,758	—
Estimated claims settlements and other liabilities	158,673	269,524	(270,478)	157,719	56,356
Total other liabilities	783,201	634,980	(740,687)	677,494	62,496
Total Governmental activities long-term liabilities	$ 1,588,903	$ 641,688	$ (823,262)	$ 1,407,329	$ 134,516
Business-type activities:					
Bonds payable:					
GO bonds	$ 956,595	$ 6,330	$ (48,230)	$ 914,695	$ 41,705
Revenue bonds	2,875,310	324,455	(392,255)	2,807,510	63,170
Unamortized bonds premium and discount	378,377	7,279	(32,469)	353,187	—
Total bonds payable	4,210,282	338,064	(472,954)	4,075,392	104,875
Other liabilities:					
Capital leases	2,514	—	(133)	2,381	140
State revolving loans	218,044	27,843	(16,413)	229,474	16,538
Compensated absences liability	68,814	91,653	(89,908)	70,559	11,527
Net pension liability	349,709	179,066	(278,397)	250,378	—
Other postemployment benefits[(a)]	15,406	5,895	(6,647)	14,654	—
Landfill closure and post-closure care liability	122,882	32,430	(9,170)	146,142	12,020
Pollution remediation	47,309	10,929	(9,592)	48,646	4,825
Customer deposits[(b)]	2,892	2,291	(1,590)	3,593	1,635
Total other liabilities	827,570	350,107	(411,850)	765,827	46,685
Total Business-type activities long-term liabilities	$ 5,037,852	$ 688,171	$ (884,804)	$ 4,841,219	$ 151,560

Governmental activities estimated claims settlements of $157.7 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.

(a) In 2018, OPEB beginning balances were restated from $58.7 million to $102.7 million for governmental funds, and from $14.3 million to $15.4 million for business-type activities, resulting from the County's implementation of GASB 75.

(b) Customer deposits was restated due to obligation payments agreements.

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, 2018 (in thousands):

2018 ASSESSED VALUE (2019 TAX YEAR)	$ 606,623,698	
Debt limit of limited tax general obligations for metropolitan functions		
0.75 % of assessed value		$ 4,549,678
Less: Net limited tax general obligation indebtedness for metropolitan functions		(828,990)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 3,720,688
Debt limit of limited tax general obligations for general county purposes and metropolitan functions		
1.5 % of assessed value		$ 9,099,355
Less: Net limited tax general obligation indebtedness for general county purposes	$ (594,367)	
Net limited tax general obligation indebtedness for metropolitan functions	(828,990)	
Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions		(1,423,357)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS		$ 7,675,998
Debt limit of total general obligations for metropolitan functions		
2.5% of assessed value		$ 15,165,592
Less: Net total general obligation indebtedness for metropolitan functions		(828,990)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 14,336,602
Debt limit of total general obligations for general county purposes		
2.5 % of assessed value		$ 15,165,592
Less: Net unlimited tax general obligation indebtedness for general county purposes	$ (62,176)	
Net limited tax general obligation indebtedness for general county purposes	(594,367)	
Total net general obligation indebtedness for general county purposes		(656,543)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES		$ 14,509,049

Defeasing General Obligation Bond Issues - 2018

Partial Defeasance of Limited Tax General Obligation (Passage Point portion) Bonds, 2009B - On October 26, 2018, the County defeased $2.1 million of limited tax general obligation (passage point portion) bonds, 2009B using funding from the general fund. The County undertook the defeasance in order to remediate private-use issues associated with the Passage Point project that made this portion of the 2009B bonds issue ineligible for tax-advantage financing. For the defeasance, the County purchased $2.2 million of U.S government securities and placed them with an escrow agent to provide for the debt service payments on the bonds through their first call date of June 1, 2019, and the liability of those bonds has been removed from the governmental activities column of the statement of net position. The defeasance of the bonds will reduce future principal and interest payments by $2.8 million through 2029.

Defeasing Sewer Revenue Bond Issues - 2018

Partial Defeasance of Sewer Revenue and Refunding Bonds, 2010, 2011B and 2012 - On October 25, 2018, the County purchased Treasury securities at a cost of $144.2 million and placed them in an escrow to pay interest and redeem at their earliest redemption dates of $135.8 million of outstanding Sewer Revenue and Refunding Bonds, Series 2010, 2011B and 2012. Under the terms of the authorizing ordinances, these bonds have been defeased and are no longer secured by a pledge of the revenue of the sewer system. The defeasance of these bonds will reduce future principal and interest payments by $193.6 million through 2032. Substantially all of the funding for the escrow came from the judgement awarded to Water Quality in 2016 relating to the construction of the conveyance tunnels for its Brightwater treatment plant. Water Quality undertook the defeasance in order to reduce a portion of the debt that it had incurred as a result of the additional costs that led to the litigation and subsequent judgment.

Prior Year Refunded and Defeasance of Debt

As of December 31, 2018, King County has eleven refunded and defeased bond issues outstanding, consisting of five limited tax general obligation bonds ($270.1 million) and six sewer revenue bonds ($964.6 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.

