OFFICIAL STATEMENT

RATINGS
Moody's: Aa
Fitch: AAA
S&P: AAA
(See "Other Bond Information—Ratings.")

New Issue, Book-Entry Only

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

$41,420,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2019, SERIES A

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

King County, Washington (the "County"), is issuing its Limited Tax General Obligation Refunding Bonds, 2019, Series A (the "Bonds"), as fully registered obligations. When issued, the Bonds will be registered in the name of Cede & Co., as Bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. The Bonds will be issued initially in book-entry form only in denominations of $5,000 or any integral multiple thereof within a maturity of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest payable semiannually on June 1 and December 1, beginning June 1, 2019, 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 refund certain outstanding obligations of the County and to pay the costs of issuing the Bonds.

The Bonds are not subject to redemption prior to maturity.

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 their legality by Hillis Clark Martin & Peterson P.S., Seattle, Washington, Bond Counsel, and certain other conditions. The form of legal opinion of Bond Counsel is attached hereto as Appendix A. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the County by Hillis Clark Martin & Peterson P.S., as Disclosure Counsel to the County. It is anticipated that the Bonds will be ready for delivery through the facilities of DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about March 15, 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: February 27, 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

$41,420,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2019, SERIES A

Due June 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
2019	$ 1,935,000	5.00%	1.57%	100.716	49474F UC2
2020	3,120,000	5.00%	1.60%	104.059	49474F UD0
2021	3,280,000	5.00%	1.61%	107.332	49474F UE8
2022	3,450,000	5.00%	1.62%	110.532	49474F UF5
2023	3,625,000	5.00%	1.65%	113.571	49474F UG3
2024	3,810,000	5.00%	1.71%	116.333	49474F UH1
2025	4,010,000	5.00%	1.78%	118.851	49474F UJ7
2026	4,210,000	5.00%	1.85%	121.170	49474F UK4
2027	4,430,000	5.00%	1.95%	123.035	49474F UL2
2028	4,655,000	5.00%	2.04%	124.738	49474F UM0
2029	4,895,000	5.00%	2.14%	126.105	49474F UN8

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

Hillis Clark Martin & Peterson P.S.

MUNICIPAL ADVISOR TO THE COUNTY

Piper Jaffray & Co.

REGISTRAR

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

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OFFICIAL STATEMENT

$41,420,000

KING COUNTY, WASHINGTON

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2019, SERIES A

INTRODUCTION

This Official Statement contains certain information concerning the issuance by King County, Washington (the "County"), of its Limited Tax General Obligation Refunding Bonds, 2019, Series A (the "Bonds").

The Bonds are issued under and in accordance with the provisions of chapters 36.67, 39.46, and 39.53 of the Revised Code of Washington ("RCW") and the County Charter, and are authorized under the provisions of County Ordinance 18376, passed on September 27, 2016 (the "Ordinance"), and Motion 15330 of the Metropolitan King County Council (the "County Council") passed on February 27, 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 June 1 and December 1, beginning June 1, 2019, 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, or by wire transfer, to the registered owners of the Bonds at the addresses for such registered owners appearing on the Register on the Record Date for that interest payment date, or by electronic transfer on the interest payment date to an account within the United States designated by a registered owner of at least $1,000,000 in principal amount of the Bonds. The County is not required to make electronic transfers except to a registered owner of Bonds pursuant to a request in writing received on or prior to the Record Date for that interest payment date, and any such electronic transfer will be at the sole expense of that registered owner. Principal of the Bonds will be payable at maturity or on such dates as may be fixed for prior redemption upon presentation and surrender of the Bonds by the owners to the Registrar. "Record Date" is defined in the Ordinance as, for an interest or principal payment date or for a maturity date, the 15th day of the calendar month next preceding that date.

No Redemption of the Bonds

The Bonds are not subject to redemption prior to maturity.

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 or noncallable Government Obligations (defined below) maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire, refund, and/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, refunding, and/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.

As defined in chapter 39.53 RCW, as now in existence or amended from time to time, "Government Obligations" means any of the following: (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates, or other obligations issued by the banks for cooperatives, the federal intermediate credit bank, the federal home loan bank system, the export-import bank of the United States, federal land banks, or the federal national mortgage association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the federal deposit insurance corporation or the federal savings and loan insurance corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of state law.

USE OF PROCEEDS

Purpose

The Bonds are being issued to refund certain outstanding obligations of the County as shown below under "—Refunding Plan" and to pay the costs of issuing the Bonds.

Sources and Uses of Funds

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

TABLE 1
SOURCES AND USES OF FUNDS

SOURCES OF FUNDS	
Par Amount of Bonds	$ 41,420,000
Reoffering Premium	6,955,601
Total Sources of Funds	$ 48,375,601
USES OF FUNDS	
Deposit to Refunding Account	$ 48,040,911
Costs of Issuance (1)	334,690
Total Uses of Funds	$ 48,375,601

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

Refunding Plan

A portion of the proceeds from the sale of the Bonds will be used to refund the County's outstanding callable Limited Tax General Obligation Bonds, 2009, Series B (the "2009B Bonds"), and Multi-Modal Limited Tax General Obligation Refunding Bonds, 2013 (the "2013 Bonds") (together, the "Refunded Bonds"), for the purposes of realizing debt service savings (in the case of the 2009B Bonds) and to reduce exposure to variable interest rates (in the case of the 2013 Bonds).

Table 2 provides information on the Refunded Bonds.

TABLE 2
REFUNDED BONDS

Bond Component	Maturity Date	Interest Rate (%)	Par Amount	Redemption Date	Redemption Price (%)	CUSIP Number
Limited Tax General Obligation Bonds, 2009, Series B						
Serial	6/1/2020	5.000	$ 890,000	6/1/2019	100	49474F TT7
	6/1/2021	5.000	1,860,000	6/1/2019	100	49474F TU4
	6/1/2022	5.000	1,035,000	6/1/2019	100	49474F TV2
	6/1/2023	5.000	2,015,000	6/1/2019	100	49474F TW0
	6/1/2024	4.000	1,185,000	6/1/2019	100	49474F TX8
	6/1/2025	5.125	2,170,000	6/1/2019	100	49474F TY6
	6/1/2026	5.125	1,350,000	6/1/2019	100	49474F TZ3
	6/1/2027	5.000	2,355,000	6/1/2019	100	49474F UA6
Term	6/1/2029	5.000	4,090,000	6/1/2019	100	49474F UB4
Subtotal			$ 16,950,000			
Multi-Modal Limited Tax General Obligation Refunding Bonds, 2013						
Term	6/1/2029	variable	$ 30,760,000	4/1/2019	100	49474F FZ8
Subtotal			$ 30,760,000			
Total			$ 47,710,000			

Procedure. The County will enter into an Escrow Agreement with U.S. Bank National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds and the payment of Bond issuance costs. The Escrow Agreement will create an irrevocable trust fund to be held by the Escrow Agent and to be applied solely to the payment of the Refunded Bonds and the payment of Bond issuance costs. The net proceeds of the Bonds deposited with the Escrow Agent to be used to refund the Refunded Bonds will be held in cash or invested in noncallable direct obligations of the United States of America or obligations the payment of which is unconditionally guaranteed by the United States of America (the "Acquired Obligations") that will mature and bear interest at rates sufficient, together with cash held by the Escrow Agent, to pay the principal of and accrued interest on the refunded 2009B Bonds and the principal of the refunded 2013 Bonds.

Verification of Calculations. The mathematical accuracy of the computations of the adequacy of the maturing principal amounts of and interest on the Acquired Obligations and cash on deposit to be held by the Escrow Agent to pay principal of and accrued interest on the refunded 2009B Bonds and the principal of the refunded 2013 Bonds as described above will be verified by Causey Demgen & Moore P.C., independent certified public accountants. .

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. Since the 2015-2016 biennium, the County has implemented the adoption of biennial budgets for all agencies.

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

Finance and Business Operations Division

The Finance and Business Operations Division 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, 2017, and is incorporated into the County's Comprehensive Annual Financial Report ("CAFR") for 2017.

The County's 2017 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 2017 Comprehensive Annual Financial Report.

County Fund Accounting

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

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

Major Governmental Fund Revenue Sources

The County's two major revenue sources for general County purposes are taxes and intergovernmental revenues. The General, Special Revenue, and Debt Service Funds received approximately 95% of taxes and 96% of intergovernmental revenues in 2017. 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 3 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 3
TAXES COLLECTED
AS OF DECEMBER 31
($000)

Source	2013	2014	2015	2016	2017
Real and Personal Property Tax(1)	$ 582,478	$ 679,300	$ 641,916	$ 752,462	$ 833,414
Retail Sales and Use Tax(2)	147,129	160,635	175,419	191,716	200,434
Penalty and Interest on Property Taxes	20,867	20,993	20,036	17,563	19,849
Hotel/Motel Tax(3)	20,244	23,237	22,843	3,287	-
Real Estate Excise tax	11,059	10,924	14,602	14,863	15,887
E-911 Excise Tax	23,515	22,440	21,396	21,430	22,270
Other Taxes	15,003	16,115	20,000	20,559	21,152
Total	$ 820,295	$ 933,644	$ 916,212	$ 1,021,880	$ 1,113,006

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

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

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

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

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

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

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

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

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

The State currently provides payments to certain jurisdictions, including the County, to mitigate net losses in sales and use tax collections of local taxing jurisdictions resulting from the 2007 change to destination-based sourcing of sales taxes. Mitigation payments currently are distributed at the end of each quarter for the net loss experienced in the preceding quarter, taking into account both the jurisdiction's loss of local sales tax revenue and its "voluntary compliance revenue." The County received approximately $1,075,000 in mitigation payments in 2017. In 2017, the State Legislature enacted legislation (Enrolled House Bill 2163, part II of chapter 28, Laws of 2017, 3rd special session) ("EHB 2163") that will phase out mitigation payments in 2019. Instead, beginning January 1, 2018, EHP 2163 requires certain out-of-State sellers meeting a specified threshold of gross receipts from retail sales into the State to elect either to collect and remit sales and use tax on all taxable retail sales within the State or comply with certain sales and use tax notice and reporting provisions. The State Legislature anticipates that the tax revenues collected under EHP 2163 will offset the phase-out of mitigation payments, although the ultimate effect of EHP 2163 on County sales and use tax revenues is uncertain at this time.

On June 21, 2018, the U.S. Supreme Court in *South Dakota v. Wayfair, Inc.* ("*Wayfair*") overruled its prior decisions that required a seller to have a physical presence in a state before the state can require the seller to collect and remit state sales taxes. The *Wayfair* decision, by itself, does not impact current State law, and any adjustments to State law in light of *Wayfair* would need to be made by the State Legislature.

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

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

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

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

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

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

Intergovernmental Revenue. Table 4 lists various intergovernmental revenues. A description of each type of intergovernmental revenue follows the table.

TABLE 4
VARIOUS INTERGOVERNMENTAL REVENUES
AS OF DECEMBER 31
($000)

Source	2013	2014	2015	2016	2017
Grants	$ 161,851	$ 146,453	$ 135,870	$ 146,873	$ 149,166
Revenue Sharing	10,753	12,703	13,604	13,801	14,200
Gas Tax	12,989	12,838	12,792	13,542	13,422
Liquor Tax and Profits	1,088	1,169	1,261	1,466	1,459
Intergovernmental Payments(1)	369,344	463,739	233,702	182,883	83,506
Other Intergovernmental Revenues	10,363	10,580	11,213	10,270	12,125
Total	$ 566,388	$ 647,482	$ 408,442	$ 368,835	$ 273,878

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

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

GRANTS. In 2017, 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 $100.0 million in federal grant revenue to the County. This comprised 67.0% of total 2017 grant revenue received by the County. The remaining 33.0% of estimated grant revenue was from the State.

Table 5 lists by source and function the various grants received by the County for the years ended December 31, 2016 and 2017.

TABLE 5
2016 AND 2017 GRANT REVENUE
BY SOURCE AND FUNCTION

	2016		2017	
	Actual	**Item as a Percent of Total Actual**	**Actual**	**Item as a Percent of Total Actual**
Federal				
General Government Services	$ -	0.0%	$ -	0.0%
Law, Safety and Justice	13,978	9.5%	13,334	8.9%
Physical Environment	1,326	0.9%	2,488	1.7%
Transportation	4,446	3.0%	4,750	3.2%
Economic Environment	22,256	15.2%	29,278	19.6%
Mental and Physical Health	52,510	35.8%	50,141	33.6%
Culture and Recreation	-	0.0%	-	0.0%
Total Federal	$ 94,516	64.4%	$ 99,991	67.0%
State:				
General Government Services	$ 112	0.1%	$ 655	0.4%
Law, Safety and Justice	6,235	4.2%	7,426	5.0%
Physical Environment	5,757	3.9%	7,095	4.8%
Transportation	3,329	2.3%	461	0.3%
Economic Environment	15,787	10.7%	16,292	10.9%
Mental and Physical Health	20,231	13.8%	16,678	11.2%
Culture and Recreation	906	0.6%	568	0.4%
Total State	$ 52,357	35.6%	$ 49,175	33.0%
Total Grants	$ 146,873	100.0%	$ 149,166	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 2017, this legislative allocation generated $12.7 million in revenues for public health purposes in the County.

GAS TAX. Counties are entitled to 19.2287% of 44.5 cents (January 1 through June 30, 2016) or 49.4 cents (July 1 through December 31, 2016, and thereafter) of the State motor vehicle fuel tax collected by the State, less amounts for State supervision and studies and amounts withheld for the County Road Administration Board (RCW 46.68.090(2)(h)). The motor vehicle fuel tax is allocated to counties by the County Road Administration Board according to a formula based on population, needs, and financial resources. The County received 8.5716% of the tax distributed to counties in 2017.

In addition, the County Road Administration Board program allocates funds to the County for the construction of arterial streets in urban areas. The State's County Arterial Preservation Program receives 1.9565% of 44.5 cents (January 1 through June 30, 2016) or 49.4 cents (July 1 through December 31, 2016, and thereafter) of the State motor vehicle fuel tax (RCW 46.68.090(2)(i)). The County received 3.6879% of these funds in 2017, 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 2017, these payments were primarily related to the County's provision of mental health, public health, law enforcement, housing opportunity, roads, and flood control services

OTHER INTERGOVERNMENTAL REVENUE. Other sources of intergovernmental revenue include distributions from the State for criminal justice purposes and criminal justice costs related to aggravated murder cases, vessel registration fees, mitigation payments relating to certain changes in the administration of the sales and use tax (which are scheduled to be phased out in 2019), and other miscellaneous items.

Operating Deficits

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

Financial Results

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

TABLE 6
GENERAL FUND
COMPARATIVE BALANCE SHEET
(Years Ended December 31) ($000)

	2013	2014	2015	2016	2017
ASSETS					
Cash and cash equivalents	$ 87,093	$ 71,558	$ 59,475	$ 80,231	$ 85,179
Taxes receivable - delinquent	7,652	7,716	7,686	7,879	8,086
Accounts receivable	81,750	85,476	68,647	50,372	52,180
Estimated uncollectible accounts receivable	(68,035)	(71,194)	(59,283)	(37,250)	(34,943)
Interest receivable	7,453	6,817	8,872	11,497	14,323
Due from other funds	8,232	92	790	1,896	1,489
Due from other governments	45,341	34,828	49,562	57,469	64,301
Estimated uncollectible due from other governments	(187)	(297)	(10)	(10)	(94)
Advances to other funds	300	300	300	-	-
TOTAL ASSETS	$ 169,599	$ 135,296	$ 136,039	$ 172,084	$190,521
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	$ 3,377	$ 3,806	$ 6,967	$ 8,331	$ 4,561
Due to other funds	6,629	2,407	1,554	4,339	4,944
Due to other governments	-	513	-	2,200	2,025
Wages payable	24,620	14,471	16,194	18,133	19,720
Taxes payable	189	179	108	180	147
Unearned revenues	3,411	1,724	970	-	-
Custodial accounts	1,886	1,021	51	78	1,589
Total liabilities	$ 40,112	$ 24,121	$ 25,844	$ 33,261	$ 32,986
Deferred inflows of resources (1)					
Unavailable revenue	$ 15,117	$ 7,967	$ 7,566	$ 13,344	$ 12,765
Fund balance					
Nonspendable	$ 300	$ 300	$ 300	$ -	$ -
Restricted	2,506	2,803	1,781	1,659	2,016
Committed	24,982	20,212	20,310	20,497	25,161
Assigned	8,264	8,151	12,125	35,128	19,181
Unassigned	78,318	71,742	68,113	68,195	98,412
Total fund balance (2)	$ 114,370	$ 103,208	$ 102,629	$ 125,479	$144,770
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 169,599	$ 135,296	$ 136,039	$ 172,084	$190,521

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

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

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

TABLE 7
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(Years Ended December 31) ($000)

	2013	2014	2015	2016	2017
REVENUES					
Property taxes	$ 311,500	$ 319,188	$ 326,774	$ 334,446	$ 344,847
Penalties and interest - delinquent taxes	20,869	20,993	20,036	17,563	-
Sales, excise and other taxes	104,291	112,333	128,979	132,846	138,435
Licenses and permits	4,741	4,753	4,971	5,712	7,783
Federal grants	8,287	9,028	8,803	8,087	7,263
State grants	2,531	2,326	2,590	2,594	3,039
Entitlements and shared revenues	10,109	10,422	11,439	10,485	10,803
Intergovernmental revenues [1]	4,294	3,370	3,470	13,563	199
Charges for services [1]	192,632	206,899	225,752	242,055	257,517
Fines and forfeits	7,233	5,922	6,906	8,191	25,754
Interest earnings	1,458	1,632	1,696	3,881	8,114
Rents and royalties	3,045	7,490	8,252	8,285	14,582
Other miscellaneous revenues	13,668	4,653	3,049	2,459	3,611
TOTAL REVENUES	$ 684,658	$ 709,009	$ 752,717	$ 790,167	$ 821,947
EXPENDITURES					
Current					
Personal services	$ 460,039	$ 491,145	$ 513,910	$ 539,041	$ 552,544
Supplies	14,189	14,619	13,601	14,905	15,188
Contract services and other charges	53,504	40,186	41,640	42,727	39,710
Contributions	2,733	2,901	3,217	3,657	4,469
Interfund service support	89,794	99,114	106,630	107,950	116,625
Interest and related costs					
Debt service	17	44	64	203	75
Capital outlay	1,452	1,895	1,792	1,861	1,138
TOTAL EXPENDITURES	$ 621,728	$ 649,904	$ 680,854	$ 710,344	$ 729,749
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 62,930	$ 59,105	$ 71,863	$ 79,823	$ 92,198
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	$ 62	$ 156	$ 81	$ 2	$ 168
Transfers in	5,328	118	261	11,119	13,255
Transfers out	(93,594)	(71,991)	(72,784)	(68,094)	(84,358)
TOTAL OTHER FINANCING SOURCES (USES)	$ (88,204)	$ (71,717)	$ (72,442)	$ (56,973)	$ (70,935)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (25,274)	$ (12,612)	$ (579)	$ 22,850	$ 21,263
FUND BALANCE - JANUARY 1 (Restated) [2][3]	139,644	115,820	103,208	102,629	123,507
FUND BALANCE - DECEMBER 31 [3]	$ 114,370	$ 103,208	$ 102,629	$ 125,479	$ 144,770

NOTES TO TABLE:

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

(2) 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.

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

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

TABLE 8

GENERAL GOVERNMENT FUNDS

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

(Years Ended December 31) ($000)

	2013	2014	2015	2016	2017
REVENUES					
Taxes	$ 841,050	$ 867,250	$ 925,205	$ 1,016,654	$ 1,031,306
Licenses and permits	22,155	23,633	24,564	28,697	28,002
Intergovernmental revenues [2]	548,620	627,173	388,549	216,260	224,316
Charges for services [2]	264,907	269,959	517,048	764,866	757,105
Fines and forfeits	7,376	6,357	7,334	8,989	26,368
Interest earnings	3,170	4,358	4,127	7,596	12,545
Miscellaneous revenues	77,618	67,924	73,912	67,321	45,668
TOTAL REVENUES	$ 1,764,896	$ 1,866,654	$ 1,940,739	$ 2,110,383	$ 2,125,310
EXPENDITURES					
Current					
General government services [3]	$ 176,679	$ 180,300	$ 245,177	$ 262,528	$ 248,639
Law, safety and justice [4]	590,415	618,175	641,962	592,710	604,713
Physical environment [5]	116,434	184,211	156,615	55,042	24,470
Transportation [6]	61,287	80,573	67,189	68,749	73,062
Economic environment [7]	97,806	101,865	102,918	116,746	179,724
Mental and physical health [8]	490,932	521,960	522,650	677,657	646,839
Culture and recreation [9]	42,418	42,774	46,255	79,950	54,601
Total current	$ 1,575,971	$ 1,729,858	$ 1,782,766	$ 1,853,382	$ 1,832,048
Debt service [10]					
Redemption of long-term debt	$ 70,686	$ 71,998	$ 64,407	$ 57,641	$ 63,702
Interest and other debt service costs	32,713	31,429	29,042	35,590	33,363
Payment to escrow agent	-	260	19,467	8,417	-
Total debt service	$ 103,399	$ 103,687	$ 112,916	$ 101,648	$ 97,065
Capital outlay [11]	40,046	12,857	17,514	20,577	37,647
TOTAL EXPENDITURES	1,719,416	1,846,402	1,913,196	1,975,607	1,966,760
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 45,480	$ 20,252	$ 27,543	$ 134,776	$ 158,550
OTHER FINANCING SOURCES (USES)					
General obligation bonds issued	$ (99,593)	$ 12,160	$ -	$ 25,025	$ 6,050
Refunding bonds issued	92,940	34,815	198,290	-	-
Premium on bonds sold	7,261	5,971	29,888	3,764	880
Sale of capital assets	4,500	1,144	1,751	3,371	2,912
Transfers in	125,404	111,746	119,586	188,895	225,949
Transfers out	(171,135)	(142,594)	(173,270)	(270,268)	(298,651)
Payment to refunded bond escrow agent	-	(38,958)	(227,200)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	$ (40,623)	$ (15,716)	$ (50,955)	$ (49,213)	$ (62,860)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 4,857	$ 4,536	$ (23,412)	$ 85,563	$ 95,690
SPECIAL ITEM [12]	-	-	(12,756)	-	-
FUND BALANCE - JANUARY 1 - RESTATED [13]	$ 546,046	$ 528,973	$ 540,915	$ 520,972	$ 606,955
FUND BALANCE - DECEMBER 31	$ 550,903	$ 533,509	$ 504,747	$ 606,535	$ 702,645

NOTES TO TABLE:

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

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

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

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

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

(6) Road construction and maintenance and traffic planning.

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

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

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

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

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

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

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

For 2015, beginning fund balance was restated for the following: (i) Animal Services Fund and Community Block Grant Fund, nonmajor special revenue funds, posted adjustments of $347,000 and $280,000, respectively, for revenues not recorded previously; and (ii) Flood Control Zone District was increased $6.8 million for a prior-year adjustment in capital projects expenditures.

For 2016, beginning fund balance was restated to correct receipts in prior years from Federal Housing and Community Development Fund and Housing Opportunity Loans home repair loan repayments, originally treated as revenue, as a reduction of liability, resulting in an increase of beginning fund balance of $16.2 million.

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. The Puget Sound area's economy remains robust during the current economic expansion. As of October 2018, the unemployment rate was 3.2% in the County. The region's relatively better 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 legislation limiting annual property tax revenue growth without voter approval to the lesser of inflation or 1%, plus new construction. See "Property Tax Information" below.

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

Highline area, comprised of approximately 19,000 residents, to Seattle meets this requirement. Other provisions in the legislation give incentives to cities to annex additional areas, even if they are already receiving a sales tax credit for a previous annexation.

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

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

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

The County's fiscal policies provide that the undesignated balance for the General Fund be maintained between 6% and 8% of estimated annual revenues. This fund balance has been maintained above 6% each year without exception over the last two decades. The 2012 Adopted Budget increased the targeted undesignated fund balance from 6% (as it had been for several years) to 6.5% 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.

2017-2018 Adopted Budget

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

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

The 2017-2018 Adopted Budget continues to focus on optimizing financial management and building reserves. Based on the adopted General Fund financial plan, the General Fund undesignated fund balance will maintain the 8.0% level through the end of the biennium. This is the high end of the range established by County policy. The Metro Transit budget reflects newly approved financial policies and fully funds all the reserves called for in the policies. As a sales tax-dependent fund, the Mental Illness and Drug Dependency (MIDD) Fund also increased reserves to $11.2 million, which fully funds its 60-day Rainy Day Reserve Fund. The County continues to routinely engage in quarterly financial monitoring, which allows for early budget decisions, improved risk management, and a common understanding of financial issues facing the County.

