



King County

Finance and Business
Operations Division

PAFR

Popular Annual Financial Report

January 1 - December 31, 2017

King County, Washington

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Cover photographer: Eli Brownell, King County Parks

ABOUT THE PAFR

The King County Popular Annual Financial Report (PAFR) provides an overview of the County's financial condition with a brief analysis of where revenues come from and how the monies including tax dollars are spent. The financial data provided is for the primary government which includes the aggregated data for all County departments, divisions and agencies classified into governmental activities and business-type activities. Excluded are activities of discrete component units as those are legally separate entities, and fiduciary funds as those represent resources held in trust for other governments.

The County's operations are broadly categorized into two, namely, **governmental activities**, where operations and services are funded for the most part by taxes, intergovernmental revenues or grants and public benefit programs; and **business-type activities**, where the cost of operations are recovered to a large extent from user fees and charges.

While the PAFR is not audited, the financial information reported is based on the audited 2017 Comprehensive Annual Financial Report (CAFR), a report that provides more detailed and complete financial information accounted and presented according to generally accepted accounting standards. To complement the financial information, this report also includes an overview of the local economy, major County initiatives, future capital projects, and key information regarding financial operations, such as, capital assets, debt, investments and property taxes. Budget to actual data and financial results for the General Fund are also provided.

Find the CAFR and PAFR online at:

<http://www.kingcounty.gov/depts/finance-business-operations/financial-management.aspx>

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



King County

**Finance and Business
Operations Division**

COUNTY GOVERNMENT



**County Executive
Dow Constantine**



METROPOLITAN KING COUNTY COUNCIL From Left: **Larry Gossett** (District 2), Council Chair **Joe McDermott** (District 8), **Jeanne Kohl-Welles** (District 4), **Reagan Dunn** (District 9), Council Vice Chair **Kathy Lambert** (District 3), **Dave Upthegrove** (District 5), **Rod Dembowski** (District 1), Council Vice Chair **Claudia Balducci** (District 6), and **Pete von Reichbau-**

King County ranks number one in population in the state of Washington and is the financial, economic and industrial center of the Pacific Northwest. Located between Puget Sound and the Cascade Mountains, the County ranks 11th in geographical size among 39 counties in the State and is nearly twice as large as the average county in the United States. With over two million people, it's the 13th most populous county in the nation.

King County is organized under the executive-council form of county government. The Metropolitan King County Council is the policy making legislative body while the Executive serves as the CEO. The Executive presents to the Council annual statements of the County's financial and governmental affairs, the proposed budget, and capital improvement plans. The Executive signs, or authorizes the signing of, all deeds, contracts, and other instruments on behalf of the County and appoints the director of each executive department.

King County delivers critical services to both incorporated and unincorporated areas. While a second tier of services is provided only locally to unincorporated areas, cities and other incorporated areas can and do contract with the County for individual services.

OTHER ELECTED OFFICIALS (at time of publication)

| Office | Officials |
|---|-------------------|
| Prosecuting Attorney | Dan Satterberg |
| Assessor | John Wilson |
| Elections Director | Julie Wise |
| Sheriff | Mitzi Johanknecht |
| Presiding Judge - Superior Court | Laura Inveen |
| Chief Presiding Judge - District Court | Donna Tucker |

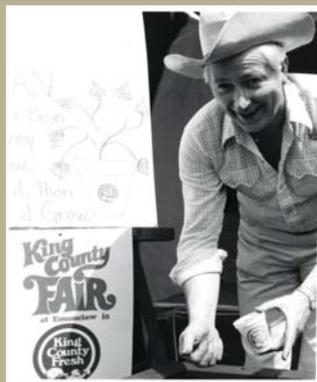
JOHN D. SPELLMAN 1926—2018

1st Executive of King County

In office

May 1, 1969 – Jan 14, 1981

[John D Spellman at the King County Fair], no. 92.0.0110, Series 413: County Executive John Spellman Photograph files, Box 1, King County Archives



"Governor Spellman was an effective public servant who through out his career led with honor and grace."
~ Dow Constantine