Component Unit - NJB Properties

The following tables summarize the scheduled maturity dates of bond principal over the next five years and in the aggregate of the discretely presented component unit NJB Properties as reported in its separately issued financial statements:

(In Thousands)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/18
Lease Revenue Bonds, 2006 Series A	12/5/2006	12/1/2036	5.00-6.00%	$ 179,285	$ 5
Lease Revenue Bonds, 2006 Series B	12/5/2006	12/1/2036	5.00-6.00%	10,435	8,590
Total Bonds Payable				$ 189,720	$ 8,595

Year	Principal
2019	290
2020	310
2021	325
2022	345
2023	360
Thereafter	6,965
Total	8,595

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	$ 3,766
	All Others	70
Behavioral Health	All Others	103
Nonmajor Governmental Funds	General Fund	1,307
	Nonmajor Governmental Funds	22,239
	All Others	28
Public Transportation Enterprise	General Fund	1,276
	Nonmajor Governmental Funds	1,562
Water Quality Enterprise	General Fund	917
	Nonmajor Governmental Funds	1,581
Nonmajor Enterprise Funds	All Others	1,097
Internal Service Funds	Nonmajor Governmental Funds	15,801
	All Others	695
Total interfund balances		$ 50,442

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	$ 4,000
Internal Service Funds	Nonmajor Governmental Funds	9,725
Total advances from/to other funds		$ 13,725

All of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2019.

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	General Fund	$ 3,000
	Behavioral Health	3,122
	Nonmajor Governmental Funds	78,941
	All Others	358
Behavioral Health	Nonmajor Governmental Funds	5,037
	All Others	135
Nonmajor Governmental Funds	General Fund	8,662
	Behavioral Health	3,726
	Nonmajor Governmental Funds	282,722
	Nonmajor Enterprise Funds	532
	All Others	99
Public Transportation Enterprise	Nonmajor Governmental Funds	3,643
	Nonmajor Enterprise Funds	580
Water Quality Enterprise	Nonmajor Governmental Funds	696
	All Others	286
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	1,433
	All Others	4
Internal Service Funds	Nonmajor Governmental Funds	18,227
	All Others	204
Total interfund transfers		$ 411,407

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

Note 17

Related Party Transactions

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly occupancy fee and rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth & Jefferson Building (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 discrete 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 2018, the primary government received $14.0 million in building lease and occupancy revenues from HMC. In addition, HMC made $5.0 million in payments to King County Department of Health for mission-related purposes.

The Cultural Development Authority (CDA), a discretely presented component unit of King County, annually receives funding from various County funds under the One Percent for Art program. Revenues are used to support activities related to the development and maintenance of County public art. In 2018, the King County primary government transferred $194 thousand to the CDA. The CDA spent net $1.0 million on art projects, partially offset by $250 thousand from sale of surplus property, for which the County recorded a corresponding decrease in receivables from the CDA and an increase in artwork. In addition, King County made $585 thousand in payments to the CDA for mission related purposes.

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 $47 thousand in 2018.

Note 18

Components of Fund Balance, Restatements 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 Metropolitan 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. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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:

- 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;
- Payment of current expense fund legal settlements or judgments in excess of the County's ability to pay from other sources;
- Catastrophic losses in excess of the County's other insurances against such losses; and
- Other emergencies as determined by the County Council.

The Rainy Day Reserve is reported as part of the General Fund. As of December 31, 2018, it had a committed fund balance of $25.5 million.

A summary of governmental fund balances at December 31, 2018, is as follows (in thousands):

	General Fund	Behavioral Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ —	$ —	$ 914	$ 914
Prepayments	—	—	7,828	7,828
Youth Sports Facilities Grant Endowment	—	—	2,620	2,620
Total Nonspendable Fund Balance	—	—	11,362	11,362
Restricted for:				
Animal Services	—	—	2,382	2,382
Arts and Culture Development	—	—	140	140
Automated Fingerprint ID System	—	—	28,275	28,275
Behavioral Health	—	34,126	—	34,126
Best Starts For Kids Levy	—	—	92,789	92,789
Building Repair and Replacement	—	—	7,122	7,122
Conservation Futures	—	—	22,931	22,931
Community Services Operating	—	—	34	34
County Road Construction	—	—	13,631	13,631
County Roads Operating	—	—	29,502	29,502
Crime Victim Compensation Program	19	—	—	19
DCHS Administration	—	—	224	224
Debt Service	—	—	7,770	7,770
Developmental Disabilities	—	—	7,996	7,996
Dispute Resolution	32	—	—	32
Drug Enforcement	1,272	—	—	1,272
Emergency Medical Services	—	—	43,533	43,533
Emergency Telephone - Enhanced 911	—	—	29,771	29,771
Employment and Education Resources	—	—	180	180
Environmental Health	—	—	14,141	14,141
Farmland and Open Space Acquisitions	—	—	1,747	1,747
Facilities Management Division-Parks	—	—	1,483	1,483
Facilities Management Division-Parks Facility Rehabilitation	—	—	5	5
Flood Control District	—	—	81,753	81,753
Grants Fund	—	—	2,979	2,979
Historical Preservation	—	—	62	62
Housing and Community Development	—	—	73,449	73,449
Information and Telecommunication Capital	—	—	21,511	21,511
Intercounty River Improvement	—	—	16	16
Law Library	—	—	355	355
Local Hazardous Waste	—	—	14,967	14,967
Long-Term Leases	—	—	86	86
Major Maintenance	—	—	2,211	2,211
Mental Illness and Drug Dependency	—	—	20,303	20,303
Noxious Weed Control	—	—	1,080	1,080
Open Space King County Bond Funded Subfund	—	—	412	412
Parks Capital	—	—	52,761	52,761
Parks Operating Levy	—	—	19,947	19,947
Parks Trust and Contribution	—	—	5	5
Permit and Environmental Review	—	—	1,240	1,240
PSB GF Technology Capital	—	—	1,957	1,957
Public Health	—	—	16,664	16,664
Puget Sound Emergency Radio Network	—	—	32,750	32,750
Real Property Title Assurance	25	—	—	25
Real Estate Excise Tax Capital	—	—	35,494	35,494
Recorder's Operations and Maintenance	—	—	1,848	1,848
Renton Maintenance Facility	—	—	27,570	27,570
Road Improvement Districts Construction	—	—	2	2
Road Improvement Districts Maintenance	—	—	9	9
Surface Water Capital	—	—	12,732	12,732