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

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

2017 Results

The financial performance of the General Fund for the first year of 2017-2018 biennium did not vary significantly from the assumptions in the 2017-2018 Adopted Budget. The ending fund balance for 2017 was $119.7 million, with an additional $25.1 million in the Rainy Day Reserve Fund. In 2017, General Fund revenues ended higher than budgeted due to the strength of County sales tax collections and other revenues sensitive to the economy. In addition, multiple programs and projects have under-expenditures in the first year of the biennium. These programs and projects are expected to ramp up and meet spending expectations in 2018.

At the August 1, 2017, primary election, County voters rejected a sales tax increase to fund art and culture programs across the region. This proposition only received 49% of the vote.

At the November 7, 2017, general election, County voters approved a levy lid lift for Veterans, Seniors and Human Services, which funds human services and housing programs that improve the well-being of vulnerable populations through an increase in the regular property tax levy. This proposition passed with 69% of the vote and authorized taxes to be levied for six years beginning in 2018 to fund the program.

2018 Preliminary Results

The preliminary financial performance of the General Fund for 2018 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 2017-2018 biennium with an ending fund balance of $111.5 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 $25.4 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 $25.6 million is preserved.

(ii) Metro Transit's new financial policies are maintained. The County Executive proposed and the County Council approved new financial policies for Metro Transit in 2016. 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 is expected to be deployed by early 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. The forecasted 2019-2020 year-end fund balance in the General Fund is $131 million, including the Rainy Day Reserve Fund. The General Fund will maintain an undesignated fund balance in the General Fund of 8.0%, which is the high end of the County's policy.

Future General Obligation Financing Plans

The County anticipates issuing approximately $425 million of new limited tax general obligation bonds through the end of the 2019-2020 biennium to fund a variety of technology projects, facility improvements, 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 is one of the largest investment pools in the State, with 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 December 31, 2018, 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 9
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, 2017, through December 31, 2018, covered the majority of labor contracts and a total of 5,900 employees (approximately 45% of total employees). The agreement called for a fixed cost-of-living wage increase of 2.25% in 2017 and 3.25% in 2018. A majority of other unions not part of the coalition agreed to similar, generally slightly lower, terms.

A tentative agreement has been reached with the same coalition of unions that 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. All unions have ratified the agreement and it is now in the County ratification and adoption process, which is expected to be completed before mid-year.

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 begins in summer of 2019.

Aside from the negotiation of a new ATU agreement in 2019, no major and very few minor agreements have been set for the 2019-2020 biennium.

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 10
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 11
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. The actuarial assumptions used in the most recent rate calculations are summarized in Table 12:

TABLE 12
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 13:

TABLE 13
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 (Current)						
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

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/Valuations.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 14:

TABLE 14
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.

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

As shown in Table 14, 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 15
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 16 represents the aggregate pension amounts for all pension plans subject to the requirements of GASB 68.

TABLE 16
AGGREGATE PENSION AMOUNTS—ALL WSDRS-ADMINISTERED PLANS, 2017
($000)

Net pension liabilities	$756,022
Net pension assets	49,475
Deferred outflows of resources	115,425
Deferred inflows of resources	148,138
Pension expense/expenditures	49,237

Source: 2017 CAFR—Note 9

For more information on employee retirement plans, see Appendix B—Excerpts from King County's 2017 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, 2017, the County contributed an actuarially estimated $5.9 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits. For the fiscal year ended December 31, 2017, the County's annual OPEB cost (expense), which is calculated based on the annual required contribution of the County, was $8.0 million and the County's net OPEB obligation was $73.0 million. The Health Plan liability is based on a computed annual required contribution that includes the current period's service cost and an amount to amortize unfunded accrued liabilities.

For additional information regarding the County's OPEB liability, see Appendix B—Excerpts from King County's 2017 Comprehensive Annual Financial Report.

Risk Management and Insurance

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

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

TABLE 17
INSURANCE POLICIES

Coverage	Limits
Combined Property Damage and Extra Expense for covered County property (includes $100 million earthquake and $250 million flood)	$750 million (1)
Stand-Alone Terrorism Insurance for covered County property (excluding the airport)	$500 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	$30 million
Cedar Hill Pollution Legal Liability	$50 million

(1) As of July 1, 2018.

The balance of current assets in the Insurance Fund was $76.6 million as of December 31, 2017. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2017, was $75.0 million.

For additional information, see Appendix B—Excerpts from King County's 2017 Comprehensive Annual Financial Report.

Emergency Management and Preparedness

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

GENERAL OBLIGATION DEBT INFORMATION

General Obligation Debt Limitation

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

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

Debt Capacity and Debt Service Summary

Table 18 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 19 summarizes the total general obligation debt service requirements of the County and is followed by Table 20, which reflects general obligation debt of the County as of December 31, 2018[(1)], adjusted for subsequent County debt-related transactions.

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."

(1) Preliminary unaudited

TABLE 18
COMPUTATION OF STATUTORY DEBT CAPACITY
(AS OF DECEMBER 31, 2018; PRELIMINARY UNAUDITED)

2018 Assessed Value (2019 Tax Year)	$ 606,623,698,132
Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions	
1 1/2 % of Assessed Value	$ 9,099,355,472
County Purposes	
Outstanding Limited Tax General Obligation Bonds for County Purposes[(1)]	$ 791,945,271
The Bonds	41,420,000
General Obligation Lease Revenue Bonds for County Purposes[(2)]	8,595,000
County Credit Enhancement Program for Housing[(3)]	248,900,998
Capital Leases/Installment Purchase Contracts for County Purposes	-
General Obligation Long-Term Liabilities for County Purposes[(4)]	106,657,000
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	$ 1,189,919,388
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)	745,919,650
Credit Enhancement Program for Reimbursement Agreements[(5)]	100,000,000
General Obligation Long-Term Liabilities for Metropolitan Functions[(4)]	68,813,242
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	$ 947,232,819
Total Net Limited Tax General Obligation Debt for County Purposes and Metropolitan Functions	$ 2,137,152,207
Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions	$ 6,962,203,265
Total General Obligation Debt Capacity for County Purposes	
2 1/2 % 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)	1,189,919,388
Total Net General Obligation Debt for County Purposes	$ 1,252,095,487
Remaining Capacity: General Obligation Debt for County Purposes	$ 13,913,496,966
Total General Obligation Debt Capacity for Metropolitan Functions	
2 1/2 % 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)	947,232,819
Total Net General Obligation Debt for Metropolitan Functions	$ 947,232,819
Remaining Capacity: General Obligation Debt for Metropolitan Functions	$ 14,218,359,634

NOTES TO TABLE:

(1) Excludes the Refunded Bonds.

(2) 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 NJB Properties Lease Revenue Bonds liability 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 is a limited tax general obligation.

(3) Reflects the outstanding principal amount plus accrued interest as of December 31, 2018, under contingent loan agreements authorized by the County Credit Enhancement Programs.

(4) As of December 31, 2017.

(5) 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 21–"Summary of Credit Facilities" under "General Obligation Debt Information—Credit Facilities."

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

TABLE 19
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	$ 100,727,381	$ 1,935,000	$ 1,424,336	$ 763,434	$ 66,654,490	$ 171,504,641
2020	15,080,700	93,268,322	3,120,000	1,896,250	767,455	64,098,015	163,150,042
2021	13,807,700	88,855,743	3,280,000	1,736,250	765,374	47,923,415	142,560,782
2022	14,126,950	93,271,994	3,450,000	1,568,000	767,467	58,217,915	157,275,376
2023	14,460,825	75,228,231	3,625,000	1,391,125	763,457	67,232,690	148,240,503
2024	-	72,282,862	3,810,000	1,205,250	763,621	55,897,240	133,958,973
2025	-	66,324,336	4,010,000	1,009,750	762,683	55,876,740	127,983,509
2026	-	53,780,767	4,210,000	804,250	765,643	55,915,040	115,475,700
2027	-	52,573,684	4,430,000	588,250	762,226	55,903,065	114,257,225
2028	-	48,957,128	4,655,000	361,125	762,706	55,875,140	110,611,099
2029	-	44,157,548	4,895,000	122,375	766,809	55,848,915	105,790,647
2030	-	44,023,921	-	-	764,259	68,363,596	113,151,776
2031	-	35,872,009	-	-	765,332	43,394,709	80,032,049
2032	-	31,578,639	-	-	764,751	56,499,140	88,842,530
2033	-	22,780,279	-	-	762,518	48,505,430	72,048,226
2034	-	22,779,104	-	-	763,631	42,409,910	65,952,645
2035	-	20,424,394	-	-	762,816	24,342,600	45,529,810
2036	-	20,409,874	-	-	770,073	24,399,850	45,579,796
2037	-	9,572,286	-	-	-	24,346,600	33,918,886
2038	-	9,122,656	-	-	-	24,389,200	33,511,856
2039	-	8,650,406	-	-	-	4,000,000	12,650,406
2040	-	8,645,163	-	-	-	104,000,000	112,645,163
Total	$ 73,685,650	$ 1,023,286,725	$ 41,420,000	$ 12,106,961	$ 13,764,253	$ 1,104,093,700	$ 2,194,671,638

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

NOTES TO TABLE:

(1) Excludes the Refunded Bonds. Assumes a 4.00% interest rate on the 2013 Bonds. 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.

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

Net Direct and Overlapping Debt Outstanding

Table 20 lists the net outstanding direct debt and overlapping debt payable from taxes on property within the County.

TABLE 20
NET DIRECT AND OVERLAPPING DEBT
(AS OF DECEMBER 31, 2018; PRELIMINARY UNAUDITED)

2018 Assessed Value (for 2019 Tax Year)	$	606,623,698,132
Net Direct Debt (rounded)(1)	$	656,665,000
Estimated Overlapping Debt		
School Districts	$	5,055,758,000
City of Seattle(2)		1,002,158,000
Other Cities and Towns(2)		862,683,000
Port of Seattle(2)		388,360,000
Hospital Districts		229,369,000
Fire Districts		95,156,000
Sewer Districts		-
Park Districts		5,243,000
King County Library System		76,194,000
Library Capital Facilities		-
Parks and Recreation Service District		415,000
Total Estimated Overlapping Debt	$	7,715,336,000
Total Net Direct and Estimated Overlapping Debt	$	8,372,001,000
County Debt Ratios		
Net Direct Debt to Assessed Value		0.11%
Net Direct and Overlapping Debt to Assessed Value		1.38%
2018 Population		2,190,200
Per Capita Net Direct Debt		$300
Per Capita Net Direct and Overlapping Debt		$3,822
Per Capita Assessed Value		$276,972

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	$	1,252,095,487
Total Net General Obligation Debt for Metropolitan Functions		947,232,819
Total Net General Obligation Debt	$	2,199,328,306
General Obligation Debt Serviced by Proprietary-Type Funds*		(167,920,000)
General Obligation Debt Issued for Component Units*		(178,609,018)
General Obligation Debt Issued for Metropolitan Functions*		(947,232,819)
County Credit Enhancement Program**		(248,900,998)
Net Direct Debt	$	656,665,471

* 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.

(2) As of December 31, 2017.

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

Contingent Loan Agreements

Since 1997, the County has maintained a program to provide credit enhancement by entering into contingent loan agreements in connection with the financing of housing projects assisting the poor and infirm. The program permits the County to provide credit enhancement for projects undertaken by public housing authorities, non-profit organizations, for-profit organizations, local governments, public agencies, and public development authorities, primarily the King County Housing Authority. 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 $248,900,998 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 18—"Computation of Statutory Debt Capacity" and Table 20—"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 21.

TABLE 21
SUMMARY OF CREDIT FACILITIES

Series	Amount Outstanding as of 12/31/2018	Type of Facility	Provider	Expiration	Term-Out Provision	Maturity
Multi-Modal Limited Tax General Obligation Bonds, Series 2013(1)	$30,760,000	Continuing Covenant Agreement	Bank of America Preferred Funding Corporation	8/1/2019	Three Years	6/1/2029
Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001 A&B(2)	$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 2013 Bonds will be refunded with proceeds of the Bonds. The Continuing Covenant Agreement with Bank of America Preferred Funding Corporation will terminate when the 2013 Bonds are redeemed, expected to occur on April 1, 2019.

(2) The County has pledged its full faith and credit as a limited tax general obligation to the reimbursement agreements with Landesbank Hessen-Thüringen Girozentrale (Helaba) related to the letters of credit securing the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B.

With the exception of the 2013 Bonds, the County currently intends to keep these obligations outstanding until the stated maturity date. However, if the County is unable to extend or replace any such credit facility, the provider of that credit facility is obligated to purchase the outstanding obligations secured thereby before that credit facility terminates. In that case, the County would be obligated to repay during a "term-out" period all principal of the obligations secured thereby before the stated maturity date. In addition, if fees for extensions or replacements of any such credit facility increase substantially or such extensions or replacements otherwise cease to benefit the County, the County may seek to refund or convert the obligations secured by that credit facility with fixed rate bonds, which may increase debt service associated with those obligations above that currently projected by the County. See Table 19—"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 $1.20156 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, and the County levied at a rate of $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. 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 fifth-year rate was $0.23940 per $1,000 of assessed value for 2018. The County's levy rate for conservation futures in 2018 was $0.03767 per $1,000 of assessed value, and its levy rate for transportation-related purposes was $0.04438 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.

Table 22—"Allocation of 2017 and 2018 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. The 2018 tax year rate for the Parks levy lid lift was \$0.13940 per \$1,000 of assessed value.

(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.

(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 2018 was $0.04703 per $1,000 of assessed value for a total dollar amount of $25.1 million. The Children and Family Justice Center levy represented 3.9% of the County's overall 2018 operating levy of $640.1 million and 2.7% of the total 2018 County tax levy of $929.5 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 2018 was $0.05930 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 2018 was $0.12325 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 $0.10708 and $0.01113 per $1,000 of assessed value, respectively, for the 2018 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, will move from the Department of Transportation—Marine Division to the newly formed Metro Transit Department.

Allocation of Tax Levies

Table 22 sets forth the allocation of the County-wide, EMS, and unincorporated County (road district) levies.

TABLE 22
ALLOCATION OF 2017 AND 2018 TAX LEVIES

County-wide Levy Assessed Value[1] $534,662,434,753	2017 Original Taxes Levied ($000)	2017 Levy Rate ($ per $1,000)	2018 Original Taxes Levied ($000)	2018 Levy Rate ($ per $1,000)
Items Within Operating Levy[2]				
General Fund	$ 346,708	0.73827	$ 358,302	0.67262
Veteran's Relief	2,921	0.00622	3,011	0.00565
Human Services	6,556	0.01396	6,761	0.01269
Intercounty River Improvement	52	0.00011	50	0.00009
Automated Fingerprint Identification System[3]	21,024	0.04477	22,123	0.04153
Parks[3]	70,579	0.15029	74,259	0.13940
Veterans, Seniors, and Human Services[3]	18,614	0.03964	53,265	0.10000
Children and Family Justice Center[3]	24,518	0.05221	25,054	0.04703
Puget Sound Emergency Radio Network[3]	30,602	0.06517	31,590	0.05930
Best Starts for Kids[3]	62,384	0.13285	65,656	0.12325
Total Operating Levy	$ 583,958	1.24349	$ 640,071	1.20156
Conservation Futures Levy[4]				
Conservation Futures Levy	$ 10,445	0.02224	$ 11,071	0.02078
Farmland and Park Debt Service	9,002	0.01917	8,999	0.01689
Total Conservation Futures Levy	$ 19,447	0.04141	$ 20,070	0.03767
Unlimited Tax G.O. Bonds				
(Voter-approved Excess Levy)	$ 16,878	0.03609	$ 17,298	0.03261
Transportation[5]	23,322	0.04966	23,642	0.04438
Marine Operating (Ferry)	5,770	0.01229	5,930	0.01113
Flood Control Zone	55,134	0.11740	57,041	0.10708
Total County-wide Levy	$ 704,509	1.50034	$ 764,052	1.43443
EMS Assessed Value[1]				
$320,439,276,143				
EMS Levy[6]	$ 74,664	0.26305	$ 76,412	0.23940
Unincorporated County Assessed Value[1]				
$43,773,720,022				
Unincorporated County Levy (Road District)[7]	87,679	2.24557	89,354	2.05402
Total County Tax Levies	$ 866,852		$ 929,818	

(1) Assessed value for taxes payable in 2018.
(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 23
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

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

TABLE 24
KING COUNTY
ASSESSED VALUE

Tax Year	Amount	Percentage Change From Previous Year
2013	$ 314,746,206,667	-1.50%
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	13.41%
2019	606,623,698,132	13.46%

Source: King County Department of Assessments

Tax Collection Procedure

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

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

Table 25 shows the County's property tax collection record.

TABLE 25
PROPERTY TAX COLLECTION RECORD
ALL COUNTY FUNDS

Tax Year	Original Amount Levied[(1)] ($000)	Amount Collected Year of Levy ($000)	Percent Collected Year of Levy	Percent Collected as of 12/31/2018
2013	$ 649,789	$ 638,072	98.20%	99.72%
2014	708,251	696,451	98.33%	99.70%
2015	727,802	716,418	98.44%	99.71%
2016	839,988	825,870	98.32%	99.46%
2017	866,842	846,388	97.64%	98.60%
2018	929,813	915,950	98.51%	98.51%

(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 26 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 26
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 2017, the County received an estimated $100.0 million in federal grant revenue (67.0% of total 2017 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, 2017, and September 30, 2018, were reduced by 6.6%, totaling approximately $97,000. In September 2018, the Internal Revenue Service Office of Tax Exempt Bonds announced that the federal interest subsidy payments would be reduced by 6.2% for payments scheduled to be received between October 1, 2018, and September 30, 2019. The approximate amount of this reduction is $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

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 Strategic Climate Action Plan ("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, like other large units of state and local government, is involved in litigation on matters relating principally to claims arising from contracts, personal injury, property damage, tax claims, and other matters. For a general description of the types of non-tort claims in which the County is involved, see Appendix B—Excerpts from King County's 2017 Comprehensive Annual Financial Report—Note 19. Based on its past experience and the information currently known, the County does not believe that any pending litigation would materially adversely affect the ability of the County to pay when due the principal of or interest on the Bonds.

Approval of Counsel

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

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

Potential Conflicts of Interest

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 Hillis Clark Martin & Peterson P.S., as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to such limitations. A copy of the form of legal opinion of Bond Counsel is set forth in Appendix A.

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

Tax Matters

General. In the opinion of Hillis Clark Martin & Peterson P.S., Bond Counsel, as of the Date of Issue and assuming compliance by the County with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the Date of Issue, under existing federal law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals.

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

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

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

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

Original Issue Premium. All of the Bonds have been sold at prices reflecting original issue premium ("Premium Bonds"). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over the term of such Premium Bond using constant yield principles, based on the yield to maturity of such Premium Bond. As premium is amortized, the purchaser's basis in the Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Premium Bonds.

Proposed Tax Legislation; Miscellaneous

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

CONTINUING DISCLOSURE UNDERTAKING

Annual Disclosure Report. The County agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") the following annual financial information and operating data for the prior fiscal year (collectively, the "Annual Financial Information"), commencing in 2019 for the fiscal year ended December 31, 2018:

(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 purposes of SEC Rule 15c2-12 ("Rule 15c2-12") and the undertaking, the term "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 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, with an approving opinion of nationally recognized bond counsel and in accordance with Rule 15c2-12.

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

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

Prior Compliance. The County has entered into written undertakings under Rule 15c2-12 with respect to all of its obligations subject thereto. 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 those CUSIPs have now been properly linked. Although the 2013 CAFR was timely filed with EMMA, the County failed to link that filing with the CUSIP numbers for the following issues: (i) Housing Authority of the County of King, Housing Revenue Bonds, 1998 (AMT) (SeaTac Housing Preservation Project); (ii) Housing Authority of the County of King, Multifamily Housing Revenue Bonds, 2001 (Eastwood Square Apartments Project); and (iii) Housing Authority of the County of King, Revenue Bonds, 2008 (Birch Creek Apartments Project). In addition, although the 2016 and 2017 CAFRs were timely filed with EMMA, they were not linked to the CUSIP number for the unrefunded balance of the 2036 maturity of NJB Properties Lease Revenue Bonds (King County, Washington Project), 2006 Series A. On February 26, 2019, the County filed notice on EMMA in connection with these items, and those 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 TD Securities (USA) LLC (the "Purchaser") at a price of $48,258,364.89, and will be reoffered at a price of $48,375,601.30. 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.

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 (except that no representation or warranty will made with respect to information in the Official Statement relating to DTC or DTC's book-entry system).

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

KING COUNTY, WASHINGTON

By: /s/ Ken Guy

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

APPENDIX A

FORM OF BOND COUNSEL OPINION

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March 15, 2019

King County, Washington
Seattle, Washington 98104

Ladies and Gentlemen:

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

$41,420,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2019, SERIES A
Dated: March 15, 2019 (the "Date of Issue")

The Bonds are issued under and in accordance with the provisions of chapters 36.67, 39.46 and 39.53 RCW; the County Charter; and County Ordinance 18376 (the "Bond Ordinance") and Motion 15330 of the Metropolitan King County Council (together with the Bond Ordinance, the "Bond Legislation"). The Bonds are issued to refund and defease the King County, Washington Limited Tax General Obligation Bonds, 2009, Series B, to refund the King County, Washington Multi-Modal Limited Tax General Obligation Refunding Bonds, 2013, and to pay costs of issuing the Bonds. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Bond Ordinance.

In rendering this opinion letter, we have examined the following: (i) the Bond Legislation; (ii) the Escrow Agreement, dated the Date of Issue, by and between the County and U.S. Bank National Association, as escrow agent; (iii) the escrow verification report (the "Verification"), dated the Date of Issue, of Causey Demgen & Moore P.C.; (iv) a copy of one executed and authenticated Bond (we assume that all other Bonds are in the same form and have been similarly executed and authenticated); (v) the Blanket Letter of Representations from the County to The Depository Trust Company; and (vi) the certified proceedings of the County and other certificates of public officials and representatives of the County and representatives of TD Securities (USA) LLC, as the underwriter of the Bonds (the "Underwriter"), that have been furnished to us and which comprise the transcript of proceedings pertaining to the issuance of the Bonds (the "Transcript").

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

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

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

2. The Bonds are legal, valid and binding limited tax general obligations of the County, enforceable against the County in accordance with their terms, subject to bankruptcy, insolvency, reorganization, 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.

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

4. Assuming compliance by the County with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the Date of Issue, under existing federal law, interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals.

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

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

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

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

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

Respectfully submitted,

HILLIS CLARK MARTIN & PETERSON P.S.

By

Daniel S. Gottlieb

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APPENDIX B

EXCERPTS FROM KING COUNTY'S 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Financial Section

CAFR

Comprehensive Annual Financial Report

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 28, 2018

Council and Executive
King County
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of and for the year ended December 31, 2017, 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, 91 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.

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, 2017, 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 2017, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14;* and Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68, and No. 73.* 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 procedure performed as described above, and the reports of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 28, 2018, 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

CAFR

Comprehensive Annual Financial Report

January 1 - December 31, 2017 King County, 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, 2017. 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, 2017, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by $6.1 billion (referred to as *net position*). Of this amount, $701.8 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 11.1 percent or $605.1 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. Two major construction projects, namely, the Child and Family Justice Center and the Puget Sound Emergency Radio Network, were in the early development phase where costs are being financed through current revenues until longer-term financing becomes available.

- The governmental activities component of net position grew by 12.9 percent or $334.1 million over last year while the business-type activities component gained 9.5 percent or $271.0 million.

- At yearend 2017, the County's governmental funds reported combined fund balances of $967.1 million, an increase of $121.4 million over the prior year. Approximately 8.3 percent or $80.0 million of this amount is unassigned fund balance which is available for spending at the government's discretion.

- At yearend 2017, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) for the General Fund was $142.8 million, or approximately 19.6 percent of total General Fund expenditures. Total fund balance for the General Fund increased 17.2 percent or $21.3 million from the prior year.

- Total outstanding debt of the County decreased by 1.7 percent or $84.3 million in 2017. Newly issued debt comprised general obligation bonds at $324.3 million and revenue bonds at $237.5 million while principal payments and refunding issues amounted to $646.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The **government-wide financial statements** are designed to provide readers with an overview of the County's finances, in a manner similar to a private sector business. The statements provide near-term and long-term information about the County's financial position, which assists in assessing the County's financial condition at the end of the fiscal year.