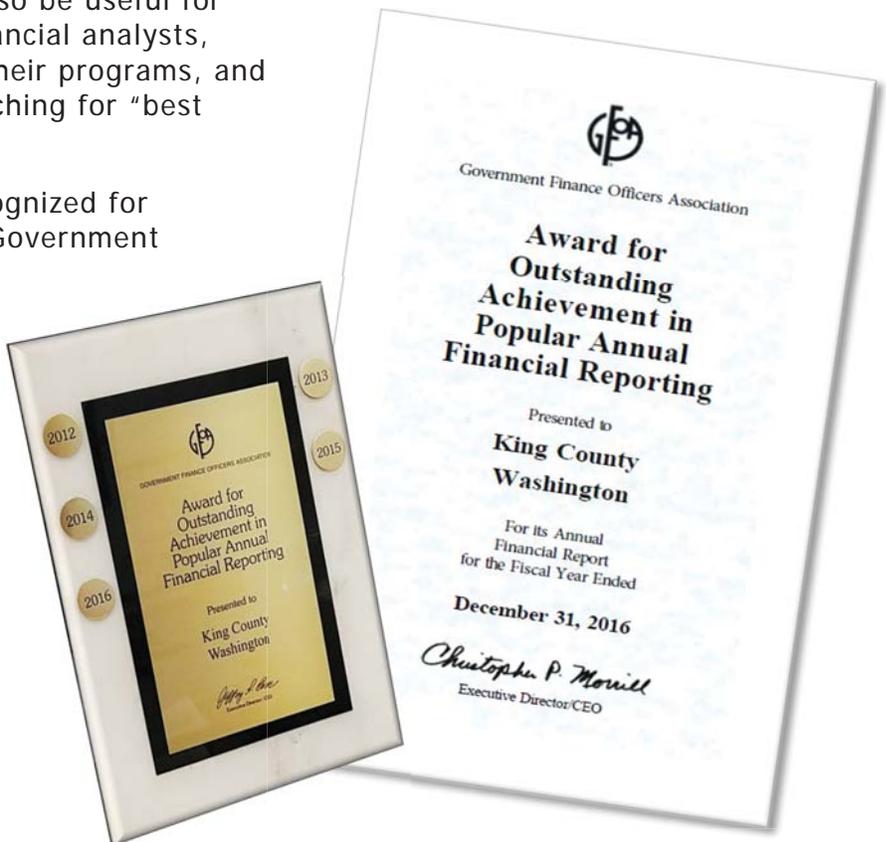
To the Citizens of King County,

It is our pleasure to present to you King County's Popular Annual Financial Report (PAFR) for fiscal year 2017. This report provides a 10,000-foot view of the financial affairs of King County government as a whole.

The PAFR seeks to inform readers about the County's basic financial structure with emphasis on the results of its operations during the fiscal year just ended, and its financial position at the end of the fiscal year. It presents an easy to understand summary of the County's finances as it continues to provide the essential and critical public goods and services to its citizens. The County's financial successes and continuing challenges are discussed as it navigates through the ever-changing economic, social and political climate. Important metrics and trends are provided to assist the reader in evaluating the County's performance and long-term viability. Such information may also be useful for decision-making by investors, financial analysts, other counties looking to model their programs, and current and future residents searching for "best places to live."

Last year the 2016 PAFR was recognized for outstanding achievement by the Government Finance Officers Association (GFOA), the seventh consecutive year that the County has received the award.

We hope you enjoy the 2017 PAFR as we enjoyed preparing it for you and we welcome any feedback that helps us to improve on the usefulness of this report. Finally, we invite you to access our audited CAFR for more detailed financial and operational information. Both PAFR and CAFR are available online at the King County website listed on page one.

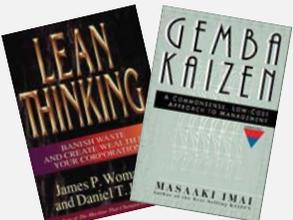


Ken Guy
Finance Director
Finance and Business Operations Division

Cheryl Lee, CPA
Chief Accountant
Financial Management Section

MAJOR INITIATIVES & ACCOMPLISHMENTS

THE BIG FOUR INITIATIVES

| | | | |
|---|---|---|--|
| <p>1 Best-run government means embracing continuous improvement, instituting best management practices, encouraging front-line employees to innovate and striving for second-to-none customer service.</p>  | <p>2 Building equity and opportunity with programs that promote equity and social justice such as Best Start for Kids, which focuses efforts and resources on a child's early development with the hopes of pre-empting potential crises during adulthood.</p>  | <p>3 Confronting climate change is our contribution to finding solutions to the global warming issue that will affect future generations.</p>  | <p>4 Regional mobility attempts to solve the ever increasing congestion in our roadways through regional mass transportation systems.</p>  |
|---|---|---|--|