A summary of governmental fund balances at December 31, 2018, continues (in thousands) (page 2 of 2):

	General Fund	Behavioral Health Fund	Nonmajor Governmental Funds	Total
Restricted for - continued:				
Surface Water Management	$ —	$ —	$ 10,477	$ 10,477
Treasurer's Operations and Maintenance	—	—	211	211
Urban Restoration and Habitat	—	—	350	350
Veterans, Seniors and Human Services	—	—	9,378	9,378
Veterans' Relief	—	—	421	421
Youth Amateur Sports	—	—	3,283	3,283
Youth Service Facility Construction	—	—	158	158
Total Restricted Fund Balance	1,348	34,126	750,097	785,571
Committed for:				
Antiprofiteering Program	69	—	—	69
Rainy Day Reserve	25,505	—	—	25,505
Urban Restoration and Habitat	—	—	55	55
Wheelchair Access	736	—	—	736
Total Committed Fund Balance	26,310	—	55	26,365
Assigned for:				
Capital Projects	2,737	—	—	2,737
Debt Service	—	—	1,712	1,712
District Court	7,419	—	—	7,419
General Government	3,177	—	—	3,177
Health and Human Services	7,092	—	—	7,092
Housing and Community Development	—	—	5,000	5,000
Information and Telecommunication Capital	—	—	292	292
Inmate Welfare	4,639	—	—	4,639
Major Maintenance Reserve	—	—	18,739	18,739
Public Safety	3,514	—	—	3,514
Regional Justice Projects	—	—	302	302
Transfer of Development Credit Program	—	—	11,031	11,031
Urban Restoration and Habitat	—	—	300	300
Youth Amateur Sports	—	—	6,423	6,423
Total Assigned Fund Balance	28,578	—	43,799	72,377
Unassigned for:				
General Fund	107,845	—	—	107,845
Arts and Culture Development	—	—	(3,432)	(3,432)
Building Repair and Replacement	—	—	(6,160)	(6,160)
Long-Term Leases	—	—	(2,585)	(2,585)
King County Flood Control	—	—	(41)	(41)
Permit and Environmental Review	—	—	(104)	(104)
Risk Abatement	—	—	(8,422)	(8,422)
Total Unassigned Fund Balance	107,845	—	(20,744)	87,101
Total Fund Balance	$ 164,081	$ 34,126	$ 784,569	$ 982,776

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	Internal Service Funds
Net position/fund balance - January 1, 2018	$ 2,934,204	$ 967,060	$ 765,008	$ 188,962
Implementation of GASB 75 - OPEB	(43,998)	—	—	(304)
Other prior period corrections of errors:				
Unreversed accrual of state sales and use tax	(921)	(921)	(921)	—
King County Flood Control contract billing	(78)	(78)	(78)	—
Change in Flood District financial statements	5,073	242	242	—
General capital assets	8,177	—		—
Net position/fund balance - January 1, 2018 (Restated)	$ 2,902,457	$ 966,303	$ 764,251	$ 188,658

BUSINESS-TYPE ACTIVITIES

Changes in Net Position	Business-type Activities	Total Enterprise Funds	Major Funds: Public Transportation	Major Funds: Water Quality	Nonmajor Enterprise Funds
Net position - January 1, 2018	$ 3,121,284	$ 3,016,143	$ 2,044,926	$ 696,579	$ 274,638
Implementation of GASB 75 - OPEB	(1,154)	(1,154)	(1,094)	(21)	(39)
Net position - January 1, 2018 (Restated)	$ 3,120,130	$ 3,014,989	$ 2,043,832	$ 696,558	$ 274,599

COMPONENT UNITS

Changes in Net Position	Component Units	NJB Properties
Net position - January 1, 2018	$ 718,665	$ 601
Correction of financial reporting error	260	260
Net position - January 1, 2018 (Restated)	$ 718,925	$ 861

Governmental Activities

The County adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) resulting in a restatement of prior period net position in governmental activities of $44.0 million, $304 thousand of which is related to the internal service funds.

Community Services Operating fund accrued revenues from state sales and use tax but failed to reverse the accrual once it ended resulting in a net of decrease of $921 thousand in beginning fund balance in nonmajor governmental funds.

King County Flood Control contract billing for reimbursable administrative, operating and contracted labor and services were $78 thousand more than reported, resulting in a decrease of fund balance. The County has an interlocal agreement with Flood Control District for administering and implementing flood protection projects and services. The County receives payment from the District for the net costs incurred in providing the services under this agreement.

The Flood Control District, a blended component unit of King County, published changes to 2017 balances after the County released its 2017 financial statements.

The County did not capitalize $8.2 million in capital costs in the prior year.

Business-type Activities

The County adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) resulting in a restatement of prior period net position of $1.2 million for enterprise funds consisting of Public Transportation $1.1 million), Water Quality ($21 thousand), and Nonmajor Enterprise Funds ($39 thousand).

Component Units

NJB Properties (NJB) restated its financial statements as of and for the year ended December 31, 2017. During 2018, NJB identified an error in the previously reported accrued expenses resulting in an overstatement of accrued expenses and an understatement of unrestricted net assets.