The **statement of net position** presents all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation leave.

Both government-wide financial statements have separate sections for three different types of County programs or activities:

Governmental activities

The activities in this section are principally supported by taxes and intergovernmental revenues. These include general government; law, safety and justice; physical environment; transportation; economic environment; health and human services; culture and recreation; debt service and capital outlay. 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 business-type activities include the 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 adopted 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, 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 1) budget to actual comparisons for major governmental funds, 2) the current funding progress for pensions, 3) the current funding progress for other postemployment benefits, and 4) infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements.

Combining statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of King County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $6.1 billion, at the close of the most recent fiscal year, as shown below.

King County's Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 1,524,913	$ 1,344,764	$ 2,180,420	$ 2,032,013	$ 3,705,333	$ 3,376,777
Capital assets	3,160,561	3,062,261	6,046,506	5,968,158	9,207,067	9,030,419
Total Assets	4,685,474	4,407,025	8,226,926	8,000,171	12,912,400	12,407,196
Deferred Outflows of Resources	88,119	136,468	280,051	319,215	368,170	455,683
Liabilities						
Long-term liabilities	1,544,905	1,751,792	5,035,343	5,172,486	6,580,248	6,924,278
Other liabilities	206,158	176,344	244,241	241,759	450,399	418,103
Total Liabilities	1,751,063	1,928,136	5,279,584	5,414,245	7,030,647	7,342,381
Deferred Inflows of Resources	88,326	15,300	106,109	54,848	194,435	70,148
Net Position						
Net investment in capital assets	2,404,324	2,233,273	1,903,034	1,788,355	4,307,358	4,021,628
Restricted	767,889	701,966	278,438	244,689	1,046,327	946,655
Unrestricted	(238,009)	(335,182)	939,812	817,249	701,803	482,067
Total Net Position	$ 2,934,204	$ 2,600,057	$ 3,121,284	$ 2,850,293	$ 6,055,488	$ 5,450,350

By far, the largest portion of King County's net position, 71.1 percent, 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 do not represent amounts available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that 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, 17.3 percent or $1.0 billion, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $701.8 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 11.1 percent or $605.1 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities During the current fiscal year, net position for governmental activities increased $334.1 million, or 12.9 percent from the prior fiscal year for an ending balance of $2.9 billion. Net position invested in capital assets comprised 81.9 percent of total net position, or $2.4 billion, an increase from the prior year of $171.1 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 $767.9 million, including $246.2 million for future capital spending, $215.9 million dedicated to health and human services, and $101.4 million for law, safety and justice services.

Governmental activities accounted for 55.2 percent of the total improvement in net position of the County. The total revenues for governmental activities were $2.2 billion, an increase of 1.9 percent or $40.9 million from the prior year. Increases in retail sales and use taxes accounted for the largest portion, $27.8 million, followed by property taxes with $23.8 million. The increase in retail sales and use taxes was the result of incremental tax rate increases in 2017 earmarked for the general fund, E-911 services and mental illness and drug dependency programs. The increase in property taxes were due to prior year voter-approved levies taking effect in 2017 for public safety and other programs in the general fund.

Expenses for governmental activities during the year decreased in the aggregate by a net of 0.8 percent or $14.6 million. Culture and recreation expenses decreased by 36.2 percent due to the expiration of an agreement which required the County to transfer bond proceeds to the Cultural Development Authority through 2016 to fund public art. Interest and debt service costs decreased by 12.5 percent, the result of debt defeasances that took effect in 2017. Meanwhile, a 17.1 percent increase in spending occurred in transportation services as the County continued to catch up on deferred maintenance for the roads and bridges infrastructure.

Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	$ 811,062	$ 794,180	$ 1,055,751	$ 1,110,882	$ 1,866,813	$ 1,905,062
Operating grants and contributions	234,877	218,760	36,387	58,374	271,264	277,134
Capital grants and contributions	17,169	29,709	46,741	89,336	63,910	119,045
General revenues						
Property taxes	833,200	809,365	29,000	28,118	862,200	837,483
Retail sales and use taxes	226,695	198,941	591,088	567,128	817,783	766,069
Other taxes	21,992	59,973	—	—	21,992	59,973
Unrestricted interest earnings	16,167	11,830	12,147	10,286	28,314	22,116
Miscellaneous revenue	2,463	—	—	—	2,463	—
Total revenues	2,163,625	2,122,758	1,771,114	1,864,124	3,934,739	3,986,882
Expenses[a]						
General government[b] [c]	229,651	214,328	—	—	229,651	214,328
Law, safety and justice[b] [c]	574,938	572,925	—	—	574,938	572,925
Physical environment[b] [c]	20,784	21,046	—	—	20,784	21,046
Transportation[b]	103,509	88,394	—	—	103,509	88,394
Economic environment[b] [c]	187,712	226,291	—	—	187,712	226,291
Health and human services[c]	632,257	602,843	—	—	632,257	602,843
Culture and recreation[b] [c]	59,726	93,599	—	—	59,726	93,599
Interest and other debt service costs	25,987	29,714	—	—	25,987	29,714
Airport	—	—	23,830	26,304	23,830	26,304
Public transportation	—	—	883,804	848,622	883,804	848,622
Solid waste	—	—	105,597	132,386	105,597	132,386
Water quality	—	—	466,564	467,987	466,564	467,987
Other enterprise activities	—	—	15,029	14,773	15,029	14,773
Total expenses	1,834,564	1,849,140	1,494,824	1,490,072	3,329,388	3,339,212
Increase in net position before transfers and special items	329,061	273,618	276,290	374,052	605,351	647,670
Transfers	5,299	(4,265)	(5,299)	4,265	—	—
Special items	(213)	5,042	—	—	(213)	5,042
Increase in net position	334,147	274,395	270,991	378,317	605,138	652,712
Net position, beginning of year[d]	2,600,057	2,325,662	2,850,293	2,471,976	5,450,350	4,797,638
Net position, end of year	$ 2,934,204	$ 2,600,057	$ 3,121,284	$ 2,850,293	$ 6,055,488	$ 5,450,350

(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 $229.7 million in general government expense consists of $271.9 million in direct program expenses reduced by indirect charges of $42.3 million that was charged to the other benefiting functions.

(b) 2016 expenses in these functions were adjusted for the corresponding effects of the restatements of beginning net position mentioned in the footnote (d) below.

(c) 2016 expenses in these functions were adjusted due to a redefinition of functional components to make the classification more meaningful to County stakeholders. Also the 2016 function labels "public safety" and "mental and physical health" were replaced in 2017 by "law, safety and justice" and "health and human services", respectively.

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

Business-type Activities King County's business-type activities reported a net position of $3.1 billion, increasing by 9.5 percent or $271.0 million from the prior year. Of the total net position for business-type activities, 61.0 percent or $1.9 billion was invested in capital assets net of the related debt used to finance the acquisition or construction of these capital assets. Another 8.9 percent or $278.4 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 30.1 percent or $939.8 million is unrestricted net position which is available to meet ongoing obligations to customers, vendors, other creditors and employees.

Business-type activities' net position of $3.1 billion comprised 51.5 percent of the total County net position at the end of 2017. This resulted from an increase during 2017 which accounted for 44.8 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 decreased by 5.0 percent or $93.0 million over the prior year. Grants and contributions declined sharply at 37.7 percent and 47.7 percent for operating and capital, respectively. Charges for services declined by 5.0 percent. The drop in grant revenues was attributable to a tapering off of grant eligible spending on public transportation buses after the activity crested in early 2017. Only retail sales and use tax revenues showed a slight growth of 4.2 percent driven by favorable business conditions.

Business-type activities expenses stayed at about the same level over last year at $1.5 billion. Only public transportation had a notable increase in expenses at 4.1 percent. Expenses for solid waste and airport declined by 20.2 percent and 9.4 percent, respectively, while that for water quality dipped slightly by 0.3 percent over the prior year. The marked reduction in solid waste expenses in 2017 reflects a normalization in the trend coming off the 2016 period when there was a significant increase in expenses corresponding to an upward revision in the system-wide estimated closure and post-closure care liability. Another reason for the general decrease in expenses in 2017 was an across-the-board reduction in pension-related costs due to changes in actuarial assumptions in the main retirement plan.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use. It represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County Council.

At December 31, 2017, the County's governmental funds reported a combined fund balance of $967.1 million, an increase of 14.4 percent or $121.4 million in comparison with the prior year. Approximately 8.3 percent or $80.0 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, $11.4 million, 2) restricted for particular purposes, $785.4 million, 3) committed for particular purposes, $25.2 million, or assigned for particular purposes, $65.1 million.

The **General Fund** is the chief operating fund of the County. At the end of the 2017 fiscal year, total fund balance for the General Fund was $144.8 million. Unassigned fund balance totaled $98.4 million, an increase of 48.6 percent or $32.2 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 $729.7 million. The unassigned fund balance of $98.4 million represents 13.5 percent of total General Fund expenditures, compared to 9.3 percent in 2016 while the total fund balance of $144.8 million represents 19.8 percent of total expenditures in 2017, compared to 17.4 percent in 2016.

Fund balance of the General Fund increased by 17.2 percent or $21.3 million during 2017. The increase in fund balance was attributed to an overall increase to nearly all revenue streams. The notable increases occurred in property taxes and sales taxes by $10.4 million and $5.6 million, respectively, due to new levies and continued growth in consumer spending. In addition, miscellaneous revenue and charges for services increased by $7.4 million and $4.1 million, respectively, due to recent rate increases and additional revenue streams from new service offerings.

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 2017, it had a total fund balance of $57.3 million, a decrease of 21.4 percent or $15.6 million over the prior year.

The large decrease in fund balance in the current year was caused by an increase in expenditures owing to growth in service demand and an unanticipated revenue shortfall in grant funding. The increase of $40.4 million in expenditures were most notable in mental health services and substance abuse services with increases of $16.6 million and $20.2

million, respectively. Although revenues increased from last year by $17.6 million, many grants were not renewed or continued to help defray the increase in program costs.

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, 2017, the County's proprietary funds reported a combined net position of $3.0 billion, an increase of 9.1 percent or $250.6 million in compared to the prior year. The Public Transportation Enterprise net position increased 8.0 percent or $151.7 million while the net position of the Water Quality Enterprise improved by 8.9 percent or $57.2 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance and capital improvements of the County's public transportation system. At the end of 2017, the Public Transportation Enterprise had total net position of $2.0 billion of which 71.0 percent or $1.5 billion was invested in capital assets net of associated debt; 2.1 percent or $42.6 million was restricted for capital projects and debt service; while 26.9 percent or $550.9 million was unrestricted. Unrestricted net position increased from the prior year by 18.8 percent or $87.1 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 $591.1 million, or 58.4 percent of total revenues; passenger fares at $176.3 million, or 17.4 percent of total revenue; and service contracts at $151.3 million or 15.0 percent of total revenues. Total operating expenses increased by $46.5 million from the prior year, with personal services experiencing the largest increase at $16.3 million and internal services increasing by $12.9 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 2017, the Water Quality Enterprise reported total net position of $696.6 million of which 25.9 percent or $180.7 million was invested in capital assets net of the related debt; 33.9 percent or $235.9 million was restricted for debt service and regulatory assets and environmental liabilities; and the remaining 40.2 percent or $280.0 million was unrestricted. Changes in net position were largely due to increased sewage disposal, capacity charge and other operating revenues. The Enterprise also prevailed in a court judgment and agreed to a settlement which released it from a liability of $15.4 million in attorney's fees.

General Fund Budgetary Highlights

King County budgets on a biennial basis with each budget period beginning in an odd-numbered year. This is the first year of the 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 $14.4 million in unexpected revenues and $38.2 million in expenditures due to 2017 supplemental budget appropriations. The largest increases to estimated revenues occurred in intergovernmental revenues as a result of entering into additional contracts with other governments. Budget adjustments were made during the year to general government by $4.0 million; law, safety and justice by $17.8 million; health and human services by $4.5 million; capital outlay by $1.5 million; and transfers out by $10.4 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 revenue source, accounting for 41.9 percent. Charges for services, retail sales and use taxes and intergovernmental revenues are the other significant sources of revenues for the General Fund, with 18.4 percent, 16.5 percent and 14.6 percent of total actual revenues, respectively. The amount received for charges for services and intergovernmental revenues are dependent on corresponding services provided, thus, would fluctuate with the applicable programs and services offered. Retail sales and use taxes provide the most opportunity for growth, as it is dependent on increased spending, which increases with consumer confidence.

Sluggish revenue growth will be the prevalent pattern for the General Fund as it continues to face the challenges of state-imposed limitations on local property tax revenues. Capping property tax revenue growth so far below the rate of inflation and population growth (typically 3.0-3.5 percent per year) has led to continued reductions in General Fund and other county services, despite significant efficiencies achieved in recent years. The improved local economy and consumer confidence has the potential to boost General Fund revenues in future years, as these resources have fewer limitations on the amount that may be earned and on how they are spent.

The actual budgetary basis expenditures were $890.5 million less than the final appropriation. Public safety and general government appropriations comprise the majority of total actual expenditures at 68.2 percent and 17.1 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, 2017, amounted to $3.2 billion for governmental activities and $6.0 billion for business-type activities totaling $9.2 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 $176.6 million, net of depreciation.

Major capital asset events during 2017 included the following:

- Construction is underway on the voter-approved, $210.0 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 108 new buses during the year at a cost of $114.1 million. Water Quality brought new facilities into service during the year at a cost of $61.1 million. This includes buildings at a cost of $5.8 million and infrastructure at a cost of $41.6 million.

- Solid Waste Enterprise fully completed construction of the new Factoria Recycling and Transfer Station at a cost of $91.0 million in September 2017. The new facility replaced the 1960s-era Factoria Transfer Station with a larger, modern transfer station that meets current building and environmental standards, and that accommodates future growth in the region.

- Significant land acquisitions for Parks, Open Spaces and Flood Control were also made in 2017.

- 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. Currently, King County has spent $22.3 million on the project, and construction is anticipated to be completed in 2021.

A summary of the 2017 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	
	2017	2016		2017	2016	2017	2016
Land and land rights	$ 1,049.3	$ 1,016.9		$ 491.7	$ 485.8	$ 1,541.0	$ 1,502.7
Buildings*	538.7	566.3		1,828.5	1,820.5	2,367.2	2,386.8
Leasehold Improvements*	12.4	13.4		3.5	3.9	15.9	17.3
Improvements other than buildings*	51.3	60.1		235.9	199.3	287.2	259.4
Infrastructure - roads and bridges	1,106.2	1,101.4	**	—	—	1,106.2	1,101.4
Infrastructure - other*	26.7	21.9		1,672.3	1,682.7	1,699.0	1,704.6
Equipment, software and art collection*	99.6	108.5		1,281.2	1,255.6	1,380.8	1,364.1
Construction in progress	276.5	173.9	**	533.4	520.4	809.9	694.3
Total	$ 3,160.7	$ 3,062.4		$ 6,046.5	$ 5,968.2	$ 9,207.2	$ 9,030.6

* Net of depreciation/amortization

** Restated

Infrastructure

The County has elected to use the modified approach in reporting roads and bridges. Under the modified approach, capital assets are not depreciated because the presumption is that they will be preserved indefinitely. The condition of the assets is disclosed to provide evidence that established condition levels are being met. The rating scales for pavements (roads) and bridges and the results of the most recent condition assessments are further explained in the required supplementary information which follows the notes to the basic financial statements.

Condition assessments for roads are undertaken every three years using a pavement condition index (PCI). This is a 100-point scale numerical index that represents the pavement's functional condition based on the quantity, severity and type of visual distress. It is the policy of the King County Road Services Division to maintain at least 50 percent of the road system at a PCI of 40 or better. In the most recent condition assessment, more than two-thirds of the arterial and local access roads met the established condition level.

The County currently maintains 182 bridges. Physical inspections to uncover deficiencies are carried out at least every two years. A prioritization scale is maintained to determine which bridges are due for replacement or rehabilitation. The most significant criterion is the sufficiency rating which utilizes a 100-point priority scale based on various factors of bridge condition. The policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 6.5 percent will have a sufficiency rating of 20 or less. The most current complete assessment showed only six bridges at or below this threshold.

Debt Administration

At the end of 2017, King County had a total of $5.2 billion in debt outstanding. Of this amount, $1.9 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	$ 805.7	$ 849.4	$ 1,054.4	$ 1,077.0	$ 1,860.1	$ 1,926.4
Lease revenue bonds	—	18.4	—	—	—	18.4
GO capital leases [(a)]	8.8	—	—	—	8.8	—
Revenue bonds	—	—	3,155.9	3,170.4	3,155.9	3,170.4
State revolving loans	—	—	218.0	206.0	218.0	206.0
Total	$ 814.5	$ 867.8	$ 4,428.3	$ 4,453.4	$ 5,242.8	$ 5,321.2

(a) Beginning in 2017, NJB Properties, Inc. as a component unit of King County went from being blended to being discretely presented for financial reporting. As a result, the NJB Properties lease revenue bonds liability 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 is a limited tax general obligation.

Total debt decreased over the previous year by 1.5 percent or $78.4 million (a 6.1 percent or $53.3 million decrease for governmental activities and a 0.6 percent or $25.1 million decrease for business-type activities). Governmental activities' outstanding debt decreased primarily due to $69.9 million debt service payments offset by an increase of $33.3 million in new limited general obligation bond issuances.

Business-type activities' outstanding debt decreased primarily due to the issuance of $485.4 million in both new limited tax general obligation bonds and refunding sewer revenue bonds, with related net premiums and discounts of $51.4 million, offset by $90.6 million debt service payments and $440.4 million in defeased bonds. State revolving loans increased by $12.0 million.

During 2017, the County refinanced some of its existing business-type activities debt taking advantage of favorable interest rates. The County refinanced business-type debt in the amount of $159.7 million of sewer revenue bonds and $175.6 million of limited tax general obligation bonds payable from sewer revenue that is expected to decrease future aggregate debt service payments by $77.0 million over the life of the bonds.

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 $13.4 billion, significantly higher than the County's outstanding net general obligation long-term liabilities of $719.5 million. For metropolitan functions the debt limitation is also $13.4 billion and the County's outstanding net general obligation debt for metropolitan functions is $880.1 million.

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

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

A broad-based economic recovery continues in the United States. Retail sales increased 4.5 percent throughout 2017. Stock market values, relatively flat in 2015 and most of 2016, soared following the November 2016 election at least in part due to the prospect of a friendlier corporate earnings environment. This trend continued throughout 2017, punctuated in December by cuts to corporate and personal income taxes. Personal income is growing steadily, and corporate profits are strong. The housing market is flourishing and real manufacturing output is at an all-time high. The Blue Chip consensus forecast is for a 2.8 percent growth in real GDP in 2018.

Items of note within King County:

- King County's unemployment rate is now at 4.2 percent (as of January 2018), lower than state and national unemployment rates, which are 4.7 percent and 4.1 percent, respectively. 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. It continues to build the 737 MAX in Renton, a plane they have received over 4,300 orders for as of March 2018.

- In the years since the Great Recession, County taxable retail sales have rebounded thanks to growing incomes, enhanced consumer confidence, strong employment, and a booming construction sector. Local retail sales tax collections grew 7.9 percent in 2014, 8.8 percent in 2015, 7.7 percent in 2016, and 5.2 percent in 2017.

- King County's first ever master labor agreement was reached in May 2018, indicating a strong partnership with employees.

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

REQUESTS FOR INFORMATION

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

CAFR

Comprehensive Annual Financial Report

January 1 - December 31, 2017 King County, WA

Basic Financial Statements

CAFR

Comprehensive Annual Financial Report

STATEMENT OF NET POSITION
DECEMBER 31, 2017
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,300,353	$ 1,672,068	$ 2,972,421	$ 333,680
Investments	2,670	—	2,670	32,456
Receivables, net	228,650	266,530	495,180	173,217
Internal balances	(82,876)	82,876	—	—
Inventories	2,262	32,372	34,634	11,909
Prepayments and other assets	11,127	5,980	17,107	19,580
Net pension asset	49,475	—	49,475	—
Capital assets:				
Nondepreciable assets	2,442,405	1,022,534	3,464,939	16,446
Depreciable assets, net	718,156	5,023,972	5,742,128	273,731
Net investment in capital lease	—	—	—	8,843
Deposits with other governments	—	—	—	600
Regulatory assets - environmental remediation	—	116,750	116,750	—
Other assets	13,252	3,844	17,096	24,448
TOTAL ASSETS	4,685,474	8,226,926	12,912,400	894,910
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refunding	21,014	231,731	252,745	—
Deferred outflows on pensions	67,105	48,320	115,425	303
TOTAL DEFERRED OUTFLOWS OF RESOURCES	88,119	280,051	368,170	303
LIABILITIES				
Accounts payable and other current liabilities	139,161	142,397	281,558	83,626
Accrued liabilities	42,158	92,120	134,278	49,763
Unearned revenues	24,839	9,724	34,563	13,299
Noncurrent liabilities:				
Due within one year	131,875	151,470	283,345	2,338
Due in more than one year	1,413,030	4,883,873	6,296,903	27,296
TOTAL LIABILITIES	1,751,063	5,279,584	7,030,647	176,322
DEFERRED INFLOWS OF RESOURCES				
Advanced grants	47	—	47	—
Deferred inflows on pensions	88,279	59,859	148,138	226
Rate stabilization	—	46,250	46,250	—
TOTAL DEFERRED INFLOWS OF RESOURCES	88,326	106,109	194,435	226
NET POSITION				
Net investment in capital assets	2,404,324	1,903,034	4,307,358	290,062
Restricted for:				
Capital projects	246,181	30,336	276,517	—
Debt service	—	174,325	174,325	—
General government	30,614	—	30,614	—
Law, safety and justice	101,373	—	101,373	—
Physical environment	18,482	—	18,482	—
Transportation	64,639	—	64,639	—
Economic environment	66,552	—	66,552	—
Health and human services	215,910	—	215,910	—
Culture and recreation	21,518	—	21,518	—
Regulatory assets and environmental liabilities	—	73,777	73,777	—
Expendable	—	—	—	49,171
Nonexpendable	2,620	—	2,620	2,632
Unrestricted	(238,009)	939,812	701,803	376,800
TOTAL NET POSITION	$ 2,934,204	$ 3,121,284	$ 6,055,488	$ 718,665

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$ 271,920	$ (42,269)	$ 140,081	$ 21,260	$ 7,758	$ (60,552)	$ —	$ (60,552)	$ —
Law, safety and justice	573,433	1,505	158,375	32,210	2	(384,351)	—	(384,351)	—
Physical environment	20,254	530	37,316	5,582	—	22,114	—	22,114	—
Transportation	101,343	2,166	3,123	24,658	5,255	(70,473)	—	(70,473)	—
Economic environment	184,639	3,073	71,750	50,913	1,708	(63,341)	—	(63,341)	—
Health and human services	625,388	6,869	391,338	100,143	440	(140,336)	—	(140,336)	—
Culture and recreation	58,514	1,212	9,079	111	2,006	(48,530)	—	(48,530)	—
Interest and other debt service costs	25,987	—	—	—	—	(25,987)	—	(25,987)	—
Total governmental activities	1,861,478	(26,914)	811,062	234,877	17,169	(771,456)	—	(771,456)	—
Business-type activities:									
Airport	23,428	402	20,965	1	1,368	—	(1,496)	(1,496)	—
Public Transportation	864,278	19,526	355,548	35,750	41,064	—	(451,442)	(451,442)	—
Solid Waste	102,895	2,702	143,524	181	—	—	38,108	38,108	—
Water Quality	462,554	4,010	524,439	—	—	—	57,875	57,875	—
Institutional Network	2,445	60	3,004	—	—	—	499	499	—
Marine	7,927	185	2,678	455	4,309	—	(670)	(670)	—
Radio Communications Services	4,383	29	5,593	—	—	—	1,181	1,181	—
Total business-type activities	1,467,910	26,914	1,055,751	36,387	46,741	—	(355,945)	(355,945)	—
Total primary government	$ 3,329,388	$ —	$ 1,866,813	$ 271,264	$ 63,910	$ (771,456)	$ (355,945)	$(1,127,401)	$ —
Component Units	$ 1,009,117		$ 992,694	$ 16,624	$ 892				$ 1,093
	General revenues:								
	Property taxes					$ 833,200	$ 29,000	$ 862,200	$ —
	Retail sales and use taxes					226,695	591,088	817,783	—
	Business and other taxes					21,992	—	21,992	—
	Interest earnings					16,167	12,147	28,314	(839)
	Miscellaneous revenues					2,463	—	2,463	—
	Transfers					5,299	(5,299)	—	—
	Special item					(213)	—	(213)	—
	Total general revenues, transfers and special item					1,105,603	626,936	1,732,539	(839)
	Change in net position					334,147	270,991	605,138	254
	Net position - January 1, 2017 (Restated)					2,600,057	2,850,293	5,450,350	718,411
	Net position - December 31, 2017					$ 2,934,204	$ 3,121,284	$ 6,055,488	$ 718,665