THE EQUITY AND SOCIAL JUSTICE LENS

Equity and social justice is the principle of "fair and just" - opportunities for all people and communities - and is incorporated into all of our work at the County. We recognize that our economy and quality of life depends on the ability of everyone to contribute. We are working to remove barriers that limit the ability of some to fulfill their potential. The Equity and Social Justice Strategic Plan will build pro-equity capacity in the six goal areas of 1) leadership, operations and services; 2) equitable budgeting, planning and policymaking; 3) workplace and workforce equity; 4) community partnerships; 5) communications and education; and 6) equitable facility and system improvements. Examples of our work in action:

- **Best Starts for Kids** invests in prevention and early intervention for children, youth, families and communities.
- **Communities of Opportunity** addresses inequities in health, social and economic outcomes via place-based and policy/systems change solutions with partners playing key roles in shaping solutions.
- **Familiar Faces** focuses on improving systems of health and social support services and crisis prevention for jail-involved individuals who have mental health or substance use conditions
- **Juvenile Justice Equity Steering Committee** consisting of community leaders and members, youth, law enforcement, school superintendents, faith-based representatives, judges, prosecutor and public defense is establishing short- and long-term actions to end racial disparity in the juvenile justice system.
- **Prioritizing Racial Justice** is part of our government work overall and implementation of our Equity and Social Justice Strategic Plan.



Upstream,
where needs
are greatest,

in
**community
partnerships,**

King County
and in
employees,

with **transparent
and accountable
leadership.**

2017 ACCOMPLISHMENTS

Only a few of the numerous examples from 2017 of how King County delivered on its shared commitment to creating a more just, equitable community where all people can achieve their full potential include:

Making food safety ratings more accurate, consistent and transparent: Public Health – Seattle & King County worked with top researchers, food inspectors, and community advocates to develop a new way of communicating how well restaurants perform in terms of food safety. The new window signs and ratings system ensure that the County remains at the forefront of accurate and transparent food safety ratings.



Preventing youth and family homelessness, delivering on the promise of Best Starts for Kids: The first Best Starts for Kids initiative prevented more than 3,000 people from becoming homeless in its first year. Researchers at MIT and Notre Dame selected the initiative for an academic study on the effectiveness of homelessness prevention.



Connecting more young people to opportunities with the successful ORCA summer program.

Demonstrating the County's commitment as an inclusive, welcoming community: the County's proud reputation as a welcoming, inclusive community was reinforced by contributing \$1 million to provide critical services to immigrants and refugees whose health, safety, and human rights are at risk.



reinforced by contributing \$1 million to provide critical services to immigrants and refugees whose health, safety, and human rights are at risk.



Uniting more cats and dogs with forever families, building on the successful transformation of regional animal services: the County's once-struggling animal service agency has become one of the highest-performing open shelters in the United States. The County earned a grant that will help the staff and volunteers at Regional Animal Services of King County connect even more cats and dogs with families.

Leading the nation in the transition to battery-powered buses: the transition to zero-emissions transportation is accelerating by making one of the largest bus fleets in the United States all-electric by as early as 2034.



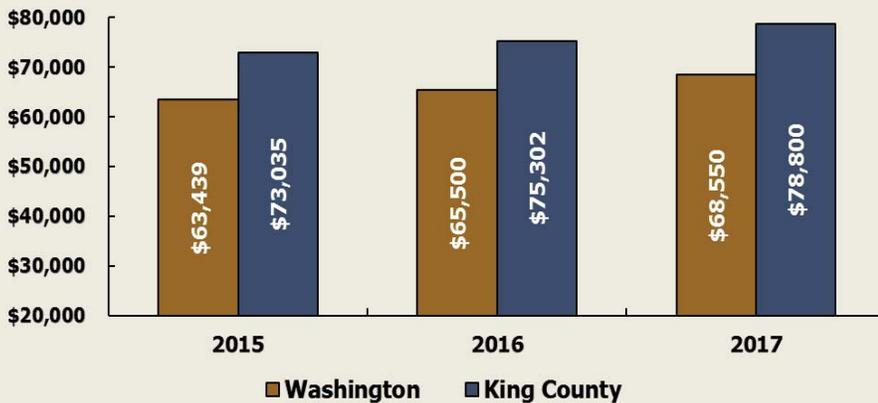
Establishing the County as a global leader in the fight against HIV/AIDS: King County is one of the first counties in the United States to achieve a major milestone set by the World Health Organization to confront the HIV/AIDS epidemic. Public Health – Seattle & King County reached the goal three years ahead of schedule.