Restricted Net Position

Component Unit - Harborview Medical Center (HMC)

Restricted expendable net position - $6.1 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 $2.7 million consists of permanent endowments provided by donors with restrictions requiring HMC to maintain the assets in perpetuity.

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

Restricted expendable net position - $30.3 million is restricted by RCW 67.28.180.3 and King County ordinance to be used only for the arts and heritage cultural program awards fund and special account, for which the amount is derived according to a specified formula.

Note 19
Legal Matters, Financial Guarantees and Other Commitments

Pending Litigation and Other Claims

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

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 Wastewater Treatment Division has already performed interim cleanup costing $3.6 million to comply with an agreed order issued by the Washington State Department of Ecology (DOE). WTD had recent discussions with DOE and stakeholders regarding site conditions and next steps toward final cleanup. It is unclear what final remedy DOE may select. Therefore, we are unable to determine an amount, if any, for which WTD may be responsible.

East Waterway Operable Unit of the Harbor Island Superfund Site - The Port of Seattle has completed a significant removal action in the East Waterway. 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 to defray the Port of Seattle's past cleanup costs at the site. This is an extremely complex negotiation and we are unable to determine an amount that WTD may be responsible for, if any.

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 he will look to the County to share in the costs based on the County's status as a potentially liable party.

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, WTD had to install a bypass system because this capital project was not completed by the onset of the 2016 wet season. The contractor 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. The completion contract and work required to repair damage or defective work by the former contractor increased these costs to approximately $28.0 million. 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 trial date is expected to be set in June 2020.

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 have agreed with EPA to amend the administrative order 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 WTD will be responsible for the cost of such remediation.

Lower Duwamish Waterway - Possible Natural Resource Damages - King County has participated in discussions with National Oceanic and Atmospheric Administration (NOAA) regarding alleged natural resource damages (NRD) in the Lower Duwamish Waterway and around Harbor Island. These discussions have included NOAA's determination that the County may be a potentially liable party that has contributed to the release of hazardous substances that have injured natural resources. NOAA notified the County in February 2016 that the Natural Resources Trustees will proceed with a NRD assessment and invited the County to participate in the development of the assessment. The County notified NOAA in March 2016 that the County desires to conduct settlement discussions regarding the NRD liability that NOAA attributes to the County. The County's intent in past discussions with NOAA has been to minimize the County's alleged liability relative to the other liable parties. The County will maintain that intent in future discussions with NOAA.

North Lake Union Site Model Toxics Control Act Cleanup - In the 1970s King County acquired a bulk fueling terminal on the north shore of Lake Union in the vicinity of Gasworks Park and used it as a maintenance base and fuel storage facility. In the early 1990s the upland portion of the site was identified by the DOE as a potential source of environmental contamination under the Model Toxics Control Act. In 1999 the former owner and King County entered into an interim cost-sharing agreement, and also entered into a Consent Decree with DOE for final cleanup actions and over a period of years, performed shallow soil remediation and groundwater remediation required under the Consent Decree. in 2009 King County sold a portion of the site to a developer after the developer entered into a separate Prospective Purchaser Consent Decree (PPCD) for its portion of the site in 2007. During 2014 through 2015 the developer performed the deep soil excavation required under its PPCD and in 2016 DOE declared the developer's cleanup complete and closed out the PPCD. However, under the 1999 Consent Decree, the former owner and King County remain obligated to monitor groundwater on the site and DOE has reserved the right to require additional or different remedial actions at the site if new or different information comes to light. Therefore, we are presently unable to determine an amount, if any, for which King County and Metro Transit Division may be responsible.

Refund for Taxes Paid - A class action complaint was filed to seek a refund for all taxes paid since 2014 under the additional property tax authorized in Ordinance 17304. This suit is before the federal district court. The plaintiff's legal theory of recovery was at least partially rejected by the Washington Supreme Court's decision in *End Prison Industrial Complex v. King County*. The plaintiff is currently attempting to amend her complaint to present new theories of recovery. King County has opposed that effort and a decision from the court should be issued this spring.

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 vigorously defending this matter. King County filed a motion for summary judgment, which was granted; the plaintiffs' claims were dismissed with prejudice and all other claims were dismissed without prejudice. Plaintiffs sought direct review by the Washington Supreme Court, but the Court denied direct review and subsequently transferred the appeal to the Court of Appeals, Division II. On February 21, 2019, the Court of Appeals affirmed the grant of summary judgment. Plaintiffs are now seeking review of that decision in the Washington Supreme Court.

South Park Landfill Model Toxics Control Act Cleanup - In the 1920s, King County acquired 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, until it was closed in the 1960s. In 2006, the County sold its portion of the closed 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 DOE 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 had 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.

Waterfront Local Improvement District - King County has assets within the boundaries of the City of Seattle's waterfront local improvement district. The County anticipates assessments of approximately $800 thousand to $1.0 million over 20 years.

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 $400.0 million in total commitment. At the end of 2018, there are 17 contingent loan agreements outstanding totaling $240.6 million. These agreements have maturity dates ranging from 10 to 30 years. All projects are currently self-supporting and the County has not made any payments pursuant to these agreements. It is unlikely that the County will make any payments in relation to these guarantees based on available information at the end of December 31, 2018 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 $3.0 million for rent on the Cedar Hills landfill site in 2018. 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

Debt Issuances in 2019

On January 2, 2019, the County made a partial early redemption of $1.7 million of Junior Lien Variable Rate Demand Sewer Revenue Bonds, series 2015A and 2015B.

In February , 2019, the County issued $41.4 million of limited tax general obligation refunding bonds to refund a portion of the outstanding limited tax general obligation bonds, 2009 series B and the 2013 multi-modal limited tax general obligation bonds and to pay the costs of issuing the Bonds.