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(IN THOUSANDS)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	$ 85,179	$ 66,743	$ 801,554	$ 953,476
Investments	—	—	2,670	2,670
Taxes receivable-delinquent	8,086	55	8,542	16,683
Accounts receivable, net	17,237	1,900	29,833	48,970
Interest receivable	14,323	—	—	14,323
Due from other funds	1,489	78	3,832	5,399
Due from other governments, net	64,207	3,279	79,102	146,588
Inventory	—	—	834	834
Prepayments	—	—	7,914	7,914
Advances to other funds	—	—	4,000	4,000
Notes receivable	—	—	13,253	13,253
TOTAL ASSETS	$ 190,521	$ 72,055	$ 951,534	$ 1,214,110
LIABILITIES				
Accounts payable	$ 4,561	$ 12,610	$ 88,903	$ 106,074
Due to other funds	4,944	208	6,063	11,215
Interfund short-term loans payable	—	—	15,144	15,144
Due to other governments	2,025	—	8,279	10,304
Wages payable	19,720	605	11,005	31,330
Taxes payable	147	1	96	244
Unearned revenues	—	1,309	23,119	24,428
Custodial accounts	1,589	—	6,404	7,993
Advances from other funds	—	—	17,679	17,679
TOTAL LIABILITIES	32,986	14,733	176,692	224,411
DEFERRED INFLOWS OF RESOURCES				
Advanced grants	—	—	47	47
Unavailable revenue-property taxes	6,472	40	6,553	13,065
Unavailable revenue-other receivables	6,293	—	3,234	9,527
TOTAL DEFERRED INFLOWS OF RESOURCES	12,765	40	9,834	22,639
FUND BALANCES				
Nonspendable	—	—	11,367	11,367
Restricted	2,016	57,282	726,107	785,405
Committed	25,161	—	43	25,204
Assigned	19,181	—	45,905	65,086
Unassigned	98,412	—	(18,414)	79,998
TOTAL FUND BALANCES	144,770	57,282	765,008	967,060
TOTAL LIABILIITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 190,521	$ 72,055	$ 951,534	$ 1,214,110

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances - governmental funds	$ 967,060
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	3,110,079
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	128,253
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	83,821
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,355,009)
Net position of governmental activities	$ 2,934,204

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, 2017
(IN THOUSANDS)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes:				
Property taxes	$ 344,847	$ 3,259	$ 485,319	$ 833,425
Retail sales and use taxes	134,140	—	92,555	226,695
Business and other taxes	4,295	14	17,684	21,993
Licenses and permits	7,783	—	20,470	28,253
Intergovernmental revenues	21,304	25,589	187,181	234,074
Charges for services	257,517	256,419	243,681	757,617
Fines and forfeits	25,754	—	615	26,369
Interest earnings	8,114	767	5,848	14,729
Miscellaneous revenues	18,191	919	29,087	48,197
TOTAL REVENUES	821,945	286,967	1,082,440	2,191,352
EXPENDITURES				
Current:				
General government	218,379	—	35,786	254,165
Law, safety and justice	471,092	—	133,621	604,713
Physical environment	—	—	24,470	24,470
Transportation	—	—	107,082	107,082
Economic environment	503	—	188,886	189,389
Health and human services	38,560	305,591	302,688	646,839
Culture and recreation	—	—	57,508	57,508
Debt service:				
Principal	—	—	63,702	63,702
Interest and other debt service costs	75	—	33,487	33,562
Capital outlay	1,138	—	154,057	155,195
TOTAL EXPENDITURES	729,747	305,591	1,101,287	2,136,625
Excess (deficiency) of revenues over (under) expenditures	92,198	(18,624)	(18,847)	54,727
OTHER FINANCING SOURCES (USES)				
Transfers in	13,255	5,477	349,885	368,617
Transfers out	(84,358)	(2,428)	(262,071)	(348,857)
General government debt issued	—	—	33,325	33,325
Premium on general government bonds issued	—	—	5,037	5,037
Sale of capital assets	168	—	4,841	5,009
Insurance recoveries	—	—	3,538	3,538
TOTAL OTHER FINANCING SOURCES (USES)	(70,935)	3,049	134,555	66,669
Net change in fund balances	21,263	(15,575)	115,708	121,396
Fund balances - beginning	125,479	72,857	648,320	846,656
Prior period adjustment	(1,972)	—	980	(992)
Fund balances - ending	$ 144,770	$ 57,282	$ 765,008	$ 967,060

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, 2017
(IN THOUSANDS)

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	121,396
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.		109,269
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.		(9,175)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		7,937
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.		25,339
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.		52,790
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.		26,591
Change in net position of governmental activities	$	334,147

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017
(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	$ 810,548	$ 366,227	$ 120,050	$ 1,296,825	$ 361,020
Restricted cash and cash equivalents	4,577	2,481	16,595	23,653	274
Accounts receivable, net	24,172	57,767	14,962	96,901	2,049
Due from other funds	2,719	2,087	882	5,688	4,378
Interfund short-term loans receivable	—	—	—	—	15,144
Property tax receivable-delinquent	408	—	75	483	—
Due from other governments	163,561	—	5,559	169,120	37
Inventory of supplies	20,960	9,531	1,876	32,367	1,433
Prepayments and other assets	254	579	196	1,029	3,215
Total current assets	1,027,199	438,672	160,195	1,626,066	387,550
Noncurrent assets					
Restricted assets:					
Cash and cash equivalents	42,532	242,406	52,238	337,176	—
Due from other governments	26	—	—	26	—
Total restricted assets	42,558	242,406	52,238	337,202	—
Capital assets:					
Nondepreciable assets	280,768	649,011	92,755	1,022,534	17,442
Depreciable assets, net	1,249,310	3,428,774	336,094	5,014,178	42,836
Total capital assets	1,530,078	4,077,785	428,849	6,036,712	60,278
Other noncurrent assets:					
Prepayments	4,952	—	—	4,952	—
Notes receivable	356	—	—	356	—
Advances to other funds	—	—	—	—	13,679
Regulatory and other utility assets, net of amortization	—	116,750	—	116,750	—
Other assets:	—	3,488	—	3,488	—
Total other noncurrent assets	5,308	120,238	—	125,546	13,679
Total noncurrent assets	1,577,944	4,440,429	481,087	6,499,460	73,957
TOTAL ASSETS	2,605,143	4,879,101	641,282	8,125,526	461,507
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on refunding	2,588	227,851	1,292	231,731	—
Deferred outflows on pensions	38,484	5,767	4,069	48,320	9,341
TOTAL DEFERRED OUTFLOWS OF RESOURCES	41,072	233,618	5,361	280,051	9,341

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017
(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	$ 89,388	$ 34,827	$ 10,923	$ 135,138	$ 13,049
Retainage payable	673	2,481	3,361	6,515	19
Estimated claim settlements	—	—	—	—	52,638
Due to other funds	3,648	25	412	4,085	167
Due to other governments	—	—	11	11	—
Interest payable	274	66,590	620	67,484	42
Wages payable	19,235	3,080	2,315	24,630	4,947
Compensated absences payable	9,843	669	639	11,151	894
Taxes payable	11	16	368	395	11
Unearned revenues	7,251	2,325	148	9,724	413
Pollution remediation	—	6,627	—	6,627	—
General obligation bonds payable	12,250	29,340	6,640	48,230	5,465
Revenue bonds payable	—	55,535	—	55,535	—
Capital leases payable	133	—	—	133	—
State revolving loan payable	—	15,690	—	15,690	—
Landfill closure and post-closure care	—	—	13,207	13,207	—
Other liabilities	—	—	897	897	2,062
Total current liabilities	142,706	217,205	39,541	399,452	79,707
Noncurrent liabilities					
Compensated absences payable	41,572	10,596	5,495	57,663	16,002
Other postemployment benefits	11,262	1,631	1,359	14,252	2,645
Net pension liability	289,836	35,112	24,761	349,709	59,463
General obligation bonds payable	66,427	755,018	184,756	1,006,201	5,850
Revenue bonds payable	—	3,100,316	—	3,100,316	—
Capital leases payable	2,381	—	—	2,381	—
State revolving loans payable	—	202,354	—	202,354	—
Landfill closure and post-closure care	—	—	109,675	109,675	—
Estimated claim settlements	—	—	—	—	106,035
Pollution remediation	593	39,833	256	40,682	—
Other liabilities	—	—	640	640	—
Total noncurrent liabilities	412,071	4,144,860	326,942	4,883,873	189,995
TOTAL LIABILITIES	554,777	4,362,065	366,483	5,283,325	269,702
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on rate stabilization	—	46,250	—	46,250	—
Deferred inflows on pensions	46,512	7,825	5,522	59,859	12,184
TOTAL DEFERRED INFLOWS OF RESOURCES	46,512	54,075	5,522	106,109	12,184
NET POSITION					
Net investment in capital assets	1,451,476	180,727	261,037	1,893,240	48,963
Restricted for:					
Capital projects	30,336	—	—	30,336	255
Debt service	12,222	162,103	—	174,325	—
Regulatory assets and environmental liabilities	—	73,777	—	73,777	—
Unrestricted	550,892	279,972	13,601	844,465	139,744
TOTAL NET POSITION	$ 2,044,926	$ 696,579	$ 274,638	3,016,143	$ 188,962
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				105,141	
Net position of business-type activities				$ 3,121,284	

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, 2017
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR-TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
I-Net fees	$ —	$ —	$ 3,003	$ 3,003	$ —
Airfield fees	—	—	4,100	4,100	—
Hangar, building and site rentals and leases	—	—	16,486	16,486	—
Radio services	—	—	5,332	5,332	—
Solid waste disposal charges	—	—	134,291	134,291	—
Passenger fares	176,338	—	2,621	178,959	—
Service contracts	151,322	—	—	151,322	—
Sewage disposal fees	—	401,650	—	401,650	—
Other operating revenues	27,485	100,923	8,873	137,281	564,656
TOTAL OPERATING REVENUES	355,145	502,573	174,706	1,032,424	564,656
OPERATING EXPENSES					
Personal services	497,281	49,160	56,883	603,324	135,083
Materials and supplies	70,461	17,880	9,501	97,842	11,961
Contract services and other charges	44,767	19,075	23,893	87,735	313,567
Utilities	5,610	16,974	3,567	26,151	—
Purchased transportation	62,007	—	—	62,007	—
Internal services	86,154	39,174	23,273	148,601	28,674
Environmental related amortization	—	4,242	—	4,242	—
Depreciation and amortization	130,203	172,779	18,501	321,483	11,058
TOTAL OPERATING EXPENSES	896,483	319,284	135,618	1,351,385	500,343
OPERATING INCOME (LOSS)	(541,338)	183,289	39,088	(318,961)	64,313
NONOPERATING REVENUES					
Sales tax	591,088	—	—	591,088	—
Property tax	23,257	—	5,743	29,000	—
Intergovernmental	35,750	—	—	35,750	—
Interest earnings	6,236	4,386	1,426	12,048	1,536
Other nonoperating revenues	403	21,780	1,695	23,878	3
TOTAL NONOPERATING REVENUES	656,734	26,166	8,864	691,764	1,539
NONOPERATING EXPENSES					
Interest	1,045	128,137	2,765	131,947	949
Loss (Gain) on disposal of capital assets	(571)	4,250	1,575	5,254	(439)
Landfill closure and post-closure care	—	—	5,112	5,112	—
Other nonoperating expenses	622	19,107	1,667	21,396	87
TOTAL NONOPERATING EXPENSES	1,096	151,494	11,119	163,709	597
Income before contributions, transfers and special item	114,300	57,961	36,833	209,094	65,255
Capital grants and contributions	41,064	—	5,698	46,762	2,852
Transfers in	17	—	471	488	1,514
Transfers out	(3,724)	(741)	(1,235)	(5,700)	(16,062)
Special item	—	—	—	—	(6,621)
CHANGE IN NET POSITION	151,657	57,220	41,767	250,644	46,938
NET POSITION - JANUARY 1, 2017 (RESTATED)	1,893,269	639,359	232,871		142,024
NET POSITION - DECEMBER 31, 2017	$ 2,044,926	$ 696,579	$ 274,638		$ 188,962
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				20,347	
Change in net position of business-type activities				$ 270,991	

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

CAFR

Comprehensive Annual Financial Report

January 1 - December 31, 2017 King County, WA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$ 367,545	$ 492,400	$ 171,571	$ 1,031,516	$ 566,226
Cash payments to suppliers	(270,749)	(90,653)	(58,564)	(419,966)	(374,785)
Cash payments for employee services	(514,563)	(54,953)	(58,734)	(628,250)	(139,344)
Other receipts	—	12,500	750	13,250	5,042
Other payments	—	(22,661)	(1,667)	(24,328)	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(417,767)	336,633	53,356	(27,778)	57,139
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	639,035	—	6,681	645,716	—
Interfund loan principal amounts loaned to other funds	—	—	—	—	(15,144)
Interfund loan principal repayments from other funds	—	—	—	—	38,567
Interfund advance principal loaned to other funds	—	—	—	—	(13,679)
Interfund advance principal repayments from other funds	—	—	—	—	13,880
Grants to others	(21)	(425)	—	(446)	—
Transfers in	17	—	471	488	1,514
Transfers out	(3,724)	(741)	(1,235)	(5,700)	(16,062)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	635,307	(1,166)	5,917	640,058	9,076
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(169,658)	(175,138)	(47,279)	(392,075)	(8,557)
Proceeds from capital debt	—	76,471	35,616	112,087	—
Principal paid on capital debt	(11,856)	(86,944)	(5,785)	(104,585)	(9,815)
Interest paid on capital debt	(3,532)	(157,869)	(7,424)	(168,825)	(880)
Cash payments for bond defeasance	—	(5,394)	—	(5,394)	—
Capital grants and contributions	83,640	—	2,505	86,145	—
Other capitalized payments	—	—	(2,292)	(2,292)	—
Proceeds from disposal of capital assets	1,217	62	498	1,777	758
Landfill closure and post-closure care	—	—	(8,507)	(8,507)	—
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(100,189)	(348,812)	(32,668)	(481,669)	(18,494)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	6,236	4,386	1,426	12,048	1,527
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,236	4,386	1,426	12,048	1,527
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	123,587	(8,959)	28,031	142,659	49,248
CASH AND CASH EQUIVALENTS - JANUARY 1, 2017	734,070	620,073	160,852	1,514,995	312,046
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2017	$ 857,657	$ 611,114	$ 188,883	$ 1,657,654	$ 361,294

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, 2017
(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)	$ (541,338)	$ 183,289	$ 39,088	$ (318,961)	$ 64,313
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	130,203	172,779	18,501	321,483	11,058
Other nonoperating revenues (expenses)	402	22,358	(917)	21,843	—
(Increases) decreases in assets:					
Accounts receivable, net	5,169	(13,011)	(3,003)	(10,845)	(590)
Due from other funds	250	(92)	83	241	(2,963)
Due from other governments, net	6,371	—	(376)	5,995	245
Inventory	(85)	(771)	226	(630)	195
Prepayments	280	(265)	(18)	(3)	678
Other assets	50	(6,963)	—	(6,913)	—
(Increases) decreases in deferred outflows of resources:					
Deferred outflows on pensions and refunding	21,739	4,082	2,824	28,645	5,727
Increases (decreases) in liabilities:					
Accounts payable	(5,595)	3,393	1,715	(487)	(359)
Retainage payable	—	82	(77)	5	10
Due to other funds	3,648	9	(76)	3,581	(850)
Wages payable	3,158	134	116	3,408	336
Taxes payable	7	2	(52)	(43)	7
Unearned revenues	158	(269)	38	(73)	—
Claims and judgments payable	—	—	—	—	(10,687)
Compensated absences	463	(208)	296	551	227
Other postemployment benefits	359	48	41	448	85
Net pension liability	(83,008)	(16,457)	(9,773)	(109,238)	(20,990)
Customer deposits and other liabilities	(6)	(18,115)	75	(18,046)	343
Increases (decreases) in deferred inflows of resources:					
Deferred inflows on pension	40,008	6,608	4,645	51,261	10,354
Total adjustments	123,571	153,344	14,268	291,183	(7,174)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (417,767)	$ 336,633	$ 53,356	$ (27,778)	$ 57,139

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Public Transportation capital grants on account decreased by $42.6 million in 2017.

Water Quality issued bonds in 2017 to refund debt issued from 2008 to 2011. The $356.4 million of bond proceeds and $6.5 million of cash payments by Water Quality were placed in escrow for the defeasance of $335.3 million of outstanding bond principal and $30.5 million of interest.

Nonmajor Enterprise Funds received $21 thousand of capital assets from other funds.

Internal Service Funds received $2,852 thousand of capital assets from other funds and transferred $87 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, 2017
(IN THOUSANDS)

	INVESTMENT TRUST FUNDS	AGENCY FUNDS*
ASSETS		
Cash and cash equivalents	$ —	$ 190,998
Investments	3,477,614	9,083
Taxes receivable - delinquent	—	69,081
Accounts receivable	—	12,780
Interest receivable	3,545	—
Assessments receivable	—	3,340
Notes and contracts receivable	—	51
TOTAL ASSETS	$ 3,481,159	$ 285,333
LIABILITIES		
Warrants payable	$ —	$ 43,846
Accounts payable	—	2,711
Wages payable	—	17,267
Custodial accounts - County agencies	—	108,010
Due to special districts/other governments	—	113,499
TOTAL LIABILITIES	—	$ 285,333
NET POSITION		
Held in trust for pool participants	$ 3,481,159	

*Special Districts' residual cash balances invested in the County-managed external investment pool are no longer reported in the Agency Funds statements as these resources are reported in the aggregate as investments in the Investment Trust Funds.

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, 2017

(IN THOUSANDS)

	INVESTMENT TRUST FUNDS
ADDITIONS	
Contributions	$ 7,925,383
Net investment earnings:	
Interest	37,011
(Decrease) in the fair value of investments	(10,309)
TOTAL ADDITIONS	7,952,085
DEDUCTIONS	
Distributions	7,521,975
TOTAL DEDUCTIONS	7,521,975
Change in net position	430,110
Net position - January 1, 2017	3,051,049
Net position - December 31, 2017	$ 3,481,159

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

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2017
(IN THOUSANDS)

	Harborview Medical Center	Cultural Development Authority	NJB Properties	Total
ASSETS				
Cash and cash equivalents	$ 305,944	$ 27,697	$ 39	$ 333,680
Investments	—	32,456	—	32,456
Receivables, net	173,192	15	10	173,217
Inventories	11,909	—	—	11,909
Prepayments	19,260	313	7	19,580
Nondepreciable assets	16,446	—	—	16,446
Depreciable assets, net of depreciation	273,731	—		273,731
Net investment in capital lease	—	—	8,843	8,843
Deposits with other governments	600	—	—	600
Other assets	23,474	94	880	24,448
TOTAL ASSETS	824,556	60,575	9,779	894,910
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on pensions	—	303	—	303
TOTAL DEFERRED OUTFLOWS OF RESOURCES	—	303	—	303
LIABILITIES				
Accounts payable and other current liabilities	83,179	437	10	83,626
Accrued liabilities	49,462	—	301	49,763
Unearned revenues	—	13,299	—	13,299
Noncurrent liabilities:				
Due within one year	801	1,262	275	2,338
Due in more than one year	11,987	6,717	8,592	27,296
TOTAL LIABILITIES	145,429	21,715	9,178	176,322
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	—	226	—	226
TOTAL DEFERRED INFLOWS OF RESOURCES	—	226	—	226
NET POSITION				
Net investment in capital assets	290,062	—	—	290,062
Restricted for:				
Expendable	10,234	38,937	—	49,171
Nonexpendable	2,632	—	—	2,632
Unrestricted	376,199	—	601	376,800
TOTAL NET POSITION	$ 679,127	$ 38,937	$ 601	$ 718,665

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

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$ 992,514	$ 992,041	$ 6,389	$ 892	$ 6,808	$ —	$ —	$ 6,808
Cultural Development Authority	16,470	73	10,235	—	—	(6,162)	—	(6,162)
NJB Properties	133	580	—	—	—	—	447	447
Total Component Units	$ 1,009,117	$ 992,694	$ 16,624	$ 892	$ 6,808	$ (6,162)	$ 447	$ 1,093
General revenues:								
Payments to King County for debt service interest					$ —	$ (932)	$ (503)	$ (1,435)
Interest earnings					—	584	12	596
Net general revenues					—	(348)	(491)	(839)
Change in net position					6,808	(6,510)	(44)	254
Net position - January 1, 2017					672,319	45,447	645	718,411
Net position - December 31, 2017					$ 679,127	$ 38,937	$ 601	$ 718,665

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

CAFR

Comprehensive Annual Financial Report

January 1 - December 31, 2017 King County, WA

Notes to the Financial Statements

For the Year Ended December 31, 2017

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.

Reporting Entity Change

A reevaluation of component units in the light of GASB Statement 61 *The Financial Reporting Entity: Omnibus* and the more recent GASB Statement 80 *Blending Requirements for Certain Component Units* has resulted in a change in the definition of the King County reporting entity. In 2016, the County reported the Building Development and Management Corporations as a blended internal service fund. This fund aggregated the reporting of CDP-King County III, Inc. and NJB Properties, two nonprofit corporations that have separate lease agreements with the County for buildings financed using 63-20 bonds (in accordance with Revenue Ruling 63-20 and Revenue Procedure 82-26). This year the two nonprofit corporations were evaluated for component unit status separately. It was reaffirmed that both nonprofit corporations are component units because they are fiscally dependent on the County and they create a financial burden to the County. Because CDP-King County III, Inc. provides services exclusively to King County, it will continue to be reported as a blended internal service fund. However, because NJB Properties provides service almost exclusively to Harborview Medical Center, a discrete component unit of the County, NJB Properties qualifies for discrete presentation. The change in reporting entity resulted in a prior period adjustment to net position in the financial statements and is disclosed in Note 18 - *Components of Fund Balance, Changes in Equity and Restrictions*.

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 2017, FCD reimbursed the County $43.6 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, 701 Dexter Ave. N, Suite 404, Seattle, WA 98109.

CDP-King County III, Inc.

King County has a project lease agreement with CDP-King County III, Inc. a Washington State nonprofit corporation, which provided for the design and construction of the King Street Center Building in accordance with IRS Revenue Ruling 63-20 and Revenue Procedure 82-26. The building was financed through bonds issued by CDP-King County III, Inc. on behalf of the County. The building is 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. In June, 2017 King County refinanced the remaining bond liability of the nonprofit corporation and assumed full ownership of the building.

CDP-King County III, Inc. 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 CDP-King County III, Inc. provides services exclusively to County departments, it is reported using the blending method. Separately issued and audited financial statements for CDP-King County III, Inc. may be obtained from the National Development Council, 1218 Third Avenue, Suite 1403, Seattle, WA 98101.

<u>Component Units – Discretely Presented</u>

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, 2017, including bonds reported by HMC as of June 30, 2017.

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, 2017, 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 2017, the WDC reimbursed King County approximately $2.3 million for the Employment and Education Resource Program in eligible program costs. King County has a $100 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 is part of the King County Mental Health Regional Support Network and provides for the operations of the involuntary treatment program, the provision of mental health services for children and adults, community services for these individuals and criminal justice-related programs to reduce jail populations. Its main sources of funding are federal and state grants, charges for services and property taxes.

The Health major fund reported in 2016 is a roll-up of Behavioral Health, Public Health and Environmental Health into the "Health" mission. In 2017, the "Health" fund was broken down to its components for fund-based reporting. Only Behavioral Health was determined to be a major governmental fund. Public Health and Environmental Health are now reported with the aggregate nonmajor funds.