LOCAL ECONOMY



POST-RECESSION GROWTH

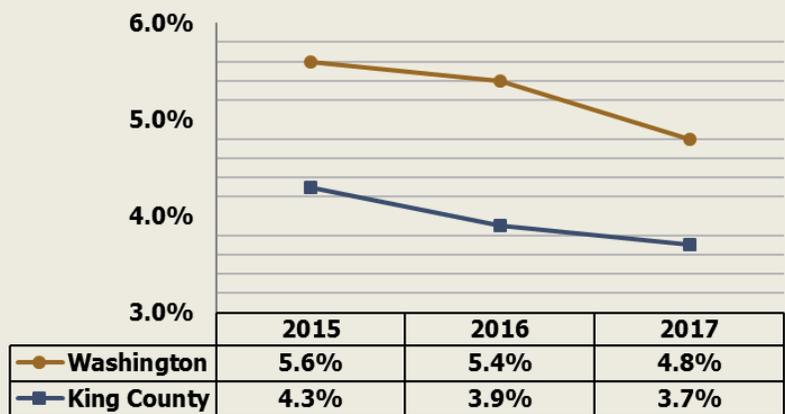
Three-Year Comparison Of Median Household Income



Economic factors have a direct impact on the County's revenues which are sensitive to the performance of both regional and local economies. Income, employment, market forces, investment and inflation influence property tax assessments, retail sales and real estate transactions. The County's unemployment rate is now at 4.2 percent (as of January 2018), lower than Washington State (4.7 percent) and national

(4.1 percent). In addition to low unemployment, the County has the highest median household income in the state. Amazon continues to hire thousands of new employees each year and boasts the most job openings in the area. Boeing, while still the largest employer in the state, has seen steady declines in employment the last several years, due to attrition and increased technology, but its outlook is solid due to a high demand for the 737 MAX plane that is built in Renton. In the years since the Great Recession, County taxable retail sales have rebounded thanks to growing personal incomes, enhanced consumer confidence, strong employment, and a booming construction sector. Sales tax collections have been growing above five percent in each of the last four years.

Three-Year Comparison Of Unemployment Rate



This is one of two side-by-side comparisons between King County and three other counties. Page 10 compares financial indicators.

COMPARISON WITH OTHER COUNTIES

| Demographic/Economic Indicators | King County, WA | Broward, FL | San Bernardino, CA | Clark, NV |
|---------------------------------|-----------------|-------------|--------------------|-----------|
| Population | 2.2 M | 1.9 M | 2.2 M | 2.2 M |
| Density (per sq. mi.) | 1,035 | 1,607 | 108 | 279 |
| 65 years + | 273 K | 307 K | 237 K | 304 K |
| Median Household Income | \$78.8 K | \$53.0 K | \$54.5 K | \$52.6 K |
| Unemployment Rate | 3.9% | 4.6% | 5.7% | 5.8% |

2016 data from NACo - National Association of Counties

King County compares favorably with other counties of similar population sizes. The selected counties above have significant business-type operations just like King County.

THE COUNTY'S FINANCES



STATEMENT OF NET POSITION

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 County's comparative statement of net position for fiscal years ending December 31, 2016 — 2017 is depicted in the chart below.

King County's overall net position increased 11.1 percent or \$605.1 million from the prior fiscal year. Below are the three components of net position and their respective fiscal year-end balances:

Net Investment in Capital Assets: The biggest portion of net position (71.1 percent or \$4,307.3 million) is invested in capital assets. King County uses these capital assets to provide a variety of

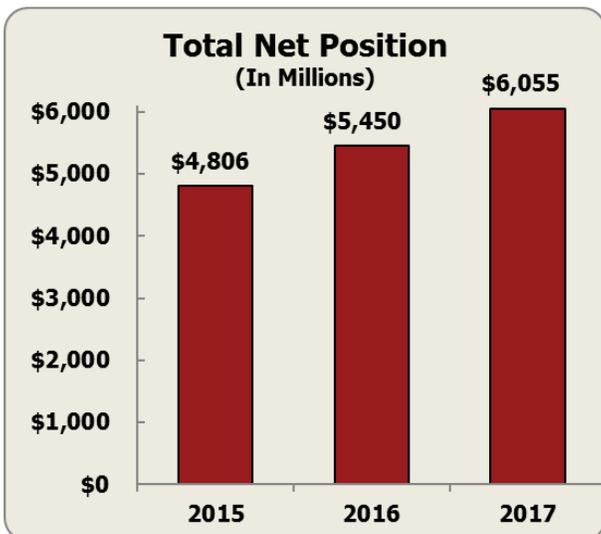
services to its citizens. Accordingly, these assets are not available for future spending. Although King County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position: This portion of net position (17.3 percent or \$1,046.3 million) is restricted, representing resources that are subject to external restrictions on how they may be used, such as bond proceeds for capital construction, resources reserved for debt service or funds mandated for specific programs.