On March 28, 2019, the County refinanced $1.4 million of outstanding Section 108 loan from the federal Department of Housing and Urban Development (HUD) for the Greenbridge affordable housing project in White Center. The refinancing of the loan will lower the interest payments by approximately $135 thousand over its remaining five-year term.

On June 27, 2019 the County issued $148.1 million of multi-modal limited tax general obligation refunding bonds (payable from sewer revenues) to refund outstanding Junior Lien Sewer Revenue Bonds, series 2015A, 2015B and 2017A.

Loans Accepted in 2019

In June, 2019 the County accepted a Public Works Board loan from the State of Washington in the amount of $5.6 million to finance capital improvements in the wastewater treatment and solid waste disposal systems of the County.

Downtown Seattle Transit Tunnel

King County, the City of Seattle, and the Central Puget Sound Regional Transit Authority (aka “Sound Transit”) have a three-party agreement regarding use, maintenance, operations, and payment of debt service for the Downtown Seattle Transit Tunnel (DSTT). This agreement is known as the Joint Operating Agreement and outlines the processes by which the parties will address issues such as increased surface street traffic impacts, operation and maintenance of the DSTT. Under the agreement, King County is reimbursed for a share of maintenance and operating expenses, and a share of the debt service on the DSTT’s original construction, proportionate to Sound Transit’s use of the DSTT for light rail operations. Since the opening of the Central Link light rail line in 2009, the cost sharing formula has been changing with Sound Transit absorbing a larger percentage of the costs associated with the DSTT. In 2018, Sound Transit reimbursed King County for 70% of these costs. The working assumption for when buses would permanently move from the tunnel had been estimated in year 2021 as the light rail system expanded to Northgate. However, with construction occurring on the voter-approved extension of light rail to Bellevue (Sound Transit’s “East Link” program) concurrent to the Northgate construction, and King County’s sale of Convention Place Station to the Washington State Convention Center Public Utility District in 2018, this timeline was accelerated. Effective March 23, 2019 all King County bus service transitioned out of the tunnel and onto surface streets.

Required Supplementary Information

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, 2018
(IN THOUSANDS)

	2017-2018 BUDGETED AMOUNTS (BIENNIAL)			
	ORIGINAL	**FINAL**	**ACTUAL**	**VARIANCE**
REVENUES				
Taxes:				
Property taxes	$ 691,089	$ 685,757	$ 702,581	$ 16,824
Retail sales and use taxes	272,782	269,656	278,562	8,906
Business and other taxes	8,521	8,970	8,329	(641)
Licenses and permits	12,371	14,312	15,858	1,546
Intergovernmental revenues	43,665	42,132	50,143	8,011
Charges for services	513,441	529,014	519,539	(9,475)
Fines and forfeits	48,380	47,768	52,642	4,874
Interest earnings	8,583	10,515	25,585	15,070
Miscellaneous revenues	46,988	45,570	37,645	(7,925)
Sale of capital assets	—	158	169	11
Transfers in	4,740	6,305	25,052	18,747
TOTAL REVENUES	1,650,560	1,660,157	1,716,105	55,948
EXPENDITURES				
Current:				
General government	280,725	284,764	334,517	(49,753)
Law, safety and justice	1,137,264	1,162,149	1,088,652	73,497
Economic environment	444	1,065	503	562
Health and human services	79,156	83,921	81,714	2,207
Debt service:				
Principal	68	68	—	68
Interest and other debt service costs	7	7	248	(241)
Capital outlay	1,787	4,219	3,880	339
Transfers out	168,261	179,598	163,847	15,751
TOTAL EXPENDITURES	1,667,712	1,715,791	1,673,361	42,430
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	$ (17,152)	$ (55,634)	42,744	$ 98,378
Adjustment from budgetary basis to GAAP basis[a]			(2,170)	
Net change in fund balance			40,574	
Fund balance - Beginning balance (Restated)			123,507	
Fund balance - Ending balance			$ 164,081	

[a]Elements of adjustment from budgetary basis to GAAP basis:

Adjustments to revenues:	
Recognition of unrealized loss on investments	$ (1,736)
Adjustments to expenditures	(470)
Non-budgeted revenues	36
Adjustment from budgetary basis to GAAP basis	$ (2,170)

BEHAVIORAL HEALTH FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)

2017-2018 BUDGETED AMOUNTS (BIENNIAL)

	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property taxes	$ 6,568	$ 6,568	$ 6,621	$ 53
Business and other taxes	—	—	32	32
Intergovernmental revenues	96,607	36,417	41,170	4,753
Charges for services	749,112	539,889	531,300	(8,589)
Interest earnings	938	938	2,013	1,075
Miscellaneous revenues	1,982	1,982	3,553	1,571
Transfers in	6,143	6,193	12,356	6,163
TOTAL REVENUES	861,350	591,987	597,045	5,058
EXPENDITURES				
Current:				
Health and human services	857,917	674,149	631,209	42,940
Transfers out	—	—	4,557	(4,557)
TOTAL EXPENDITURES	857,917	674,149	635,766	38,383
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	$ 3,433	$ (82,162)	(38,721)	$ 43,441
Adjustment from budgetary basis to GAAP basis[a]			(10)	
Net change in fund balance			(38,731)	
Fund balance - Beginning balance			72,857	
Fund balance - Ending balance			$ 34,126	

[a]Elements of adjustment from budgetary basis to GAAP basis:

Adjustments to revenues:	
Recognition of unrealized loss on investments on a GAAP basis	$ (14)
Adjustments to expenditures:	
Non-budgeted transfers out	4
Adjustment from budgetary basis to GAAP basis	$ (10)

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)

	2018	2017	2016	2015	
County's proportion of the net pension liability	8.56%	8.45%	8.90%	8.76%	
County's proportionate share of the net pension liability	$ 382,129	$ 400,803	$ 477,872	$ 458,477	
County's covered payroll**	$ 13,346	$ 15,426	$ 18,793	$ 22,880	***
County's proportionate share of the net pension liability as a percentage of covered payroll	2863.25%	2598.23%	2542.82%	2003.83%	
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	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)

	2018	2017	2016	2015	
County's proportion of the net pension liability	10.29%	10.14%	10.52%	10.36%	
County's proportionate share of the net pension liability	$ 175,728	$ 352,361	$ 529,855	$ 370,294	
County's covered payroll**	$ 1,072,968	$ 995,800	$ 953,254	$ 949,860	***
County's proportionate share of the net pension liability as a percentage of covered payroll	16.38%	35.38%	55.58%	38.98%	
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%	

*These schedules will be built prospectively until they contain ten years of data.
**Covered payroll is the payroll on which contributions to a pension plan are based.
***Restated

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)

	2018	2017	2016	2015	
County's proportion of the net pension liability	9.69%	9.92%	11.33%	9.88%	
County's proportionate share of the net pension liability	$ 120	$ 1,944	$ 4,817	$ 1,803	
County's covered payroll**	$ 38,120	$ 35,210	$ 35,577	$ 29,911	***
County's proportionate share of the net pension liability as a percentage of covered payroll	0.31%	5.52%	13.54%	6.03%	
Plan fiduciary net position as a percentage of the total pension liability	99.79%	96.26%	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)

	2018	2017	2016	2015	
County's proportion of the net pension (asset)	0.60%	0.60%	0.60%	0.60%	
County's proportionate share of the net pension (asset)	$ (10,894)	$ (9,046)	$ (6,180)	$ (7,275)	
County's covered payroll**	$ 161	$ 194	$ 213	$ 290	***
County's proportionate share of the net pension (asset) as a percentage of covered payroll	-6,766.18%	-4,662.96%	-2,901.36%	-2,508.65%	
Plan fiduciary net position as a percentage of the total pension liability	144.42%	135.96%	123.74%	127.36%	

*These schedules will be built prospectively until they contain ten years of data.
**Covered payroll is the payroll on which contributions to a pension plan are based.
***Restated

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)

	2018	2017	2016	2015	
County's proportion of the net pension (asset)	2.88%	2.91%	3.02%	2.90%	
County's proportionate share of the net pension (asset)	$ (58,520)	$ (40,429)	$ (17,543)	$ (29,819)	
State's proportionate share of the net pension (asset) associated with King County	(37,891)	(26,225)	(11,437)	(19,716)	
Total	$ (96,411)	$ (66,654)	$ (28,980)	$ (49,535)	
County's covered payroll**	$ 95,210	$ 91,137	$ 87,895	$ 84,358	***
County's proportionate share of the net pension (asset) as a percentage of covered payroll	-61.46%	-44.36%	-19.96%	-35.35%	
Plan fiduciary net position as a percentage of the total pension liability	118.50%	113.36%	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)

	2018	2017	2016	2015
County's proportion of the net pension liability	0.05%	0.07%	0.09%	0.11%
County's proportionate share of the net pension liability	$ 554	$ 914	$ 1,169	$ 1,219
County's covered payroll**	$ 2,022	$ 2,429	$ 3,010	$ 3,305
County's proportionate share of the net pension liability as a percentage of covered payroll	27.38%	37.61%	38.84%	36.88%
Plan fiduciary net position as a percentage of the total pension liability	72.04%	65.60%	64.03%	67.70%

*These schedules will be built prospectively until they contain ten years of data.
**Covered payroll is the payroll on which contributions to a pension plan are based.
***Restated

Schedule of Contributions

Public Employees' Retirement System (PERS) Plan 1

Fiscal Year Ended December 31*

(dollars in thousands)

	2018	2017	2016	2015
Contractually required contribution	$ 1,448	$ 1,738	$ 1,901	$ 2,076
Contributions in relation to the contractually required contribution	1,448	1,738	1,901	2,076
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
Covered payroll**	$ 11,362	$ 14,569	$ 17,003	$ 20,440
Contributions as a percentage of covered payroll	12.74%	11.93%	11.18%	10.16%

Schedule of Contributions

Public Employees' Retirement System (PERS) Plan 2/3

Fiscal Year Ended December 31*

(dollars in thousands)

	2018	2017	2016	2015
Contractually required contribution	$ 140,712	$ 123,333	$ 109,269	$ 95,176
Contributions in relation to the contractually required contribution	140,712	123,333	109,269	95,176
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
Covered payroll**	$ 1,103,984	$ 1,031,418	$ 977,342	$ 933,304
Contributions as a percentage of covered payroll	12.75%	11.96%	11.18%	10.20%

Schedule of Contributions

Public Safety Employees' Retirement System (PSERS) Plan 2

Fiscal Year Ended December 31*

(dollars in thousands)

	2018	2017	2016	2015
Contractually required contribution	$ 4,776	$ 4,316	$ 3,953	$ 3,677
Contributions in relation to the contractually required contribution	4,776	4,316	3,953	3,677
Contribution deficiency (excess)	$ —	$ —	$ —	—
Covered payroll**	$ 39,458	$ 36,728	$ 34,253	$ 33,102
Contributions as a percentage of covered payroll	12.10%	11.75%	11.54%	11.11%