Major Enterprise Funds

The County reports the following major enterprise funds:

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

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

Nonmajor Governmental Funds

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

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

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

Nonmajor Governmental Funds Level of Detail Change

In previous years the nonmajor special revenue and capital projects funds, except blended component units, were reported as higher level aggregations of individual funds based on the strategic planning missions of the County that the funds aligned with; namely, Justice and Safety, Human Potential, Economic Growth, Built Environment, Environmental Sustainability, Service Excellence, and Public Engagement. In 2017, the higher level presentation was eliminated and the combining special revenue and capital projects funds now show the balances and activity of the individual legal funds as adjusted for generally accepted accounting principles.

Nonmajor Proprietary Funds

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

Internal Service and Fiduciary Funds

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

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

King County reports two major classifications of Agency Funds: (1) those used with the operations of county government, 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.

Measurement Focus and Basis of Accounting

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

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

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

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

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

New Accounting Standards

GASB Statement No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* It establishes financial reporting requirements for defined benefit pensions that are provided to employees of state and local governmental employers and that are not administered through trusts or equivalent arrangements and therefore outside the scope of Statement No. 68. This new GASB statement was considered by the County in 2017 and determined it was not applicable.

GASB Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* GASB Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefit (OPEB) plans other than pension plans. It also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements. This new GASB statement was considered by the County in 2017 and determined it was not applicable.

GASB Statement No. 80 - *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14.* GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This new GASB statement was adopted by the County in 2017.

GASB Statement No. 81 - *Irrevocable Split-Interest Agreements* establishes recognition and measurement requirements for irrevocable split-interest agreements. This new GASB statement was considered by the County in 2017 and determined it was not relevant and/or material to King County.

GASB Statement No. 82 - *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.* GASB Statement No. 82 amends the definition of covered payroll for pensions reported in required supplementary information. Instead of presenting covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, the required supplementary information will present covered payroll, defined as the payroll on which contributions to a pension plan are based. This new GASB statement was adopted by the County in 2017.

Terminology

Expenditure Functions

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 and other improvements.

The County elects to use the modified approach for reporting infrastructure assets in lieu of the depreciation method because it is committed to maintaining the roads and bridges infrastructure indefinitely. The County is eligible to use the modified approach because it has an asset management system in place that allows for periodic monitoring of the infrastructure to ensure that assets are maintained and preserved at the predetermined condition level set by the Road Services Division. The asset management system tracks the mileage, condition and the actual and planned maintenance and preservation costs of individual infrastructure assets.

Certain equipment and facilities used in the Solid Waste Enterprise landfill closure and post-closure activities are not reported as capital assets. Instead, the liability for landfill post-closure care is reduced by these costs.

Interest incurred during the construction phase of capital assets in enterprise funds is included as part of the capitalized value of the assets constructed. This year total interest expenses incurred and capitalized were $158.9 million and $19.1 million, respectively.

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 2 - 14	$5,000
February 15 - March 9	$50,000
March 10 - 20	$100,000
March 21 - April 23	$1,000,000

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

Unearned Revenues

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

Long-term Obligations (See Note 15 - “Debt”)

Long-term debt and other long-term obligations are reported in the applicable accrual basis statements of net position. Bond premiums and discounts, refunding gains and losses, are deferred and amortized over the life of the bonds using outstanding principal balance method. Bonds payable are reported net of the applicable premium or discount. Refunding losses are reported as deferred outflows of resources while refunding gains are reported as deferred inflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and bond issuance costs in the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service 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. Because investment yields of the County’s Investment Pool remained at low-levels during 2017, interest earned on bond proceeds was insignificant. The County had no arbitrage liability at December 31, 2017.

Net Pension Liability

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The government only has two items that qualifies for reporting in this category. They are the deferred charge on refunding and deferred outflow of resources for pensions reported in the government-wide

Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources for pensions results from contributions subsequent to the measurement date, difference between projected and actual investment earnings, difference between expected and actual experience, changes in actuarial assumptions and changes in proportions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three types of items that qualify for reporting in this category. The *deferred inflows of resources* reported in the business-type activities and proprietary funds represent sewer revenues that are reserved annually to normalize future sewer rates (see Rate Stabilization, p. 47). The deferred inflows of resources on pensions are reported in the government-wide Statement of Net Position.

The deferred inflows of resources on pensions results from contributions subsequent to the measurement date, difference between projected and actual investment earnings, difference between expected and actual experience, changes in actuarial assumptions and changes in proportions. The *deferred inflows of resources*-advanced grants is reported on the government-wide Statement of Net Position and the governmental funds Balance Sheet, representing grants received before meeting time requirements, but after all other eligibility requirements have been met. The *deferred inflows of resources*-unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, district court receivables and abatement receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

<u>Net Position Flow Assumption</u>

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.

<u>Fund Balance Flow Assumptions</u>

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.

<u>Fund Balance Policies</u>

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

Allocating Indirect Expense to Functions

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses that have been allocated from general government to various functional activities are reported in a separate column.

Compensated Absences

Eligible King County employees earn 12 days of sick leave and 12 to 30 days of vacation per year. An unlimited amount of sick leave and a maximum of 60 days of vacation may be carried over at year-end. An employee leaving employment at King County is entitled to be paid for unused vacation leave and, if leaving employment due to death or retirement, for 35 percent of the value of unused sick leave. For reporting purposes, a variety of factors are used to estimate the portion of the accumulated sick leave that is subject to accrual.

A liability is accrued for estimated excess compensation payable to the Washington State Department of Retirement Systems based on an employee's accrued vacation and sick leave. An excess compensation liability is incurred when an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a cash-out of unused annual leave in excess of 240 hours and a cash-out of any other form of leave. All vacation pay liability and a portion of sick leave liability are accrued in the government-wide and proprietary statements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. User fees (sewage fees, passenger fares, disposal charges, etc.) charged by the County's enterprise funds for the use of its business-type facilities and charges for services of internal service funds are classified as operating revenues. Rental income is operating revenue to the Airport enterprise, whose principal operation is leasing real property. The corresponding costs of service provision and delivery, including direct administration costs, depreciation or amortization of capital assets, and other allocations of future costs to current year operations (e.g., landfill post-closure, other postemployment benefits), comprise operating expenses. All other revenues and expenses not meeting this definition are reported as nonoperating.

Note 2

Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position (in thousands): The governmental funds balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position* - governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

Long-term liabilities reported for governmental activities:	
Bonds payable	$ (731,140)
Plus: Unamortized premiums on bonds sold	(63,247)
Accrued interest payable	(5,595)
Capital leases payable	(8,843)
Compensated absences	(89,759)
Net pension liability	(346,850)
Deferred inflows on pensions	(76,094)
Earned but unavailable court fines and penalties	8,391
Earned but unavailable taxes and assessments	14,199
Other postemployment benefits	(56,071)
Total adjustments related to long-term liabilities	$ (1,355,009)

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	$ 2,442,405
Depreciable assets	718,156
Less: Capital assets in governmental internal service funds (all internal service funds except Wastewater Equipment Replacement)	(50,482)
Total adjustments related capital assets	$ 3,110,079

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	$ 49,475
Deferred outflows on refunding (to be amortized as interest expense)	21,014
Deferred outflows on pensions	57,764
Total adjustments related to long-term assets	$ 128,253

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	$ 165,078
Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	(62,397)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	(18,860)
Total adjustments related to internal service funds	$ 83,821

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	$ 155,195
Depreciation expense	(45,926)
Total adjustments related to capital outlay	$ 109,269

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.	$ (16,495)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds.	7,320
Total adjustments related to miscellaneous capital asset transactions	$ (9,175)

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	$ (226)
Unavailable revenue-abatement fees	(48)
Unavailable revenue-noxious weeds	1
Unavailable revenue-charges for services	(514)
Unavailable revenue-fines and forfeits	(355)
Unavailable revenue-grants	1,892
Unavailable revenue-pet licenses	206
LEOFF special funding	573
Special item	6,408
Total adjustments related to revenues	$ 7,937

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	$ (33,325)
Premium on bonds sold	(5,038)
Principal repayments	63,702
Total adjustments related to debt issuance or refundings	$ 25,339

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	$ (3,598)
Other postemployment benefits	(1,541)
Interest on long-term debt	8,526
Pension expense	51,229
Transfers out	(2,164)
Lease payments	338
Total adjustments related to expenses	$ 52,790

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	$ 1,437
Intergovernmental revenues	3
Revenues related to services provided to outside parties	4,105
Expenses related to services provided to outside parties	(3,637)
Gain on disposal of capital assets	377
Interest on long-term debt	(949)
Capital contributions	2,235
Transfers in	1,514
Transfers out	(15,961)
Internal service fund gains allocated to governmental activities	44,088
Special Item	(6,621)
Total adjustments related to internal service funds	$ 26,591

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	$ 23,884
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	62,397
Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	18,860
Total adjustments related to internal service fund activities related to enterprise funds	$ 105,141

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	$ 99
Revenues related to services provided to outside parties	86
Expenses related to services provided to outside parties	(76)
Loss on disposal of capital assets	(25)
Capital contributions	617
Transfers out	(101)
Internal service fund gains allocated to business-type activities	19,747
Total adjustments related to internal service fund activities related to enterprise funds	$ 20,347

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

Excess of Expenditures over Appropriations

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.

Expenditures exceeded appropriations in the Byrne Justice Assistance Grants appropriation unit by $172 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 now be in the Grants Fund.

Medical Examiner's Office expenditures exceeded appropriations by $6 thousand. The budget for Medical Examiner's Office was under Public Health in the past and moved to general fund for 2017. The $6 thousand are remaining charges for paying differential corrections completed by payroll for time worked for 2015 and 2016 and temporary help invoices related to 2016. These charges should have been recorded to the general fund expenditures where the budget is for 2017.

Expenditures exceed appropriations in the OMB 2006 appropriation unit in the Risk Abatements fund by $118 thousand due to interest charges on cash deficits. This will be addressed through administrative procedures before the end of the 2017-2018 biennium.

Deficit Fund Equity

Nonmajor Governmental Funds

The Employment and Education Resources fund reports a total fund balance deficit of $35 thousand. This deficit is due to cost incurred pending transfer of resources from other funds. The transfers occurred in January 2018 to cover the deficit.

The Long Term Leases fund reports a total fund deficit of $1.8 million. The Facilities Management Division has developed a plan to address the fund deficit in 2017. The plan 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 nearly $10.5 million. In December 2016 a judgment directed King County to pay Washington State Department of Retirement Systems (DRS) $10.5 million in interest payments. The Risk Abatement fund made the payment to DRS in 2016. 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, 2017 (in thousands):

Fund:	Total Net Position
Construction and Facilities Management	$ (16,037)
Financial Management Services	(10,382)
King County Geographic Information Systems	(1,196)
King County Information Technology Services	(5,459)

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 July 1, 2016, resolution 2016-1 adopted by Commission on May 31, 2016, “allowed for well capitalized public depositaries to 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 depositaries, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter.” It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositaries within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

Custodial credit risk - Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County’s deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositaries in the State of Washington and total deposits cannot exceed the net worth of the financial institution. Those institutions not meeting the 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, 2017, the County’s total deposits, excluding the equity in the component units, were $41.2 million in carrying amount and $38.1 million in bank balance, of which $18.0 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 and emergency or if it has determined irrevocably to liquidate the LGIP and suspend withdrawals and payments of withdrawal proceeds in order to facilitate the permanent termination of the LGIP in an orderly manner.

The County is authorized to enter into repurchase agreements to meet the investment needs of the 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 market value equal to at least 102 percent of repurchase price, plus accrued interest. Repurchase agreements in excess of 60 days are not allowed. Currently, the County's tri-party custodial bank monitors compliance with some of these provisions.

Although the County is authorized to enter into reverse repurchase agreements, the County chose not to enter into this type of transaction since 2008. Also, the County did not buy, sell, or hold any derivative or similar instrument except for certain U.S. agency collateralized mortgage obligation securities during the year.

External Investment Pool - The King County Investment Pool administered by the King County Treasury Operations Section is an external investment pool. For investment purposes, the County pools the cash balances of County funds and participating component units, and allows for participation by other legally separate entities such as special districts, for which the County is the *ex officio* treasurer, and public authorities. The external portion of the 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 $6.9 billion. Excluding $311.1 million of equity in the component unit, the net total investment was $6.6 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 $33.6 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, 2017 (dollars in thousands):

KING COUNTY INVESTMENT POOL

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)
Repurchase Agreements	$ 296,000	$ 296,000	1.39%	0.011
Commercial Paper	386,989	387,500	1.31%	0.092
U.S. Agency Discount Notes	478,950	479,900	0.63%	0.154
Corporate Notes	1,019,747	1,024,093	1.67%	1.262
U.S. Treasury Notes	2,486,956	2,504,000	1.18%	1.324
U.S. Agency Notes	1,418,257	1,426,234	0.66%	1.149
U.S. Agency Collateralized Mortgage Obligations	4,922	4,681	4.18%	3.447
Supranational Coupon Notes	377,600	382,044	1.01%	1.835
State Treasurer's Investment Pool (LGIP)	415,634	415,634	1.28%	0.008
Total investments in Pool	$ 6,885,055	$ 6,920,086	1.3%	1.022

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: Federal Farm Credit Bank, 9.7 percent, Federal Home Loan Mortgage Corporation, 8.6 percent, Wells Fargo Bank, 5.7 percent, and Federal National Mortgage Association, 5.6 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, 2017, the effective duration of the main Pool was 1.022 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	$ 296,000	$ —	$ —	$ —	$ 296,000
Commercial Paper	386,989	—	—	—	386,989
U.S. Agency Discount Notes	478,950	—	—	—	478,950
Corporate Notes	118,828	350,070	550,849	—	1,019,747
U.S. Agency Notes	—	1,418,257	—	—	1,418,257
U.S. Agency Collateralized Mortgage Obligations	—	4,922	—	—	4,922
Supranational Coupon Notes	377,600	—	—	—	377,600
State Treasurer's Investment Pool	—	—	—	415,634	415,634
Total investments	$ 1,658,367	$ 1,773,249	$ 550,849	$ 415,634	$ 4,398,099

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) Institution must be a Washington state depository and participate in the PDPC 100 percent collateralization program.

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

(5) Must be rated A or better by both Standard and Poor's and Moody's 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, 4.3 percent, Commercial Paper, 5.6 percent, U.S. Agency Discount Notes, 7.0 percent, Corporate Notes, 14.8 percent, U.S. Treasury Notes, 36.1 percent, U.S. Agency Notes, 20.6 percent, U.S. Agency Collateralized Mortgage Obligations, 0.1 percent, Supranational Coupon Notes, 5.5 percent, and the State Treasurer's Investment Pool (LGIP), 6.0 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, 2017 (in thousands):

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value 12/31/2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Commercial Paper	$ 386,989	$ —	$ 386,989	$ —
U.S. Agency Discount Notes	478,950	—	478,950	—
Corporate Notes	1,019,747	—	1,019,747	—
U.S. Treasury Notes	2,486,956	2,486,956	—	—
U.S. Agency Notes	1,418,257	—	1,418,257	—
U.S. Agency Collateralized Mortgage Obligations	4,922	—	4,922	—
Supranational Coupon Notes	377,600	—	377,600	—
Subtotals	6,173,421	$ 2,486,956	$ 3,686,465	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
Repurchase Agreements	296,000			
State Treasurer's Investment Pool	415,634			
Subtotal investments measured at cost	711,634			
Total investments in Investment Pool	$ 6,885,055			

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

Commercial Paper, U.S. Agency Discount Notes, Corporate Notes, U.S. Agency Notes, 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 and are classified in Level 2 of the fair value hierarchy.

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

Impaired Investment Pool

The King County Executive Finance Committee approved the bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments.

For the bifurcation, the County placed four impaired commercial paper investments into an impaired investment pool (Impaired Pool). The Impaired Pool holds one commercial paper asset (Victoria), in which the County accepted an exchange offer in 2009 and is receiving the cash flows from the investment's underlying securities. For the other three commercial paper investments (Cheyne, Mainsail and Rhinebridge), the County accepted a cash-out option in 2008, based on the results of three separate restructuring auctions conducted by the designated "receiver" of each commercial paper asset.

Depository Trust Company (DTC), a clearing house for settling trades, was responsible for distributing the cash proceeds from each restructuring auction based on directions provided by each applicable receiver. However, DTC insisted on being indemnified before it would consent to distribute proceeds from the restructuring process. The receivers agreed to set aside a "reserve" for potential legal claims that might arise and potentially impact the receiver and/or DTC. The receivers also retained funds for possible legal actions and to protect other parties involved in the restructuring process. At year-end, the amount reserved for the County totaled $592 thousand for the Cheyne and Rhinebridge restructurings.The "estimated fair value" of $592 thousand was based on the value of the cash retained by the receivers as of December 31, 2017.

Between 2008 and 2010, the County initiated lawsuits seeking recovery for losses associated with all four of the impaired investments. In 2012, the County settled the litigation concerning Mainsail and Victoria, and executed a settlement with three of the defendants in the lawsuits concerning Rhinebridge. The net settlement payments have been distributed to each pool participant. In 2013, the County received final settlement payments for the litigation concerning Rhinebridge and Cheyne and has distributed the net settlement payments to each pool participant.

When accounting for all four impaired investments, the fair value of the Impaired Pool at December 31, 2017, was $5.4 million and the book value was $8.0 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 2017, VFNC Trust distributed a total of $1.4 million to the County. Including all the receipts to date brings the cash recovery rate on the original Victoria investment to 87 percent. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay. This monthly distribution is expected to continue for at least the next five years. Also, because of extremely low interest rates, the County chose not to discount these future cash flows.

The impaired investments in commercial paper recorded at fair value total $5.4 million, are based on market price of the underlying securities that are held by VFNC Trust and the cash value retained by the receivers as of December 31, 2017 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, 2017 (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	$ 6,895,033	$ 6,889,659	$ 5,374
Equity of internal pool participants	$ 3,413,874	$ 3,411,613	$ 2,261
Equity of external pool participants	3,481,159	3,478,046	3,113
Total equity	$ 6,895,033	$ 6,889,659	$ 5,374

Condensed Statement of Changes in Net Position

	Total	King County Investment Pool	Impaired Pool
Net Position - January 1, 2017	$ 6,059,385	$ 6,053,547	$ 5,838
Net change in investments by pool participants	835,648	836,112	(464)
Net Position - December 31, 2017	$ 6,895,033	$ 6,889,659	$ 5,374

Nonfinancial Assets

The County has some land that is being held for future sale. The investment is valued at $2.7 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 2017.

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, 2017, 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, 2017

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Cash in other banks	$ 4,354	$ 3,992	$ 3,317
Equity in Investment Pool	301,590	304,189	—
Total deposits	$ 305,944	$ 308,181	$ 3,317

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 $1.4 million in carrying amount, and $1.8 million in bank balance of which $800 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 LGIP, which is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. The LGIP funds are limited to high quality obligations with limited maximum and average maturities, which has the effect of minimizing both market and credit risk.

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

The following is a summary of inputs in valuing CDA's investments as of December 31, 2017 (in thousands):

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value 12/31/2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
U.S. Treasury Notes	$ 2,763	$ 2,763	$ —	$ —
Federal Home Loan Mortgage Corp Debentures	2,365	—	2,365	—
Federal National Mortgage Association Notes	7,488	—	7,488	—
Federal Home Loan Bank Bonds	16,981	—	16,981	—
Federal Farm Credit Bank Bonds	1,903	—	1,903	—
Subtotal investments at fair value	31,500	$ 2,763	$ 28,737	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
State Treasurer's Investment Pool (LGIP)	26,323			
Other/Money Market Fund	956			
Subtotal investments measured at cost	27,279			
Total CDA investments	$ 58,779			

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

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

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

The following schedule shows the types of investments, the average interest rate, the effective duration limits and the concentration of all CDA investments as of December 31, 2017 (in thousands):

Cultural Development Authority

Investments By Type

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)	Concentration
U.S. Treasury Notes	$ 2,763	$ 2,728	3.26%	1.172	5%
Federal Home Loan Mortgage Corp Debentures	2,365	2,382	2.08%	1.057	4%
Federal National Mortgage Association Notes	7,488	7,622	1.38%	2.488	13%
Federal Home Loan Bank Bonds	16,981	17,108	2.44%	1.585	29%
Federal Farm Credit Bank Bonds	1,903	1,919	2.24%	1.014	3%
State Treasurer's Investment Pool	26,323	26,323	1.28%	0.003	45%
Other/Money Market Fund	956	956	0.92%	0.003	2%
Subtotal investments	58,779	$ 59,038	1.78%	0.906	100%
Less: State Treasurer's Investment Pool (Cash Equivalent)	(26,323)				
Total Investments per Statement of Net Position	$ 32,456				

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, 2017, the combined weighted average effective duration of the CDA's portfolio was 0.906 years.

Credit risk - Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2017, 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, 2017, CDA had concentrations greater than 5 percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal Home Loan Banks, 28.9 percent, Federal National Mortgage Association, 12.7 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 $250,000 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):

	2017
Non-bond Proceeds	$ 55
Revenue Fund	825
	$ 880

Note 5
Receivables

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

Governmental	**General Fund**	**Behavioral Health Fund**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
Accounts receivable:				
Accounts receivable	$ 52,180	$ 1,900	$ 35,056	$ 89,136
Estimated uncollectible	(34,943)	—	(5,223)	(40,166)
Accounts receivable, net	$ 17,237	$ 1,900	$ 29,833	$ 48,970
Due from other governments:				
Due from other governments	$ 64,301	$ 3,311	$ 79,271	$ 146,883
Estimated uncollectible	(94)	(32)	(169)	(295)
Due from other governments, net	$ 64,207	$ 3,279	$ 79,102	$ 146,588

Proprietary	**Public Transportation**	**Water Quality**	**Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
Current assets:					
Accounts receivable:					
Accounts receivable	$ 24,246	$ 58,657	$ 15,289	$ 98,192	$ 2,096
Estimated uncollectible	(74)	(890)	(327)	(1,291)	(47)
Accounts receivable, net	$ 24,172	$ 57,767	$ 14,962	$ 96,901	$ 2,049
Due from other governments:					
Due from other goverments	$ 163,561	$ —	$ 5,564	$ 169,125	$ 37
Estimated uncollectible	—	—	(5)	(5)	—
Due from other governments, net	$ 163,561	$ —	$ 5,559	$ 169,120	$ 37
Noncurrent assets:					
Due from other governments	$ 26	—	—	$ 26	—

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 $1.24349 per $1,000 of assessed value for the 2017 tax year. The road district levy, which is levied in unincorporated areas of the county for road construction and maintenance and other County services provided in the unincorporated areas, is limited to $2.25 per $1,000 of assessed value, for which the County currently is at its maximum rate of $2.25 per $1,000 of assessed value for the 2017 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 2017, the county-wide flood control zone district levy rate was $0.11740 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 2017 and 2016 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 2017 countywide assessed valuation was $471.4 billion, a $45.1 billion increase from 2016; the assessed valuation for the unincorporated area levy was $39.3 billion, an increase of $2.5 million from 2016.

ALLOCATION OF 2017 AND 2016 TAX LEVIES

	2017 Original Taxes Levied (in thousands)	2017 Levy Rate (per thousand)	2016 Original Taxes Levied (in thousands)	2016 Levy Rate (per thousand)
Countywide Levy				
Assessed Value:				
$471,456,288,019[a]				
Items Within Operating Levy:[b]				
General Fund	$ 346,708	$ 0.73827	$ 336,454	$ 0.79209
Veterans' Relief	2,921	0.00622	2,837	0.00668
Human Services	6,556	0.01396	6,367	0.01499
Intercounty River Improvement	52	0.00011	50	0.00012
Automated Fingerprint Identification System	21,024	0.04477	20,240	0.04765
Parks Levy	70,579	0.15029	67,940	0.15995
Veterans and Human Services	18,614	0.03964	17,924	0.04219
Children and Family Justice Center	24,518	0.05221	23,825	0.05609
Best Starts for Kids	62,384	0.13285	59,456	0.14000
Radio Communications	30,602	0.06517	29,727	0.07000
Marine Operating	5,770	0.01229	1,186	0.00279
Total Operating Levy	589,728	1.25578	566,006	1.33255
Conservation Futures Levy				
Conservation Futures Levy[c]	10,445	0.02224	10,140	0.02058
Farmland and Park Debt Service	9,002	0.01917	8,741	0.02387
Total Conservation Futures Levy	19,447	0.04141	18,881	0.04445
Unlimited Tax GO Bonds (Voter-approved Excess Levy)	16,878	0.03609	16,818	0.03981
Transportation Levy[d]	23,322	0.04966	26,956	0.06346
Total Countywide Levy	649,375	1.38294	628,661	1.48027
Emergency Medical Services Levy				
Assessed Value:				
$471,354,435,905[a]				
Emergency Medical Services Levy[e]	74,664	0.26305	73,781	0.28235
Unincorporated County Levy				
Assessed Value:				
$39,295,405,501[a]				
County Road Fund[f]	87,679	$ 2.24557	82,424	$ 2.25000
Total County Tax Levies	$ 811,718		$ 784,866	

(a) Assessed value for taxes payable in 2017.

(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 2016 and 2017, the tax rate was $0.04765 and $0.04477 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 2016 and 2017 tax year rate for the Parks levy lid lift is $0.15995 and $0.15029 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 2016 and 2017 tax rate is $0.04219 and $0.03964 per $1,000 of assessed value, respectively.

The Children and Family Justice Center is a nine-year temporary levy lid lift approved by voters on August 7, 2012 at a rate of $.070000 per $1,000 of assessed value for the first year (2013). The rate for 2016 and 2017 is $0.05609 and $0.05221 per $1,000 of assessed value.

A new 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 is $0.06517 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 $0.14 per $1,000 of assessed value. The rate for 2017 is $0.13285 per $1,000 of assessed value.

The County's levy rate for transit-related purposes is $0.04966 per $1,000 of assessed value, and its levy rate for conservation futures is $0.04141 per $1,000 of assessed value in 2017.

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 2016 and 2017 is $0.28235 and $0.26305 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, 2017, 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. Regarding the PBRS and Farm and Agricultural Land programs, when land no longer qualifies for current use, both the assessed valuation before and after the removal of classification is listed on tax rolls and taxes are allocated according to that part of the year to which each assessed valuation applies. Except as provided in the statute, an additional tax, applicable interest and penalty must be imposed which are due and payable 30 days after the owner is notified of the additional tax. The amount of additional tax, applicable interest and penalty is determined as follows: (a) the amount of additional tax is equal to the difference between the property tax paid as “open space land,” “farm and agricultural land” or “timberland” and the amount of tax otherwise due and payable for the seven years last past had the land not been so classified; (b) the amount of applicable interest is equal to the interest upon the amounts of the additional tax paid at the same statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the land had been assessed at a value; (c) the amount of the penalty is equal to 20 percent of the amount of the additional tax and applicable interest due. The penalty may not be imposed if the removal satisfies the conditions allowed in the chapter.

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

<u>Historic Preservation Program</u>

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

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

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

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

<u>Single-family Dwelling Improvement Program</u>

The Single-family Dwelling Improvement Program provides property tax abatements to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement.

Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

Below summarizes the tax abatement programs and the total amount of taxes abated (in thousands):

Tax Abatement Program	Total Amount of Taxes Abated
Current Use	$ 7,694
Single-family Dwelling Improvement	117
Historic Preservation	1

State of Washington Tax Abatements

The information provided by Washington State is based upon calendar 2016 as a proxy for fiscal year 2017. The State's fiscal year end is June 30, 2017. The state of Washington provides tax abatements through seven programs subject to the requirements of GASB Statement No. 77, seven of which are only available to businesses in the aerospace industry. Only tax abatement programs with greater than $10.0 million in taxes abated during the calendar year ended December 31, 2016, are disclosed.

High Unemployment County Sales & 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. To qualify for deferral, the business must submit an application to DOR prior to completion of construction or the business takes possession of the machinery and equipment. Approved applicants will receive a sales and use tax deferral certificate, which allows vendors and contractors to sell to the approved applicant without charging sales tax.

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. Each recipient of a deferral of taxes must file a complete annual survey with DOR for eight years following the year in which the project is operationally complete. If DOR finds that the project does not qualify for the deferral, all deferred taxes 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.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by DOR, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31, of the year in which the project is certified and for the following seven years. 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. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

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. The eligible purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase. The amount of sales and use tax abated from the exemption for the construction of new facilities used to manufacture commercial airplanes, or fuselages or wings of commercial airplanes cannot be disclosed because there are fewer than three taxpayers that received the exemption in the calendar year ended December 31, 2016, per RCW 82.32.330(2).

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. A business claiming the credit must file an annual report with DOR.

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. The credit for machinery and equipment is equal to the amount of property taxes paid on the machinery and equipment multiplied by a fraction. 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. A business claiming the credit must file an annual report with DOR.

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. A business claiming the credit must file an annual report with DOR.

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. The purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase.

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, 2016.

The following table shows the amount of taxes abated by the state of Washington during the calendar year ended December 31, 2016 (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	$1,330
Multi-Unit Urban Housing Exemption	$6,137
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 1/1/2017	Additions	Retirements	Transfers / Reclassifications	Balance 12/31/2017
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 570,339	$ 24,743	$ (6,342)	$ 4,040	$ 592,780
Rights-of-way and easements	446,576	7,840	(347)	2,415	456,484
Infrastructure - road and bridges	1,101,395	7,470	(2,697)	—	1,106,168
Art collections	10,468	27	—	—	10,495
Work in progress	173,899	122,269	—	(19,690)	276,478
Total capital assets not being depreciated	2,302,677	162,349	(9,386)	(13,235)	2,442,405
Capital assets being depreciated:					
Buildings	1,038,419	2,570	(18,502)	(6)	1,022,481
Leasehold improvements	19,076	—	—	—	19,076
Improvements other than buildings	81,362	(13,058)	—	7,403	75,707
Infrastructure – levees	23,930	—	—	5,444	29,374
Furniture, machinery and equipment	161,419	12,566	(4,176)	401	170,210
Software	113,276	—	(1,656)	—	111,620
Total capital assets being depreciated	1,437,482	2,078	(24,334)	13,242	1,428,468
Less accumulated depreciation for:					
Buildings	(472,130)	(28,571)	16,858	1	(483,842)
Leasehold improvements	(5,723)	(954)	—	—	(6,677)
Improvements other than buildings	(21,342)	(3,048)	—	—	(24,390)
Infrastructure – levees	(2,011)	(700)	—	—	(2,711)
Furniture, machinery and equipment	(114,983)	(12,496)	3,953	(28)	(123,554)
Software	(61,709)	(9,085)	1,656	—	(69,138)
Total accumulated depreciation	(677,898)	(54,854)	22,467	(27)	(710,312)
Total capital assets being depreciated, net	759,584	(52,776)	(1,867)	13,215	718,156
Governmental activities capital assets, net	$ 3,062,261	$ 109,573	$ (11,253)	$ (20)	$ 3,160,561
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 448,018	$ 2,470	$ (41)	$ 3,556	$ 454,003
Rights-of-way and easements	31,278	—	—	93	31,371
Art collections	3,747	—	—	—	3,747
Work in progress	520,363	389,545	—	(376,495)	533,413
Total capital assets not being depreciated	1,003,406	392,015	(41)	(372,846)	1,022,534
Capital assets being depreciated:					
Buildings	3,361,878	2,144	(4,882)	99,119	3,458,259
Leasehold improvements	7,307	—	—	—	7,307
Improvements other than buildings	356,020	7,750	(1,414)	43,934	406,290
Rights-of-way - temporary easement	7,635	—	—	—	7,635
Infrastructure – water quality	2,260,787	—	(14,485)	49,036	2,295,338
Furniture, machinery and equipment	2,658,368	10,065	(96,025)	179,148	2,751,556
Software	150,273	—	(5,252)	1,603	146,624
Total capital assets being depreciated	8,802,268	19,959	(122,058)	372,840	9,073,009
Less accumulated depreciation for:					
Buildings	(1,541,393)	(91,886)	3,523	(3)	(1,629,759)
Leasehold improvements	(3,406)	(377)	—	—	(3,783)
Improvements other than buildings	(156,706)	(14,874)	1,176	—	(170,404)
Rights-of-way - temporary easement	(1,145)	(218)	—	—	(1,363)
Infrastructure – water quality	(578,134)	(48,101)	3,243	—	(622,992)
Furniture, machinery and equipment	(1,458,653)	(148,784)	91,442	29	(1,515,966)
Software	(98,079)	(11,943)	5,252	—	(104,770)
Total accumulated depreciation	(3,837,516)	(316,183)	104,636	26	(4,049,037)
Total capital assets being depreciated, net	4,964,752	(296,224)	(17,422)	372,866	5,023,972
Business-type activities capital assets, net	$ 5,968,158	$ 95,791	$ (17,463)	$ 20	$ 6,046,506

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 $23.7 million is mainly due to prior period capital costs not capitalized to the Work in Progress. Beginning balance adjustment for Infrastructure - roads and bridges decreased by $7.5 million due to over-reporting in prior years.

Depreciation Expense

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

	2017
Governmental Activities	
General government	$ 29,113
Law, safety and justice	9,971
Physical environment	924
Transportation	261
Economic environment	9
Health and human services	939
Culture and recreation	4,708
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	8,929
Total depreciation - governmental activities	$ 54,854
Business-type Activities	
Water Quality	$ 172,779
Public Transportation	130,203
Solid Waste	10,666
King County International Airport	5,757
Institutional Network	313
Radio Communications	706
Marine Fund	1,059
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on its usage of the assets	2,129
Total depreciation and amortization expense - business-type activities	$ 323,612
Less amortization - Water Quality other assets	(7,429)
Total depreciation - business-type activities	$ 316,183

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 - $186.8 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - $197.7 million is committed to ensuring the continued operation, reliability and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises - $22.2 million is committed to improving the County's solid waste regional landfill and maintenance of existing facilities, $0.8 million for Airport facility improvements within the County, and $23.1 million for the construction of a new permanent passenger-only facility in downtown Seattle for Marine Enterprise.

Capital Projects Funds

$264.1 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 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, 2017 (in thousands):

	Balance 7/1/2016	Additions	Retirements	Transfers	Balance 6/30/2017
Capital assets not being depreciated:					
Land	$ 2,432	$ —	$ —	$ —	$ 2,432
Work in progress	12,584	13,462	—	(6,777)	19,269
Total capital assets not being depreciated	15,016	13,462	—	(6,777)	21,701
Capital assets being depreciated:					
Buildings	419,700	—	(2,034)	4,202	421,868
Improvements other than buildings	16,098	—	(101)	392	16,389
Equipment	438,266	8,997	(88,172)	2,183	361,274
Total capital assets being depreciated	874,064	8,997	(90,307)	6,777	799,531
Less accumulated depreciation for:					
Buildings	(201,977)	(13,755)	2,034	—	(213,698)
Improvements other than buildings	(7,701)	(1,047)	101	—	(8,647)
Equipment	(379,038)	(17,580)	87,908	—	(308,710)
Total accumulated depreciation	(588,716)	(32,382)	90,043	—	(531,055)
HMC capital assets, net	$ 300,364	$ (9,923)	$ (264)	$ —	$ 290,177

HMC owns other properties (net book value of $19.9 million) which are held for future use and are reported under "Other assets" in the component unit's statement of net position.

Note 8
Restricted Assets

Within the Statement of Net Position are amounts that are restricted as to their use. The restricted assets for these funds are summarized below (in thousands):

Proprietary Funds

Public Transportation - restricted for future construction projects, debt service and obligations.	$	47,135
Water Quality - restricted for future construction projects, debt service, and reserves and obligations.		244,887
King County International Airport - restricted for construction projects and obligations.		737
Radio Communications Services - restricted for construction projects and obligations.		6
Solid Waste - restricted for construction projects, landfill closure and post-closure care costs.		68,090
Construction & Facilities Management - restricted for construction projects and obligations.		19
King County Information Technology Services - restricted for construction projects.		255
Total Proprietary Funds restricted assets	$	361,129

Component Unit - Harborview Medical Center (HMC)

HMC Construction Fund - restricted for construction projects, seismic, public safety and other improvements and furnishings of HMC buildings.	$	4,573
HMC Special Purpose Fund - restricted donations, gifts and bequests from various sources for specific uses.		8,395
Total HMC restricted assets	$	12,968

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.	$	6,995
Building for Culture Program - restricted for a regional King County cultural capital investment partnership program.		6,304
Cultural Special Account & Other Funds - restricted for arts and heritage cultural programs.		47,276
Total CDA restricted assets	$	60,575

Component Unit - NJB Properties

Non-bond Proceeds Fund - restricted for costs of the NJB Project	$	55
Revenue Fund - restricted for transfers to the Bond Fund and authorized administrative fees		825
Total NJB Properties restricted assets	$	880

Note 9
Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts - All Plans (in thousands)	
Pension liabilities	$ 756,022
Pension assets	49,475
Deferred outflows of resources	115,425
Deferred inflows of resources	148,138
Pension expense/expenditures	49,237

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.

<u>Public Employees' Retirement System (PERS)</u>

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 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2017	11.18%	6.00%
July through December 2017	12.70%	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 $1.7 million for the year ended December 31, 2017.

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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2017	11.18%	6.12%
July through December 2017	12.70%	7.38%
Employee PERS Plan 3	N/A	varies

* For employees participating in JBM, the contribution rate was 15.30% for January - June 2017 and 18.45% for July - December 2017.

The County's actual contributions to the plan were $123.3 million for the year ended December 31, 2017.

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 2017 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2017	11.54%	6.59%
July through August 2017	11.94%	6.73%
September through December 2017	11.95%	6.74%

The County's actual contributions to the plan were $4.3 million for the year ended December 31, 2017.

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 2017. 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 2017 were as follows:

LEOFF 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2017	5.23%	8.41%
July through December 2017	5.43%	8.75%

The County's actual contributions to the plan were $5.0 million for the year ended December 31, 2017.

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, 2017, the State contributed $62.2 million to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is $26.2 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 15.29 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 2017 were as follows:

SCERS		
Actual Contribution Rates:	**Employer**	**Employee**
January through December 2017	15.29%	10.03%

The County's actual contributions to the plan were $0.4 million for the year ended December 31, 2017.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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 *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017.

Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3.0% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

Mortality rates 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 minor changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

The TPL for SCERS pension plan was determined by an actuarial valuation as of December 31, 2016. 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 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 7.5 percent. To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF Plan 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3 and PSERS Plan 2, whose rates include a component for the PERS Plan 1 liability). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

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 7.5 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, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	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, 2016 are summarized in the chart that follows:

Asset Class	% Long-term Expected Real Rate of Return Geometric
Equity: Public	5.0%
Equity: Private	6.3%
Fixed Income: Broad	0.6%
Fixed Income: Credit	3.8%
Real Assets: Real Estate	3.3%
Real Assets: Infrastructure	2.8%
Diversifying Strategies	3.3%

Sensitivity of Net Pension Liability (Asset)

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

Sensitivity of Net Pension Liability (Asset) (in thousands)			
Plans	**1% Decrease (6.5%)**	**Current Discount Rate (7.5%)**	**1% Increase (8.5%)**
PERS 1	$ 488,255	$ 400,803	$ 325,051
PERS 2/3	949,298	352,361	(136,740)
PSERS 2	13,055	1,944	(6,767)
LEOFF 1	(6,710)	(9,046)	(11,052)
LEOFF 2	8,749	(40,429)	(80,496)
SCERS	1,236	914	642

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, 2017, the County reported a total pension liability of $756.0 million and total pension asset of $49.5 million for its proportionate share of the net pension liabilities (assets) as follows:

Total Pension Liability (Asset) (in thousands)	
PERS 1	$ 400,803
PERS 2/3	352,361
PSERS 2	1,944
LEOFF 1	(9,046)
LEOFF 2	(40,429)
SCERS	914

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	$ (40,429)
LEOFF 2 - State's proportionate share of the net pension liability/(asset) associated with King County	(26,225)
TOTAL	$ (66,654)

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

Collective Net Pension Liabilities			
	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	8.9%	8.45%	-0.45%
PERS 2/3	10.52%	10.14%	-0.38%
PSERS 2	11.33%	9.92%	-1.41%
LEOFF 1	0.6%	0.6%	0%
LEOFF 2	3.02%	2.91%	-0.1%

Collective Net Pension Liabilities			
	Proportionate Share 12/31/15	Proportionate Share 12/31/16	Change in Proportion
SCERS	0.09%	0.07%	-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 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) for all DRS pension plans was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, 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, 2016, and the actuarial valuation date on which the total pension liability is based was as of January 1, 2016, 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, 2017, the County recognized pension expense as follows:

Pension Expense (in thousands)	
PERS 1	$ 757
PERS 2/3	47,675
PSERS 2	2,745
LEOFF 1	(1,397)
LEOFF 2	(832)
SCERS	289
TOTAL	$ 49,237

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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	—	14,957
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	28,207	—
TOTAL	$ 28,207	$ 14,957

PERS 2/3	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 35,702	$ 11,589
Net difference between projected and actual investment earnings on pension plan investments	—	93,931
Changes of assumptions	3,743	—
Changes in proportion and differences between contributions and proportionate share of contributions	375	14,071
Contributions subsequent to the measurement date	38,826	—
TOTAL	$ 78,646	$ 119,591

PSERS 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 1,150	$ 138
Net difference between projected and actual investment earnings on pension plan investments	—	1,364
Changes of assumptions	17	—
Changes in proportion and differences between contributions and proportionate share of contributions	1	248
Contributions subsequent to the measurement date	1,265	—
TOTAL	$ 2,433	$ 1,750

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	—	841
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	—	—
TOTAL	$ —	$ 841

LEOFF 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 1,777	$ 1,533
Net difference between projected and actual investment earnings on pension plan investments	—	9,077
Changes of assumptions	49	—
Changes in proportion and differences between contributions and proportionate share of contributions	812	135
Contributions subsequent to the measurement date	2,282	—
TOTAL	$ 4,920	$ 10,745

SCERS	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 1	$ 4
Net difference between projected and actual investment earnings on pension plan investments	—	(73)
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	847	323
Contributions subsequent to the measurement date	371	—
TOTAL	$ 1,219	$ 254

Deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1 (in thousands)
2018	$ (10,110)
2019	3,192
2020	(741)
2021	(7,298)
2022	—
Thereafter	—

Year ended December 31:	PERS 2/3 (in thousands)
2018	$ (39,471)
2019	7,921
2020	(10,372)
2021	(40,013)
2022	941
Thereafter	1,223

Year ended December 31:	PSERS 2 (in thousands)
2018	$ (309)
2019	$ 227
2020	$ 49
2021	$ (303)
2022	$ (29)
Thereafter	$ (217)

Year ended December 31:	LEOFF 1 (in thousands)
2018	$ (528)
2019	$ 142
2020	$ (57)
2021	$ (398)
2022	$ —
Thereafter	$ —

Year ended December 31:	LEOFF 2 (in thousands)
2018	$ (4,144)
2019	$ 970
2020	$ (597)
2021	$ (3,915)
2022	$ (75)
Thereafter	$ (346)

Year ended December 31:	SCERS (in thousands)
2018	$ 192
2019	$ 192
2020	$ 149
2021	$ 47
2022	$ 14
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, 2017 were $ 1.4 million, $300 thousand and $200 thousand, respectively.

Note 10

Postemployment Health Care Plan

The County is required to accrue other postemployment benefits (OPEB) expense related to its postretirement health care plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the County has recorded a liability of $73.0 million for the difference between the actuarially calculated ARC and the estimated contributions made.

The effect of GASB No. 45 for the current fiscal year was to decrease the County's excess of revenue over expenses before capital contributions and the County's increase in net position for the year ended December 31, 2017 by approximately $2.1 million.

Plan Description The King County Health Plan (the Health Plan) is a single-employer defined-benefit health care plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees. The Health Plan does not issue a separate stand-alone financial report.

Funding Policy LEOFF 1 retirees are not required to contribute to the Health Plan. All other retirees are required to pay the COBRA rate associated with the elected plan.

For the fiscal year ended December 31, 2017, the County contributed an estimated $5.9 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits.

Annual OPEB Cost and Net OPEB Obligation The basis for the County's annual OPEB cost (expense) is the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, the actuary projects will cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the County's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the County's net OPEB obligation to the Health Plan for the year ended December 31, 2017 (in thousands):

	2017
Normal cost - Unit Credit Method	$ 1,934
Amortization of unfunded actuarial accrued liability (UAAL)	8,524
Annual Required Contribution (ARC)	10,458
Interest on net OPEB obligation	2,481
Adjustment to annual required contribution	(4,988)
Annual OPEB cost (expense)	7,951
Contributions made	(5,878)
Increase in net OPEB obligation	2,073
Net OPEB obligation - beginning of year	70,895
Net OPEB obligation - end of year	$ 72,968

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	$ 11,543	51.1%	$ 65,251
12/31/2016	11,542	51.1%	70,895
12/31/2017	7,951	73.9%	72,968

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2017 (in thousands) is as follows:

Actuarial accrued liability (AAL) – Unit Credit	$ 121,079
Actuarial value of plan assets	—
Unfunded actuarial accrued liability (UAAL)	$ 121,079
Funded ratio (actuarial value of plan assets ÷ AAL)	0.00%
Covered payroll	$ 1,178,142
UAAL as a percentage of covered payroll	10.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB No. 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the County and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Members of the Health Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2017 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 3.50 percent investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 7.5 percent for KingCare medical and miscellaneous LEOFF 1 expenses, 9.0 percent for KingCare pharmacy, and 7.5 percent for HMO medical/pharmacy, each reduced by decrements to an ultimate rate of 3.8 percent after 57 years and 7 years for medical and pharmacy, respectively. The Medicare Premium trend rate is 6.0 percent, for all years. All trend rates include a 3.0 percent inflation assumption. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 20 years.

Component Unit - Harborview Medical Center (HMC)

All University employees, including medical center employees, are eligible for participation in healthcare and life insurance programs administered by the WSHCA (Washington State Health Care Authority). HMC retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits based on their age and other demographic factors.

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

Note 11
Risk Management

The County uses three internal service funds to account for and finance property/casualty, workers' compensation and employee medical, pharmacy, dental, and vision benefits self-insurance programs. The County contracts with a plan administrator to process medical, pharmacy, vision and dental claims. County fund/claims managers, together with the Civil Division of the Prosecuting Attorney's Office, are responsible for processing all tort and workers' compensation claims.

Claims settlements and loss expenses are accrued in the three internal service funds for the estimated settlement value of both reported and unreported claims. These funds are responsible for collecting interfund premiums from insured funds and departments for paying claim settlements and for purchasing certain policies. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses or expenditures.

Insurance Fund

The Insurance Fund, an internal service fund, accounts for the County's property/casualty program. The fund accounts for the County's exposures to loss due to the tortious conduct of the County, including those exposures commonly covered by general liability, automobile liability, police professional, public officials, errors and omissions and professional malpractice insurance policies. 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, 2017, is $75.0 million.

Changes in the Insurance Fund's estimated claims liability in 2016 and 2017 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2016	$ 88,565	$ 20,731	$ (33,741)	$ 75,555
2017	75,555	9,229	(9,863)	74,921

In 2017, there were no losses paid in excess of the County's self-insured retention. In 2016, there were two settlements that exceeded the SIR. In 2015, there were no settlements that exceeded insurance coverage.

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

Effective July 1, 2017, the County renewed the property insurance policy. This policy has a blanket limit of $500.0 million above a $250 thousand per occurrence deductible and provides an overall earthquake sublimit of $100.0 million and a flood sublimit of $250.0 million.

During 2017 the County (excluding KCIA) property insurance limits increased from $500 million to $750 million. In addition, the County placed a separate Property Terrorism insurance policy with limits of $500 million. Effective April 1, 2017, the county does not purchase Accidental Death and Dismemberment insurance for the Superior Court's Community Service programs.

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	5% of location value / $500 thousand minimum
	$250 million 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	None
	and scheduled value	
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 Value (property)	$1 thousand
Cyber Liability	$30 million	$1 million per claim
Cedar Hills Pollution	$50 million	$250 thousand
PSERN -- Inland Marine	$20.5 million	$2.5 thousand per occurrence
	$20.5 million EQ	$10 thousand per location
	$20.5 million Flood	$10 thousand per location
NFIP -- Flood Insurance	$250 - $500 thousand	$1-2 thousand

Safety and Workers' Compensation Fund

The Safety and Workers' Compensation Fund, an internal service fund, accounts for the County's self-insurance for workers' compensation as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act. Interfund charges are derived from actuarial projections of their future claims and administrative costs. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the financial statements is not discounted due to low rate of return on investment. As of December 31, 2017, the total claim liability is $65.7 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, 2017, was $2.0 million. In the prior three years, there has been no settlement in excess of the insurance coverage.