Schedule of Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Fiscal Year Ended December 31*
(dollars in thousands)

	2018	2017	2016	2015
Contractually required contribution	$ 5,219	$ 4,956	$ 4,735	$ 4,505
Contributions in relation to the contractually required contribution	5,219	4,956	4,735	4,505
Contribution deficiency (excess)	$ —	$ —	$ —	—
Covered payroll**	$ 96,106	$ 92,952	$ 90,526	$ 86,131
Contributions as a percentage of covered payroll	5.43%	5.33%	5.23%	5.23%

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

	2018	2017	2016	2015
Contractually required contribution	$ 309	$ 371	$ 458	$ 520
Contributions in relation to the contractually required contribution	309	371	458	520
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
Covered payroll**	$ 2,022	$ 2,429	$ 3,010	$ 3,305
Contributions as a percentage of covered payroll	15.29%	15.27%	15.22%	15.73%

Notes:

*These schedules will be built prospectively until they contain ten years of data.
**Covered payroll is the payroll on which contributions to a pension plan are based.

Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 currently has one active member. Starting on July 1, 2000, employers and employees contribute zero percent as long as the Plan remains fully funded. The Plan had no required contributions for the fiscal years 2015, 2016, 2017 and 2018.

Adopted contribution rates could be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2017 and ending June 30, 2019, the contribution rates the Pension Funding Council adopted, which the Legislature did not change, reflect a phasing-in of the increase to contribution rates that resulted from a change to the mortality assumption. This is the second of three biennia over which this increase is expected to be phased in for PERS 1, PERS 2/3 and other pension plans.

III. Defined Benefit Other Postemployment Benefit (OPEB) Plan

King County

Schedule of Changes in Total OPEB Liability and Related Ratios

King County Retiree Health Plan

For the year ended December 31, 2018

Last 10 Fiscal Years*

(in thousands)

	2018
Total OPEB liability - beginning	$ 118,120
Service cost	2,092
Interest	4,146
Changes in benefit terms	—
Differences between expected and actual experience	3,332
Changes of assumptions	(9,651)
Benefit payments	(5,244)
Other changes	(1,383)
Total OPEB liability - ending	$ 111,412
Covered-employee payroll**	$ 1,217,867
Total OPEB liability as a % of covered payroll	9.15%

*Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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. 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	294.3	65.0	297.7	64.9	348.2	71.8
Fair	61.4	13.5	32.0	7.0	20.3	4.2
Poor to substandard	97.5	21.5	129.0	28.1	116.7	24.0
Total	453.2	100.0	458.7	100.0	485.2	100.0
Local access roads						
Excellent to good	689.2	67.7	742.0	70.7	867.0	75.6
Fair	134.7	13.2	91.4	8.7	74.2	6.5
Poor to substandard	194.2	19.1	216.5	20.6	205.8	17.9
Total	1,018.1	100.0	1,049.9	100.0	1,147.0	100.0

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

PCI score interval	2016-2014		2013-2011		2010-2008	
	(miles)	**%**	**(miles)**	**%**	**(miles)**	**%**
Arterial roads						
PCI 40 - 100	323.3	71.3	315.7	68.8	360.0	74.2
PCI 0 - 39	129.9	28.7	143.0	31.2	125.2	25.8
Total	453.2	100.0	458.7	100.0	485.2	100.0
Local access roads						
PCI 40 - 100	759.4	74.6	786.5	74.9	900.0	78.5
PCI 0 - 39	258.7	25.4	263.4	25.1	247.0	21.5
Total	1,018.1	100.0	1,049.9	100.0	1,147.0	100.0

In the most recent condition assessments, 71.3 percent of the arterial roads in the County and 74.6 percent of the local access roads in the County had a PCI rating of 40 and above.

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 2018 budgeted amounts on the next page 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 2014 to 2018. 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).

	2018	2017	2016	2015	2014
Budgeted	$ 80,615	$ 72,969	$ 70,969	$ 56,599	$ 50,453
Expended	57,406	59,864	43,820	37,003	36,269

The amount budgeted in 2018 for road preservation and maintenance was $80.6 million. The amount actually expended was $57.4 million. The 2018 underspending was due to scheduling of contracted work and work to be performed in 2019. 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. Four bridges that do not carry vehicular traffic 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 three most recent bridge sufficiency ratings are as follows:

Bridge	Number of Bridges		
Sufficiency Rating	2018	2017	2016
0 - 20	9	8	6
21 - 30	5	4	—
31 - 49	17	22	24
50 - 100	147	144	148
Totals	178	178	178

Amounts budgeted and spent to maintain and preserve bridges over the past five years are below (in thousands):

	2018	2017	2016	2015	2014
Budgeted	$ 10,109	$ 6,605	$ 4,343	$ 5,607	$ 4,727
Expended	7,906	6,221	3,448	3,184	3,345

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

Notes:

* Pavement Condition Index (PCI) condition measurement and road condition rating scale:
    1. PCI < 30 is defined to be in “poor to substandard” with heavy pavement cracking and potholes
    2. PCI 30 ≥ 50 is defined to be in “fair condition” with noticeable cracks and utility cuts
    3. PCI 50 ≥ 100 is defined to be in “excellent condition” with relatively smooth roadway
* King County’s Road Services Division policy is to maintain at least 50 percent of the road system at a PCI level of 40 or better.
* Bridges adhere to the Federal Highway Administration condition measurement.
* Bridges sufficiency rating scale:
    1. 49 ≤ 0 indicates replacement or rehabilitation funding, < 30 are selected for rehabilitation funding
    2. 50 ≥ 100 indicates a good deal of service life remaining, a bridge capable of carrying traffic
* King County’s Road Services Division policy is to maintain bridges in such 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 structural deficiency. The most common remedy is full replacement, rehabilitation or closure of the bridge.