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

Changes in the Safety and Workers' Compensation Fund's claims liability in 2016 and 2017 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2016	$ 73,110	$ 13,463	$ (16,389)	$ 70,184
2017	70,184	11,814	(16,331)	65,667

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, 2017, is $18.1 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2016 and 2017 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2016	$ 21,443	$ 171,225	$ (169,047)	$ 23,621
2017	23,621	205,180	(210,716)	18,085

Component Unit - Harborview Medical Center (HMC)

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

Professional and General Liability:
The University's professional liability program currently includes self-insured and commercial reinsurance coverage components. HMC's annual funding to the professional liability program is determined by the University administration using information from an annual actuary study. Various participants in the program contribute to the self-insurance fund and share in the expenses of the program. HMC's contribution to the professional liability program was $3.7 million in 2017 and $3.5 million in 2016, recorded in supplies and other expense on the Statements of Revenues, Expenses and Changes in Net Position.

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

Component Unit - Cultural Development Authority of King County

Insurance Fund

Cultural Development Authority of King County (CDA) carries comprehensive general liability, auto liability and employee benefit liability coverage with a limit of $20.0 million per occurrence and no aggregate limit. Commercial property losses are covered up to the replacement cost on file with Enduris Washington. CDA also carries Public Official Errors and Omissions Liability coverage with a limit of $20.0 million per occurrence and an aggregate limit of $20.0 million.

Employee Benefits Program

The CDA provides its eligible employees with a comprehensive health benefits package through the Public Employees Benefits Board (PEBB), which includes medical, dental, basic life and long-term disability coverage. In addition, the PEBB offers the following optional products: long-term care, auto and home insurance. WageWorks, Inc. is the administrating authority. CDA also offers insurance with American Family Life Assurance Company (AFLAC) and MetLife. With the AFLAC and MetLife coverage, CDA employees can pick from a selection of insurance policies at their own expense.

Note 12
Leases

Capital Leases

King County has entered into agreements to purchase buildings, machinery and equipment through capital lease and installment purchase agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for under Governmental Activities. 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, 2017 (in thousands) is as follows:

	Capital Assets		Capital Leases Payable	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Buildings	$ 194,935	$ —	$ 8,843	$ —
Leasehold improvements	—	4,881	—	2,514
Less depreciation	(37,698)	(2,573)	—	—
Totals	$ 157,237	$ 2,308	$ 8,843	$ 2,514

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, 2017 (in thousands):

	Governmental Activities	Business-type Activities
2018	$ 764	$ 255
2019	764	255
2020	768	255
2021	765	255
2022	767	255
2023-2027	3,818	1,275
2028-2032	3,824	914
2033-2036	3,060	—
Total minimum lease payments	14,530	3,464
Less: Amount representing interest	(5,687)	(950)
Present value of net minimum lease payments	$ 8,843	$ 2,514

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, 2017 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
2018	$ 8,323	$ 6,270	$ 14,593
2019	7,853	5,586	13,439
2020	7,169	4,807	11,976
2021	6,749	4,112	10,861
2022	5,652	3,615	9,267
2023-2027	21,109	16,390	37,499
2028-2032	621	7,060	7,681
2033-2037	—	3,937	3,937
2038-2042	—	3,679	3,679
2043-2047	—	3,679	3,679

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, 2017 (in thousands):

	Governmental	Business-type Activities	
	Activities	Airport	Other
Land	$ 183	$ 14,212	$ 438
Buildings	317	24,691	424
Less: Depreciation	(317)	(13,459)	(124)
Total cost of property under lease	$ 183	$ 25,444	$ 738

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2017 (in thousands):

	Governmental	Business-type Activities		
Year	Activities	Airport	Other	Total
2018	$ 2,272	$ 12,292	$ 203	$ 14,767
2019	2,168	11,963	160	14,291
2020	1,898	11,335	99	13,332
2021	1,063	10,999	67	12,129
2022	806	10,996	17	11,819
2023-2027	3,780	53,813	84	57,677
2028-2032	2,593	39,850	27	42,470
2033-2037	18	18,476	24	18,518
2038-2042	18	18,476	17	18,511
2043-2047	18	15,890	—	15,908

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, 2017 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
2018	$ 764
2019	764
2020	767
2021	765
2022	768
thereafter	10,702
	$ 14,530

Net Investment in Capital Lease	2017
Minimum lease payments receivable	$ 14,530
Uncollected income	(5,687)
Net investment in capital lease	$ 8,843

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 $122.9 million reported as landfill closure and post-closure care liability as of December 31, 2017, represents the cumulative percentage reported based on the amount that each of the landfills has been filled to date as follows (dollars in thousands):

Landfill	Percent Filled	Estimated Liability	Estimated Remaining Liability	Estimated Year of Closure
Cedar Hills	78.9%	$ 99,408	$ 97,100	2027
Closed	100%	15,284	—	Closed
Custodial	100%	8,190	—	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, 2017, cash and cash equivalents of $38.8 million were held in the Landfill Reserve Fund and $4.3 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 2017 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 identitied 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, 2017 stands at $46.5 million although the actual amount will vary due to changes resulting from price increases or reductions, changes in technology, or changes in applicable laws or regulations.

The methods for estimating liabilities continues to be based on internal engineering analysis, program experience, and cost projections for the remediation activities scheduled in future years as programmed under Water Quality’s Regional Wastewater Services Plan. Certain costs were developed by consulting engineers. Costs were estimated using the expected cash flow method. For the Lower Duwamish Waterway Project a weighted-average method is used to calculate the liability. The Sediment Management Plan does not employ a weighted-average cost estimate because the remaining work is well-defined which negates the utility of multiple estimates. The cost estimates continue to be re-measured as succeeding benchmarks are reached or when cost assumptions are modified. All pollution remediation obligations under the Water Quality enterprise are being deferred as assets as permitted by regulatory accounting standards.

Lake Union Tank and Dearborn Groundwater Monitoring - The Public Transportation Enterprise reported a pollution remediation liability of $593 thousand at December 31, 2017. 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, 2017.

Maury Island Gravel Mine Site - King County acquired approximately 250 acres of property on Vashon Island back in 2010. The property is within the footprint of the former ASARCO smelter plume, and contains elevated levels of lead and arsenic, a condition that was known at the time of acquisition. In February 2011, King County was named a “potentially liable party” for cleanup of the site by the DOE. An Agreed Order between DOE and King County was finalized in January 2013 requiring the County to conduct a remediation investigation, a feasibility study and a cleanup action plan. Because the remediation was a prerequisite to the purchase agreement and is a necessary activity to prepare a portion of the land for its intended use, the County intends to capitalize the cost of pollution as part of the land. The remediation will be completed in phases over a period of about five to 10 years. As of December 31, 2016, the County completed the first phase of Interim Action Cleanup Plan with approval from the DOE, costing approximately $600 thousand. The cleanup included removing invasive vegetation and surface soil on 3 acres immediately south of SW 260th St, adding a compost cap, and replanting the area with native trees and shrubs. The cleanup costs that incurred in 2016 were capitalized. DOE issued a draft a Draft Cleanup Action Plan that 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 $256 thousand at December 31, 2017.

Note 15
Debt

Short-term Debt Instruments and Liquidity

At December 31, 2017, 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 lease revenue bonds. The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds consist of limited and unlimited general obligation bonds and lease revenue bonds. The general obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as serial bonds with principal maturing each year and maturities that ranges from 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, Solid Waste, Public Transportation and Water Quality Enterprise Funds. Capital leases are accounted for in the Public Transportation Enterprise Fund. Sewer Revenue Bonds and state of Washington revolving loans are accounted for in the Water Quality Enterprise Fund.

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

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

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

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/17
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	$ 1,635
2007C LTGO (Payoff BAN2006A) Bonds	11/1/2007	1/1/2028	4.00-4.50%	10,695	1,030
2007D LTGO (Payoff BAN2006B) Bonds	11/1/2007	1/1/2028	4.00-5.00%	34,630	1,630
2009B2 LTGO Capital Facilities Project Bonds	5/12/2009	6/1/2029	2.00-5.13%	34,810	22,460
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	3,470
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2030	2.85-6.05%	17,355	9,215
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	14,425
2011B LTGO Flood Planning/Payoff BAN2010B Bonds	12/1/2011	12/1/2019	2.00-4.00%	5,725	4,935
2011D LTGO (Maury Island/Open Space Acquisition) Bonds	12/21/2011	12/1/2031	2.00-3.50%	21,895	13,905
2012A LTGO (ABT Project) Bonds	3/29/2012	7/1/2022	3.00-5.00%	65,935	41,540
2012B LTGO (S. Park Bridge) Bonds	5/8/2012	9/1/2032	3.00-5.00%	28,065	23,225
2012C LTGO Refunding 2004B and 2005 Bonds	8/28/2012	1/1/2025	5.00%	54,260	44,180
2012D LTGO Refunding 2002BOP Lease (HMC) Bonds	11/29/2012	12/1/2031	2.00-5.00%	41,810	33,875
2012E LTGO SE District Court Relocation Bonds (Partial)	12/19/2012	12/1/2027	2.00-5.00%	3,000	2,165
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 (a)	41,460	33,020
2013B LTGO Refunding 2005 GHP Lease Bonds	12/19/2013	12/1/2026	3.00-5.00%	42,820	34,190
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	14,620
2015B LTGO (FED TAX-EXEMPT) Bonds	10/13/2015	12/1/2030	2.50-5.00%	27,355	22,795
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	167,950
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	1,220
2017B LTGO Bond Various Purpose (Partial)	8/10/2017	6/1/2037	3.00-5.00%	33,325	33,325
Total Payable From Limited Tax GO Redemption Fund				836,743	653,350
Payable From Internal Service Funds					
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2030	4.58-6.05%	7,125	3,075
2012E LTGO (IT Business Empowerment) Bonds (Partial)	12/19/2012	12/1/2027	2.00-5.00%	22,405	8,240
Total Payable From Internal Service Funds				29,530	11,315
Total Limited Tax General Obligation Debt				866,273	664,665
IB. Limited Tax GO Capital Leases[(a)]					
2006 Project lease agreement - NJB Properties	12/5/2006	12/1/2036	5.00-5.51%	189,720	8,843
Total Limited Tax GO Capital leases				189,720	8,843
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	5,460
2012 UTGO Refunding 2004 (HMC) and 2004B (HMC) Bonds	8/14/2012	12/1/2023	2.00-5.00%	94,610	69,480
2013 UTGO Refunding 2003 Bonds	7/2/2013	6/1/2019	3.00-5.00%	8,660	2,850
Total Payable From Unlimited Tax GO Bond Redemption Fund				122,840	77,790
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,178,833	751,298

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

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/17
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	1/1/2034	3.25-5.25%	$ 236,950	$ 29,615
2009 LTGO (Transit) Refunding 1998A Bonds	2/18/2009	12/1/2019	2.00-4.00%	48,535	10,085
2009B LTGO (WQ) Capital Improvement Projects Bonds	4/8/2009	7/1/2039	5.00-5.25%	300,000	14,380
2010A LTGO Refunding 2001 (Airport) Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	5,110	2,190
2010B LTGO (BABs) (Transit) Taxable Bonds	12/1/2010	12/1/2030	2.85-6.05%	20,555	17,250
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	61,640
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	45,745
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	68,410
2014C LTGO & Refunding 2007E (Solid Waste) Bonds	7/30/2014	12/1/2034	2.00-5.00%	25,515	23,500
2015A LTGO (WQ) Refunding 2009B2 Bonds	2/18/2015	7/1/2038	2.00-5.00%	247,825	247,620
2015B LTGO (FED Tax-Exempt) (Solid Waste) Bonds	10/13/2015	12/1/2025	5.00%	60	50
2015D LTGO & Ref2007E (Solid Waste) Bonds	11/5/2015	12/1/2040	3.00-5.00%	50,595	49,045
2017A LTGO (WQ) Refunding 2008 Bonds	10/25/2017	7/1/2033	4.00-5.00%	154,560	154,560
2017A Multi-Modal LTGO (WQ) Refunding 2010A Bonds	10/26/2017	1/1/2040	Variable (b)	50,000	50,000
2017B Multi-Modal LTGO (WQ) Refunding 2010A Bonds	10/26/2017	1/1/2040	Variable (b)	50,000	50,000
2017A LTGO (Solid Waste) Bonds	6/8/2017	6/1/2040	3.25-5.00%	31,230	31,230
2017B LTGO (Solid Waste) Bond Various Purpose	8/10/2017	6/1/2027	4.00-5.00%	135	135
Total Limited Tax GO Bonds Payable From Enterprise Funds				1,539,375	956,595
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	1/1/2050	2.00-5.00%	334,365	55,755
2011 WQ Revenue (Capital Improvement Projects) Bonds	1/25/2011	1/1/2041	5.00-5.125%	175,000	15,765
2011B WQ Revenue Refunding 2001, 2002A, 2002B, and 04A Bonds	10/5/2011	1/1/2041	1.00-5.00%	494,270	191,785
2011C WQ Revenue Refunding 2001, 2002A, and 2004A Bonds	11/1/2011	1/1/2035	3.00-5.00%	32,445	7,885
2011 WQ Revenue Junior Lien Variable Rate Demand Bonds	10/26/2011	1/1/2042	Variable (c)	100,000	100,000
2012 WQ Revenue and Refunding 2004A Bonds	4/18/2012	1/1/2052	5.00%	104,445	104,445
2012B WQ Revenue and Refunding 2004A Bonds	8/2/2012	1/1/2035	4.00-5.00%	64,260	64,260
2012C WQ Revenue and Refunding 2004A and 2006 Bonds	9/19/2012	1/1/2033	2.50-5.00%	65,415	65,415
2012 WQ Revenue Junior Lien Variable Rate Demand Bonds	12/27/2012	1/1/2043	Variable (c)	100,000	100,000
2013A WQ Revenue Refg 2003, 2006, and 2005 WQ-LTGO Bonds	4/9/2013	1/1/2035	2.00-5.00%	122,895	111,020
2013B WQ Revenue and Refunding 2004B Bonds	10/29/2013	1/1/2044	2.00-5.00%	74,930	61,020
2014A WQ Revenue Refunding 2007 Bonds	7/8/2014	1/1/2047	5.00%	75,000	75,000
2014B WQ Revenue Refg 2004B, 2006, 2006B, 2007 and 2008 Bonds	8/12/2014	7/1/2035	1.00-5.00%	192,460	190,790
2015A WQ Revenue Refunding 2007, 2008, and 2009 Bonds	2/18/2015	7/1/2047	3.00-5.00%	474,025	472,325
2015B WQ Revenue & Refunding 2006 Bonds	11/17/2015	1/1/2046	4.00-5.00%	93,345	85,220
2015AB WQ Revenue Junior Lien Variable Rate Demand Bonds	11/24/2015	1/1/2046	Variable (c)	100,000	100,000
2016A WQ Revenue & Refunding 2007, 2008, 2009, 2010 Bonds	2/17/2016	7/1/2041	4.00-5.00%	281,535	278,975
2016B WQ Revenue & Refg 2006-2, 2010, 2011A, 2011B, 2011C Bonds	10/12/2016	7/1/2049	4.00-5.00%	499,655	496,165
2017A WQ Revenue Refg 2009LTGO, 2010, 2011A, 2011B, 2011C Bonds	12/19/2017	1/1/2050	5.00%	149,485	149,485
2017A WQ Revenue Junior Lien Variable Rate Demand Bonds	12/19/2017	1/1/2048	Variable (c)	50,000	50,000
2000-2017 State of Washington Revolving Loans	Various	Various	0.50-3.10%	235,633	218,043
2000 Public Transportation Park and Ride Capital Leases	3/30/2000	12/31/2031	5.00%	4,722	2,514
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				3,923,885	3,095,867
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				5,463,260	4,052,462
TOTAL LONG-TERM DEBT				$ 6,642,093	$ 4,803,760

(a) Beginning in 2017, NJB Properties, Inc. a component unit of King County went from being blended to being discretely presented for financial reporting. As a result, the NJB Properties lease revenue bonds liability 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 is a limited tax general obligation.

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

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

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

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES					
	General Obligation Bonds		General Obligation Capital Leases		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 69,133	$ 32,381	$ 329	$ 435	$ 69,462	$ 32,816
2019	71,795	28,900	344	419	72,139	29,319
2020	66,007	25,741	364	403	66,371	26,144
2021	67,541	22,714	380	386	67,921	23,100
2022	72,095	19,648	400	368	72,495	20,016
2023-2027	217,844	59,586	2,271	1,547	220,115	61,133
2028-2032	134,300	23,702	2,505	1,320	136,805	25,022
2033-2037	43,740	4,317	2,250	809	45,990	5,126
TOTAL	$ 742,455	$ 216,989	$ 8,843	$ 5,687	$ 751,298	$ 222,676

	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
2018	$ 48,230	$ 42,232	$ 71,358	$ 127,901	$ 119,588	$ 170,133	$ 189,050	$ 202,949
2019	41,510	42,290	79,435	128,485	120,945	170,775	193,084	200,094
2020	36,045	40,618	78,758	125,105	114,803	165,723	181,174	191,867
2021	26,470	38,877	75,084	121,875	101,554	160,752	169,475	183,852
2022	40,355	37,396	77,102	118,755	117,457	156,151	189,952	176,167
2023-2027	218,230	156,508	405,565	541,365	623,795	697,873	843,910	759,006
2028-2032	239,310	102,900	585,354	443,733	824,664	546,633	961,469	571,655
2033-2037	162,555	53,398	525,087	304,680	687,642	358,078	733,632	363,204
2038-2042	143,890	13,243	574,350	189,439	718,240	202,682	718,240	202,682
2043-2047	—	—	547,630	72,417	547,630	72,417	547,630	72,417
2048-2052	—	—	76,144	8,191	76,144	8,191	76,144	8,191
TOTAL	$ 956,595	$ 527,462	$ 3,095,867	$ 2,181,946	$ 4,052,462	$ 2,709,408	$ 4,803,760	$ 2,932,084

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, 2017 is as follows (in thousands):

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
General obligation (GO) bonds	$ 779,012	$ 33,325	$ (69,882)	$ 742,455	$ 69,133
Lease revenue bonds	3,635	—	(3,635)	—	—
Unamortized bonds premium and discount	70,255	5,038	(12,046)	63,247	—
Total bonds payable	852,902	38,363	(85,563)	805,702	69,133
Other liabilities:					
General Obligation capital leases[(a)]	14,815	—	(5,972)	8,843	329
Compensated absences liability	102,858	83,975	(80,175)	106,658	9,775
Net pension liability	554,767	270,904	(419,358)	406,313	—
Other postemployment benefits	57,090	1,723	(97)	58,716	—
Estimated claims settlements and other liabilities	169,360	234,831	(245,518)	158,673	52,638
Total other liabilities	898,890	591,433	(751,120)	739,203	62,742
Total Governmental activities long-term liabilities	$ 1,751,792	$ 629,796	$ (836,683)	$ 1,544,905	$ 131,875
Business-type activities:					
Bonds payable:					
GO bonds	$ 992,665	$ 285,925	$ (321,995)	$ 956,595	$ 48,230
Revenue bonds	2,884,890	199,485	(209,065)	2,875,310	55,535
Unamortized bonds premium and discount	369,807	38,026	(29,456)	378,377	—
Total bonds payable	4,247,362	523,436	(560,516)	4,210,282	103,765
Other liabilities:					
Capital leases	2,640	—	(126)	2,514	133
State revolving loans	205,989	26,471	(14,416)	218,044	15,690
Compensated absences liability	68,263	86,670	(86,119)	68,814	11,151
Net pension liability	458,946	212,274	(321,511)	349,709	—
Other postemployment benefits	13,804	856	(408)	14,252	—
Landfill closure and post-closure care liability	126,277	5,112	(8,507)	122,882	13,207
Pollution remediation	47,791	8,742	(9,224)	47,309	6,627
Customer deposits	1,414	1,090	(967)	1,537	897
Total other liabilities	925,124	341,215	(441,278)	825,061	47,705
Total Business-type activities long-term liabilities	$ 5,172,486	$ 864,651	$ (1,001,794)	$ 5,035,343	$ 151,470

Governmental activities estimated claims settlements of $158.7 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) Beginning in 2017, NJB Properties, Inc. a component unit of King County went from being blended to being discretely presented for financial reporting. As a result, the NJB Properties lease revenue bonds liability 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 is a limited tax general obligation.

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, 2017 (in thousands):

2017 ASSESSED VALUE (2018 TAX YEAR)	$ 534,662,435	
Debt limit of limited tax general obligations for metropolitan functions		
0.75 % of assessed value		$ 4,009,968
Less: Net limited tax general obligation indebtedness for metropolitan functions		(880,080)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 3,129,888
Debt limit of limited tax general obligations for general county purposes and metropolitan functions		
1.5 % of assessed value		$ 8,019,937
Less: Net limited tax general obligation indebtedness for general county purposes	$ (643,773)	
Net limited tax general obligation indebtedness for metropolitan functions	(880,080)	
Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions		(1,523,853)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS		$ 6,496,084
Debt limit of total general obligations for metropolitan functions		
2.5% of assessed value		$ 13,366,561
Less: Net total general obligation indebtedness for metropolitan functions		(880,080)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 12,486,481
Debt limit of total general obligations for general county purposes		
2.5 % of assessed value		$ 13,366,561
Less: Net unlimited tax general obligation indebtedness for general county purposes	$ (75,683)	
Net limited tax general obligation indebtedness for general county purposes	(643,773)	
Total net general obligation indebtedness for general county purposes		(719,456)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES		$ 12,647,105

Refunding and Defeasing Sewer Revenue Bond and Limited Tax General Obligations (GO) (Payable from Sewer Revenues) Bonds Issues - 2017

Defeasance of of Sewer Revenues Bonds, 2017 - On February 22, 2017, the County defeased $5.1 million of Sewer Revenue Bonds, 2008 and 2009 bonds using excessing funding source from King County Sewer Revenue fund.

Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues) Bonds, 2017 - On October 25, 2017, the County issued $154.6 million in limited tax GO refunding bonds (Payable from Sewer Revenues) series, 2017A with an effective interest cost of 2.5 percent to advance refund $175.6 million of outstanding limited tax GO bond (payable from sewer revenues) series, 2008 bonds, with an effective interest rate of 4.8 percent.

The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the series 2008 bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $6.6 million. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2034, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by $41.2 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $33.5 million.

Multi-Modal Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues) Bonds, 2017A and Series 2017A. - On October 26, 2017, the County issued $100.0 million in multi-modal limited tax GO refunding bonds (Payable from Sewer Revenues) series, 2017A and 2017B with a variable interest rates to current refund $100.0 million of outstanding multi-modal limited tax GO bonds (Payable from Sewer Revenues) series, 2010A and 2010B bonds, with variable interest rates. As a result, the series 2010A and 2010B bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net position. This current refunding was undertaken to take advantage of a favorable interest rate restriction and reduce total debt service payments.

Sewer Revenue Refunding Bonds, 2017A - On December 19, 2017, the County issued $149.5 million in Sewer Revenue Refunding Bonds, 2017A with an effective interest cost of 3.6 percent to advance refund $159.7 million of outstanding Sewer Revenue Bonds, series 2009, 2010, 2011A, 2011B and 2011C, with an effective interest rate of 5.0 percent.

The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the series 2009, 2010, 2011A, 2011B and 2011C sewer revenue bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $11.2 million. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2050, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by $35.8 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $19.9 million.

Prior Year Refunded and Defeasance of Debt

As of December 31, 2017, King County has 12 refunded and defeased bond issues outstanding, consisting of six limited tax general obligation bonds total $471.0 million and six sewer revenue bonds total $1.2 billion. 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 12/31/17
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	8,865
Total Bonds Payable				$ 189,720	$ 8,870

Year	Principal
2018	$ 275
2019	290
2020	310
2021	325
2022	345
Thereafter	7,325
TOTAL	$ 8,870

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	General Fund	$ 340
	Nonmajor Governmental Funds	848
	All Others	301
Behavioral Health Fund	All Others	78
Nonmajor Governmental Funds	General Fund	2,649
	Nonmajor Governmental Funds	920
	All Others	263
Public Transportation Enterprise	General Fund	906
	Nonmajor Governmental Funds	1,802
	All Others	11
Water Quality Enterprise	General Fund	622
	Nonmajor Governmental Funds	1,465
Nonmajor Enterprise Funds	All Others	882
Internal Service Funds	Nonmajor Governmental Funds	15,675
	Public Transportation Enterprise	3,567
	All Others	280
Total interfund balances		$ 30,609

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	13,679
Total advances from/to other funds		$ 17,679

All of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2018.

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	$ 4,500
	Behavioral Health Fund	3,071
	Nonmajor Governmental Funds	76,430
	All Others	357
Behavioral Health Fund	Nonmajor Governmental Funds	2,428
Nonmajor Governmental Funds	General Fund	8,755
	Behavioral Health Fund	2,406
	Nonmajor Governmental Funds	249,339
	Internal Service Funds	1,101
	All Others	471
Public Transportation Enterprise	Nonmajor Governmental Funds	3,724
Water Quality Enterprise	Nonmajor Governmental Funds	741
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	1,235
Internal Service Funds	Nonmajor Governmental Funds	$ 15,989
	All Others	73
Total interfund transfers		$ 370,620

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

Note 17
Related Party Transactions

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly occupancy fee and rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth and Jefferson Building (NJB). The County became the legal owner of the Patricia Steel Memorial Building in December 2012 when it refinanced the original developer issued bonds. HMC will continue to use the building. Rent is also paid by HMC to the County for use of NJB, owned by a nonprofit corporation that is a blended component unit of the County. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofit which funded construction of NJB. In both situations, HMC has agreed to include the annual rental payments in its operating budget for as long as it uses the buildings. In 2017, 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.

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 2017, the King County primary government transferred $4.0 million to the CDA. CDA spent $1.3 million on art projects for which the County recorded a corresponding decrease in receivables from CDA and an increase in artwork work-in-progress.

The Public Transportation Enterprise (Transit) entered into a ground lease agreement as lessor with King County Housing Authority (KCHA) for the development of affordable housing units and a parking garage in the City of Redmond. The land under the lease has a cost of $1.3 million. KCHA is a related organization of King County. The lease provides for a minimum set-aside of 150 parking stalls for park-and-ride commuters. The lease calls for an annual lease payment with a 3.0 percent increase each year, commencing with the year ended December 31, 2003. The lease payment is due within 90 days following the end of each calendar year. A portion of the annual lease payment is restricted for use on future Federal Transit Administration projects. The term of the lease is 50 years with one option to extend for 25 years. Transit reported lease revenue of $45 thousand in 2017.

Note 18

Components of Fund Balance, Restatements, Restrictions and Special Item

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is classified into three components:

Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net position - Results when constraints are placed on net position use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position - Consists of net position that does not meet the definition of the two preceding categories.

Components of Fund Balance

King County's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

- *Nonspendable*. Balances that either are not in a spendable form or are legally or contractually required to remain intact.
- *Restricted*. Balances restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- *Committed*. Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the King County Council. A Council ordinance or motion is required to establish, modify or rescind a commitment of fund balance.
- *Assigned*. Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed. Assignments are authorized by chief officers of executive departments and administrative offices.
- *Unassigned*. Residual balances that are not contained in the other classifications. 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, 2017, it had a committed fund balance of $25.1 million.

A summary of governmental fund balances at December 31, 2017, is as follows (in thousands):

	General Fund	Behavioral Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ —	$ —	$ 834	$ 834
Prepayments	—	—	7,914	7,914
Youth Sports Facilities Grant Endowment	—	—	2,619	2,619
Total Nonspendable Fund Balance	—	—	11,367	11,367
Restricted for:				
Animal Services	—	—	2,036	2,036
Arts and Culture Development	—	—	413	413
Automated Fingerprint ID System	—	—	27,542	27,542
Behavioral Health	—	57,282	—	57,282
Best Starts For Kids Levy	—	—	71,821	71,821
Building Repair and Replacement	—	—	11,499	11,499
Conservation Futures	—	—	23,952	23,952
Community Services Operating	—	—	753	753
County Road Construction	—	—	18,374	18,374
County Roads Operating	—	—	25,220	25,220
Crime Victim Compensation Program	101	—	—	101
DCHS Administration	—	—	587	587
Developmental Disabilities	—	—	7,785	7,785
Dispute Resolution	33	—	—	33
Drug Enforcement	1,125	—	—	1,125
Emergency Medical Services	—	—	44,205	44,205
Enhanced 911 Emergency Telephone System	—	—	26,928	26,928
Environmental Health	—	—	14,321	14,321
Farmland and Open Space Acquisitions	—	—	1,519	1,519
Facilities Management Division-Parks	—	—	1,703	1,703
Facilities Management Division-Parks Facility Rehabilitation	—	—	9	9
Flood Control District	—	—	71,491	71,491
Grants	—	—	2,596	2,596
Historical Preservation	—	—	138	138
Housing and Community Development	—	—	60,043	60,043
Human Services	—	—	458	458
Information and Telecommunication Capital	—	—	24,272	24,272
Intercounty River Improvement	—	—	15	15
King County Flood Control Operating	—	—	47	47
Law Library	—	—	299	299
Local Hazardous Waste	—	—	16,235	16,235
Major Maintenance	—	—	2,251	2,251
Mental Illness and Drug Dependency	—	—	19,678	19,678
Noxious Weed Control	—	—	1,145	1,145
Open Space King County Bond Funded Subfund	—	—	443	443
Parks Capital	—	—	47,909	47,909
Parks Operating Levy	—	—	17,456	17,456
Parks Trust and Contribution	—	—	5	5
Planning and Permitting	—	—	970	970
Public Health	—	—	25,690	25,690
Puget Sound Emergency Radio Network	—	—	30,907	30,907
Real Property Title Assurance	25	—	—	25
Real Estate Excise Tax Capital	—	—	27,672	27,672
Recorder's Operations and Maintenance	—	—	2,022	2,022
Renton Maintenance Facility	—	—	21,036	21,036
Road Improvement Districts Construction	—	—	2	2
Road Improvement Districts Maintenance	—	—	7	7
Surface Water Capital	—	—	10,572	10,572

A summary of governmental fund balances at December 31, 2017, continues (in thousands) (page 2 of 2):

	General Fund	Behavioral Health Fund	Nonmajor Governmental Funds	Total
Restricted for - continued:				
Surface Water Management	$ —	$ —	$ 9,262	$ 9,262
Treasurer's Operations and Maintenance	—	—	164	164
Urban Restore Habitat Restoration	—	—	350	350
Veterans and Human Services	—	—	1,669	1,669
Veterans' Relief	—	—	275	275
Wheelchair Access	732	—	—	732
Youth Service Facility Construction	—	—	52,361	52,361
Total Restricted Fund Balance	2,016	57,282	726,107	785,405
Committed for:				
Antiprofiteering Program	69	—	—	69
Rainy Day Reserve	25,092	—	—	25,092
Urban Restoration and Habitat	—	—	43	43
Total Committed Fund Balance	25,161	—	43	25,204
Assigned for:				
Capital Projects	5,637	—	—	5,637
Debt Service	—	—	14,817	14,817
General Government	402	—	—	402
Information and Telecommunication Capital	—	—	3,669	3,669
Inmate Welfare	4,634	—	—	4,634
Long Term Leases	—	—	70	70
Major Maintenance Reserve	—	—	13,658	13,658
Mental & Physical Health	6	—	—	6
Public Safety	8,502	—	—	8,502
Regional Justice Projects	—	—	297	297
Transfer of Development Credit Program	—	—	7,519	7,519
Urban Restore Habitat Restoration	—	—	300	300
Youth Amateur Sports	—	—	5,575	5,575
Total Assigned Fund Balance	19,181	—	45,905	65,086
Unassigned for:				
General Fund	98,412	—	—	98,412
Arts and Culture Development	—	—	(3,726)	(3,726)
Building Repair and Replacement	—	—	(960)	(960)
Long-term Leases	—	—	(2,748)	(2,748)
Parks Facility Rehabilitation	—	—	(35)	(35)
Permit and Environmental Review	—	—	(397)	(397)
Risk Abatement	—	—	(10,548)	(10,548)
Total Unassigned Fund Balance	98,412	—	(18,414)	79,998
Total Fund Balance	$ 144,770	$ 57,282	$ 765,008	$ 967,060

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	General Fund	Nonmajor Governmental Funds	Internal Service Funds
Net position/fund balance - January 1, 2017	$ 2,579,801	$ 758,442	$ 125,479	$ 632,963	$ 128,963
GASB Statement 61 & 80 - Reporting Entity Change	5,042	—	—	—	13,061
Other prior period corrections of errors:					
General capital assets	16,206	—	—	—	—
KC Recorder's Office cumulative revenue transfer	(1,972)	(1,972)	(1,972)	—	—
Other nonmajor governmental fund	980	980	—	980	—
Net position/fund balance - January 1, 2017 (Restated)	$ 2,600,057	$ 757,450	$ 123,507	$ 633,943	$ 142,024

Governmental Activities

Reevaluation of component units based on recent GASB guidance resulted in the de-blending of NJB properties previously reported as a blended internal service fund (see note 1, “Reporting Entity Change”). This accounting change resulted in the restatement of prior period net position in governmental activities by $5.0 million and internal service funds by $13.1 million.

Governmental activities general capital assets beginning balances were increased by a net $16.2 million due to expensing work in progress and capitalizing roads-bridges infrastructure in error.

Due to computer system implementation issues and key technical staff turnover in 2012, the County failed to distribute certain recording fees collected in the General Fund to various King County funds and the state of Washington. Two million is the cumulative amount of the error from prior years 2012-16.

Contract reductions in the Flood Control contracts fund and district fund, and, failure to recognize as revenue certain prior year advance grants in the Grants fund resulted in a net increase of $980 thousand in beginning fund balance of nonmajor governmental funds.

Restricted Net Position

Component Unit - Harborview Medical Center (HMC)

Restricted expendable net position - $10.2 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 $2.6 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 - $38.9 million is restricted by RCW 67.28.180.3 and King County ordinance to be used only for the arts and heritage cultural program awards fund and special account, for which the amount is derived according to a specified formula.

Special Item - Governmental Activities

In June 2017, the County exercised its option to refinance the lease revenue bonds held by CDP-King County III, a County blended component unit and lessor for the King Street Center Building that is under lease to the County. Final defeasance of the bonds occurred in June 1, 2017 when title to the property legally transferred to the County. CDP-

King Street III then ceased to be a component unit and its residual assets and liabilities were removed from the County's statements of net position with the resultant change of $6.6 million reported as a special item in the Internal Service Funds activity statements. A related special item is also reported in governmental activities totaling $213 thousand.

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 discussions in March 2018 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.

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.

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.

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 is 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. In December 2016 King County initiated suit in King County Superior Court against the contractor to recover the additional costs to complete the project. The contractor filed a second lawsuit in Snohomish County Superior Court to enjoin the default termination. King County obtained a dismissal of this lawsuit and the contractor was appealing that decision to Division One of the Court of Appeals. The contractor moved to change venue in the King County action, was denied and appealed that decision. Discretionary review was granted and both appeals are now consolidated.The Appeals Court affirmed the trial court's decision that venue is proper in King County and affirmed Snohomish County Superior Court's dismissal of the contractor's second filed suit.

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.

Transit Wage and Hour Claims - Following audit by the U.S. Department of Labor regarding pre-trip inspection time under the federal Fair Labor Standards Act, the Prosecuting Attorney's Office is working with Transit and the Office of Labor Relations regarding claims by employees represented by ATU Local 587 related to potential state law wage and hour issues. A settlement agreement has been reached by the parties, which is subject to Council approval. Outside counsel has been engaged to assist in this matter.

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

Minimum Wage for Jurors - Class action complaint was filed in Pierce County Superior Court alleging that King County is required to pay minimum wage for jurors. The 42-page complaint includes nine causes of action and seeks to certify four distinct classes. King County is responding to plaintiffs' discovery requests and is vigorously defending this matter. King County filed a motion for summary judgment, which was granted; plaintiffs' claims were dismissed with prejudice and all other claims were dismissed without prejudice. Plaintiffs have appealed and are seeking direct review by the Washington Supreme Court. The Court recently denied review and transferred the appeal to the Court of Appeals, Division II.

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

Ballot Title Challenge - In 2012 King County voters approved a capital levy to build a new children and family and justice center to replace two existing King County juvenile court buildings. An organization sued King County in Pierce County Superior Court challenging the ballot title for, and taxes collected under, the levy. The organization claims that the ballot title did not inform voters that the project would include a new youth detention center or that levy funds would be collected for nine years. Pierce County Superior Court Judge granted King County's motion for summary judgment. The Judge held that the lawsuit was really a ballot title challenge that should have been brought before the measure was presented to voters and he further held that the County's ballot title met the requirements of the levy lid lift statute. The organization appealed to Division Two. On September 26, 2017, the appellate court upheld the trial court's decision as to the adequacy of the description of the project, but reversed the trial court's decision as to whether the ballot title adequately disclosed the duration of the levy lid lift. On April 4, 2018, the Washington Supreme Court granted King County's petition for review. We expect the case to be heard in early fall 2018. A decision will likely be issued within one year of the argument date.

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 2017, there are 13 contingent loan agreements outstanding totaling $155.6 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, 2017 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 2017. 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

Water Quality closed on a $134.5 million loan commitment with the Environmental Protection Agency in April 2018 for the Georgetown Wet Weather Treatment Station. Draws on the loan commitment, scheduled to begin in 2020, is evidenced by the 2018 sewer revenue bonds that was authorized by the King County Council under the Washington Infrastructure Finance Innovation Act.

Required Supplementary Information

CAFR

Comprehensive Annual Financial Report

I. Budget to Actual - Major Fund

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS)

	2017-2018 BUDGETED AMOUNTS (BIENNIAL)			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property taxes	$ 691,289	$ 692,641	$ 344,708	$ (347,933)
Retail sales and use taxes	272,782	269,656	134,140	(135,516)
Business and other taxes	21,904	22,353	4,295	(18,058)
Licenses and permits	12,373	14,314	7,783	(6,531)
Intergovernmental revenues	240,600	254,076	21,629	(232,447)
Charges for services	303,501	302,268	258,546	(43,722)
Fines and forfeits	49,308	48,989	25,754	(23,235)
Interest earnings	—	—	10,447	10,447
Miscellaneous revenues	54,062	54,577	17,943	(36,634)
Sale of capital assets	—	158	168	10
Transfers in	4,740	5,879	13,255	7,376
TOTAL REVENUES	1,650,559	1,664,911	838,668	(826,243)
EXPENDITURES				
Current:				
General government	285,993	289,992	188,508	101,484
Law, safety and justice	1,137,264	1,155,067	505,028	650,039
Economic environment	1,175	1,132	503	629
Health and human services	79,156	83,651	38,561	45,090
Debt service:				
Principal	68	68	—	68
Interest and other debt service costs	7	7	99	(92)
Capital outlay	1,787	3,276	1,245	2,031
Transfers out	162,261	172,700	81,401	91,299
TOTAL EXPENDITURES	1,667,711	1,705,893	815,345	890,548
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	$ (17,152)	$ (40,982)	23,323	$ 64,305
Adjustment from budgetary basis to GAAP basis[a]			(2,060)	
Net change in fund balance			21,263	
Fund balance - Beginning balance (Restated)			123,507	
Fund balance - Ending balance			$ 144,770	

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

Adjustments to revenues:	
Recognition of unrealized loss on investments	$ (2,304)
Adjustments to expenditures	(145)
Non-budgeted revenues	389
Adjustment from budgetary basis to GAAP basis	$ (2,060)

BEHAVIORAL HEALTH FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS)

2017-2018 BUDGETED AMOUNTS (BIENNIAL)

	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property taxes	$ 6,568	$ 6,568	$ 3,258	$ (3,310)
Business and other taxes	—	—	14	14
Intergovernmental revenues	96,607	36,417	25,589	(10,828)
Charges for services	749,112	539,889	256,419	(283,470)
Interest earnings	938	938	925	(13)
Miscellaneous revenues	1,982	1,982	919	(1,063)
Transfers in	6,143	6,193	5,473	(720)
TOTAL REVENUES	861,350	591,987	292,597	(299,390)
EXPENDITURES				
Current:				
Health and human services	857,917	652,649	307,567	345,082
Transfers out	—	—	443	(443)
TOTAL EXPENDITURES	857,917	652,649	308,010	344,639
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	$ 3,433	$ (60,662)	(15,413)	$ 45,249
Adjustment from budgetary basis to GAAP basis[a]			(162)	
Net change in fund balance			(15,575)	
Fund balance - Beginning balance			72,857	
Fund balance - Ending balance			$ 57,282	

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

Adjustments to revenues:	
Recognition of unrealized loss on investments on a GAAP basis	$ (153)
Adjustments to expenditures:	
Non-budgeted transfers out	(9)
Adjustment from budgetary basis to GAAP basis	$ (162)

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)

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

	2017	2016	2015	
County's proportion of the net pension liability	10.14%	10.52%	10.36%	
County's proportionate share of the net pension liability	$ 352,361	$ 529,855	$ 370,294	
County's covered payroll**	$ 995,800	$ 953,254	$ 949,860	***
County's proportionate share of the net pension liability as a percentage of covered payroll	35.38%	55.58%	38.98%	
Plan fiduciary net position as a percentage of the total pension liability	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)

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

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

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

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

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

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

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

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

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

	2017	2016	2015
Contractually required contribution	$ 371	$ 458	$ 520
Contributions in relation to the contractually required contribution	371	458	520
Contribution deficiency (excess)	$ —	$ —	$ —
Covered payroll**	$ 2,429	$ 3,010	$ 3,305
Contributions as a percentage of covered payroll	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 no active members; therefore, no contributions are required or paid.

III. Postemployment Health Care Plan

Schedule of Funding Progress for the Plan

(in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) ÷ c)
2015	12/31/2015	—	$ 167,417	$ 167,417	—%	$ 1,076,068	15.6%
2016	12/31/2016	—	167,417	167,417	—%	1,121,962	14.9%
2017	12/31/2017	—	121,079	121,079	—%	1,178,142	10.3%

IV. Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Roads

The County performs condition assessments on its network of roads through the King County Pavement Management System. This system generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index from zero to one hundred (0-100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as pavement cracking. Based on the PCI score, condition ratings are assigned as follows: a PCI of less than 30 is defined as "poor to substandard" (heavy pavement cracking and potholes); a PCI of 30 or more but less than 50 is defined to be in "fair" condition (noticeable cracks and/or utility cuts); and a PCI of 50 and higher is defined to be in "excellent to good" condition (relatively smooth roadway). Condition assessments are undertaken every three years for local streets and every two years for arterials.

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

	2016-2014		2013-2011		2010-2008	
Condition ratings	**(miles)**	**%**	**(miles)**	**%**	**(miles)**	**%**
Arterial roads						
Excellent to good	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.

	2016-2014		2013-2011		2010-2008	
PCI score interval	**(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.

It is the policy of the King County Road Services Division to maintain at least 50 percent of the road system at a PCI of 40 or better. The roads condition assessments have increased slightly over the last maintenance cycle. The accelerated condition deterioration observed in the 2010-2008 cycle and continuing in the 2013-2011 cycle, was primarily the result of weather and system age. Many of the arterial roadways are beyond their cost-effective life cycles, resulting in roadway deterioration. Because of the uncertainty in future funding for roads, the County formally lowered its established condition level to 50 percent of the roads at a PCI of 40 or better. The 2017 budgeted amounts below already account for the change in the established condition level.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network from 2012 to 2016. The budgeted amount is equivalent to the anticipated amount needed to maintain roads at the 50/40 required condition level for the modified approach (in thousands).

	2017	2016	2015	2014	2013
Budgeted	$ 72,969	$ 70,969	$ 56,599	$ 50,453	$ 59,110
Expended	59,864	43,820	37,003	36,269	46,782

The amount budgeted in 2017 for road preservation and maintenance was $73.0 million. The amount actually expended was $59.9 million. The 2017 underspending was due to scheduling of contracted work and work to be performed in 2018. 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 formula used to calculate the sufficiency rating for a particular bridge is dictated by the Federal Highway Administration. The sufficiency rating may vary from 100 (a bridge in new condition) to 0 (a bridge incapable of carrying traffic). A sufficiency rating of 50 or over indicates a bridge with a good deal of service life remaining. A bridge that scores between 0 and 49 could be considered for replacement or rehabilitation funding, though typically only bridges that score less than 30 are selected for funding.

The three most recent bridge sufficiency ratings are as follows:

Bridge	Number of Bridges		
Sufficiency Rating	2017	2016	2015
0 - 20	8	6	5
21 - 30	4	—	2
31 - 49	22	24	20
50 - 100	144	148	150
Totals	178	178	177

It is the policy of the King County Road Services Division to maintain bridges in such a manner that no more than 12 will have a sufficiency rating of 20 or less. A rating of 20 or less is usually indicative of a bridge with a structural deficiency. The most common remedy is full replacement, rehabilitation or closure of the bridge.

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

	2017	2016	2015	2014	2013
Budgeted	$ 6,605	$ 4,343	$ 5,607	$ 4,727	$ 5,544
Expended	6,221	3,448	3,184	3,345	5,411

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

APPENDIX C

SUMMARY OF KING COUNTY'S INVESTMENT POLICY

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SUMMARY OF KING COUNTY'S INVESTMENT POLICY

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

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

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

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

The Investment Pool must maintain an effective duration of 1.5 years or less and 40% of its total value must be held in securities that mature within one year. As of December 31, 2018, the Investment Pool had a balance of $7.5 billion and an effective duration of 0.94 years, and 52.4% 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 fourteenth most populous county in the United States. Of the State's population, nearly 30% reside in King County, and of the County's population, 33% 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

(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
2017(1)	3,943	$ 1,529,912,566	13,296	$ 2,080,463,457	$ 3,610,376,023
2018(1)	4,082	1,593,188,586	12,369	1,554,772,964	3,147,961,550

(1) Through November.

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
2013	$ 46,093,349,116	$ 18,258,202,770
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
2017(1)	$ 29,447,817,107	$ 12,149,059,838
2018(1)	32,673,319,461	13,575,003,949

(1) Through second quarter.

Source: Washington State Department of Revenue and Quarterly Business Review

Industry and Employment

The following table presents major Puget Sound-area employers and their State-wide employment data as of May 1, 2018 (except where noted).

PUGET SOUND AREA
MAJOR EMPLOYERS

Employer	Employees
The Boeing Company	65,800[(1)]
Joint Base Lewis-McChord	54,000
Amazon.com Inc.	50,000
Microsoft Corp.	46,300[(1)]
Navy Region Northwest	45,900
University of Washington	45,000
Providence Health & Services	43,100
Safeway Inc. and Albertsons LLC	21,500[(1)]
Wal-Mart Stores, Inc.	20,000
Costco Wholesale Corp.	17,600[)]
MultiCare Health System	16,300
Fred Meyer Stores	15,500[(1)]
King County Government	14,700[(2)]
Starbucks Corp.	14,000[(1)]
City of Seattle	13,700[(3)]
Swedish Medical Center	13,300
CHI Franciscan Health System	12,400
Seattle Public Schools	11,400
Nordstrom Inc.	10,200
PeaceHealth	9,300

(1) Latest information available is for 2017.

(2) Source: King County.

(3) Source: City of Seattle.

Source: Puget Sound Business Journal, 2018

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

	Annual Average				
	2013	**2014**	**2015**	**2016**	**2017**
Civilian Labor Force	1,137,369	1,158,195	1,178,040	1,204,360	1,230,207
Total Employment	1,079,695	1,103,941	1,127,580	1,156,939	1,184.707
Total Unemployment	57,674	54,254	50,460	47,421	45,500
Percent of Labor Force	5.1%	4.7%	4.3%	3.9%	3.7%

NAICS INDUSTRY	**2013**	**2014**	**2015**	**2016**	**2017**
Total Nonfarm	1,237,217	1,278,033	1,311,575	1,358,517	1,401,333
Total Private	1,069,975	1,108,425	1,137,442	1,180,175	1,219,450
Goods Producing	162,508	168,283	174,908	176,800	178,550
Mining and Logging	458	458	575	500	575
Construction	55,883	60,792	66,800	70,833	75,108
Manufacturing	106,167	107,025	107,542	105,475	102,892
Service Providing	1,074,708	1,109,750	1,136,667	1,181,717	1,222,783
Trade, Transportation, and Utilities	225,167	235,758	244,433	254,642	269,508
Information	82,617	85,583	89,058	95,967	102,983
Financial Activities	70,892	72,000	69,675	70,758	71,208
Professional and Business Services	201,042	207,933	215,733	222,667	228,183
Educational and Health Services	162,633	167,983	167,008	174,592	179,092
Leisure and Hospitality	120,575	124,883	130,108	136,425	141,392
Other Services	44,542	46,000	46,517	48,325	48,533
Government	167,242	169,608	174,133	178,342	181,883
Workers in Labor/Management Disputes	0	0	0	0	0

	Dec. 2018
Civilian Labor Force	1,260,772
Total Employment	1,219,257
Total Unemployment	41,515
Percent of Labor Force	3.3%

(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.