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 June 30, 2019, the Investment Pool had a balance of $7.3 billion and an effective duration of 0.90 years, and 60.1% 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:

https://kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.aspx

The investment policy also includes a policy adopted by the Committee to address the circumstances under which County agencies or districts can invest funds beyond the maximum maturity limits established for the Investment Pool. This policy provides the "Pool-Plus" investment option which allows a participant in the Investment Pool to request the County to combine a portfolio of individual long-term securities in the same fund that is invested in the Investment Pool. Under the Pool-Plus option, the Investment Pool will be used for the liquidity portion of the portfolio, while the following investment types may be used for the longer term investments: U.S. Treasuries or securities with the full faith and credit of the U.S. Government backing them and senior debt obligations issued by U.S. agencies, instrumentalities or government-sponsored enterprises such as the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, and the Federal Home Loan Mortgage Corporation.

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 twelfth most populous county in the United States. Of the State's population, nearly 30% reside in King County, and of the County's population, 34% 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.

Population

Historical and current population figures for the State, the County, and Seattle 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
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	2,105,000	686,800
2017 (2)	7,310,300	2,153,700	713,700
2018 (2)	7,427,570	2,190,200	730,400
2019 (2)	7,546,410	2,226,300	747,300

(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

	2013	2014	2015	2016	2017
Seattle MD	$ 60,219	$ 65,033	$ 68,094	$ 69,786	$ 75,078
King County	66,073	71,882	75,518	77,213	83,383
State of Washington	47,814	50,890	53,064	54,579	57,896
U.S.	44,493	46,494	48,451	49,246	51,640

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**
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
2017	4,356	1,735,074,421	14,285	2,174,576,693	3,909,651,114
2018	4,442	1,747,483,826	14,018	1,642,109,582	3,389,593,408
2018(1)	2,371	$ 903,076,803	5,502	$ 744,256,056	$ 1,647,332,859
2019(1)	1,916	773,661,153	6,431	928,2-7,879	1,701,869,032

(1) Through June.

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	City of Seattle
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
2017	62,910,608,935	26,005,147,210
2018	69,018,354,390	28,292,069,881

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. Microsoft is also a major employer in the Puget Sound area but does not provide employment information to the Puget Sound Business Journal.

PUGET SOUND AREA
MAJOR EMPLOYERS

Employer	Full-Time Employees In State
The Boeing Company	69,830
Joint Base Lewis-McChord	54,000
Amazon.com Inc.	52,000
University of Washington	46,820
Navy Region Northwest	46,010
Providence Health & Services	43,000
Safeway Inc. & Albertsons LLC	21,320
Walmart Inc.	19,410
Costco Wholesale Corp.	18,010
Multicare Health System	17,170
Fred Meyer Stores	16,070
King County Government	15,600(1)
Starbucks Coffee Co.	14,130
City of Seattle	13,410(2)
CHI Franciscan Health	12,370
Seattle Public Schools	11,430
Alaska Air Group Inc.	9,590
Nordstrom, Inc.	9,200
Virginia Mason Health System	8,760
Washington State University	8,250
T-Mobile US Inc.	7,900
Kaiser Permanente	7,670
Expedia Group Inc.	4,300
Spokane Public Schools	4,200

(1) Source: King County.

(2) Source: City of Seattle.

Source: Puget Sound Book of Lists, as of June 29, 2019

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

	Annual Average				
	2014	**2015**	**2016**	**2017**	**2018**
Civilian Labor Force	1,158,195	1,178,040	1,204,360	1,230,207	1,258,687
Total Employment	1,103,941	1,127,580	1,156,939	1,184,707	1,215,220
Total Unemployment	54,254	50,460	47,421	45,500	43,467
Percent of Labor Force	4.7%	4.3%	3.9%	3.7%	3.5%

NAICS INDUSTRY	**2014**	**2015**	**2016**	**2017**	**2018**
Total Nonfarm	1,278,033	1,311,575	1,358,517	1,401,333	1,357,433
Total Private	1,108,425	1,137,442	1,180,175	1,219,450	1,179,242
Goods Producing	168,283	174,908	176,800	178,550	177,692
Mining and Logging	458	575	500	575	525
Construction	60,792	66,800	70,833	75,108	71,217
Manufacturing	107,025	107,542	105,475	102,892	105,967
Service Providing	1,109,750	1,136,667	1,181,717	1,222,783	1,179,742
Trade, Transportation, and Utilities	235,758	244,433	254,642	269,508	254,142
Information	85,583	89,058	95,967	102,983	96,200
Financial Activities	72,000	69,675	70,758	71,208	70,642
Professional and Business Services	207,933	215,733	222,667	228,183	222,750
Educational and Health Services	167,983	167,008	174,592	179,092	174,042
Leisure and Hospitality	124,883	130,108	136,425	141,392	135,683
Other Services	46,000	46,517	48,325	48,533	48,092
Government	169,608	174,133	178,342	181,883	178,192
Workers in Labor/Management Disputes	0	0	0	0	0

	June 2019
Civilian Labor Force	1,279,246
Total Employment	1,242,477
Total Unemployment	36,769
Percent of Labor Force	2.9%

(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 the Depository Trust Company, New York, New York ("DTC"). The County makes no representation regarding the accuracy or completeness thereof, or for the absence of material changes in such information subsequent to the date hereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. 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*.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

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

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

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.