Unrestricted Net Position: This portion of net position (11.6 percent or \$701.8 million) is unrestricted, representing resources that are available for services.

| | | Governmental | | Business-type | | Total | |
|---|----------|--------------|----------|---------------|----------|----------|------|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Statement of Net Position (In Millions) | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 1,300 | \$ 1,141 | \$ 1,672 | \$ 1,527 | \$ 2,972 | \$ 2,668 | |
| Capital assets | 3,161 | 3,062 | 6,047 | 5,968 | 9,208 | 9,030 | |
| Other assets | 224 | 204 | 508 | 505 | 732 | 709 | |
| Total Assets | 4,685 | 4,407 | 8,227 | 8,000 | 12,912 | 12,407 | |
| Deferred Outflows of Resources | | | | | | | |
| | 88 | 136 | 280 | 319 | 368 | 455 | |
| Liabilities | | | | | | | |
| Long-term liabilities | 1,545 | 1,752 | 5,036 | 5,172 | 6,581 | 6,924 | |
| Other liabilities | 206 | 176 | 244 | 242 | 450 | 418 | |
| Total Liabilities | 1,751 | 1,928 | 5,280 | 5,414 | 7,031 | 7,342 | |
| Deferred Inflows of Resources | | | | | | | |
| | 88 | 15 | 106 | 55 | 194 | 70 | |
| Net Position | | | | | | | |
| Net investment in capital assets | 2,404 | 2,233 | 1,903 | 1,788 | 4,307 | 4,021 | |
| Restricted | 768 | 702 | 278 | 245 | 1,046 | 947 | |
| Unrestricted | (238) | (335) | 940 | 817 | 702 | 482 | |
| Total Net Position | \$ 2,934 | \$ 2,600 | \$ 3,121 | \$ 2,850 | \$ 6,055 | \$ 5,450 | |

Prior year figures have been restated.



ACTIVITIES / CHANGES IN NET POSITION

The overall financial results of the County's government-wide operations are summarized in the condensed statement of activities below, which shows total expenses incurred, and how much was earned during the last two years. The \$605.1 million increase in the county's total net position in 2017 was due to revenues exceeding expenses and reflects the ability of the County to meet principal and interest payments on borrowing and other obligations as they come due. The graphs below compare revenues and expenses for the last three years displayed by activity-type (left) and source/function (right).

Changes in Net Position (In Millions)

| | Governmental | | Business-type | | Total | |
|----------------------------------|-----------------|----------|-----------------|----------|-----------------|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | |
| Program revenues | \$ 1,063 | \$ 1,043 | \$ 1,139 | \$ 1,258 | \$ 2,202 | \$ 2,301 |
| General revenues | 1,101 | 1,080 | 632 | 606 | 1,733 | 1,686 |
| Total Revenues | 2,164 | 2,123 | 1,771 | 1,864 | 3,935 | 3,987 |
| Expenses | | | | | | |
| General government | 230 | 214 | - | - | 230 | 214 |
| Law, safety & justice | 575 | 573 | - | - | 575 | 573 |
| Economic environment | 188 | 226 | - | - | 188 | 226 |
| Health & human services | 632 | 603 | - | - | 632 | 603 |
| Other governmental activities | 210 | 233 | - | - | 210 | 233 |
| Public transportation | - | - | 884 | 849 | 884 | 849 |
| Water quality | - | - | 467 | 468 | 467 | 468 |
| Other business-type activities | - | - | 144 | 173 | 144 | 173 |
| Total Expenses | 1,835 | 1,849 | 1,495 | 1,490 | 3,330 | 3,339 |
| Transfers | 5 | (4) | (5) | 4 | - | - |
| Special items | - | 5 | - | - | - | 5 |
| Increase in net position | 334 | 275 | 271 | 378 | 605 | 653 |
| Net position, beginning of year | 2,600 | 2,325 | 2,850 | 2,472 | 5,450 | 4,797 |
| Net position, end of year | \$ 2,934 | \$ 2,600 | \$ 3,121 | \$ 2,850 | \$ 6,055 | \$ 5,450 |

Prior year figures have been restated.

The \$605.1 million increase in the county's total net position in 2017 was due to revenues exceeding expenses and reflects the ability of the County to meet principal and interest payments on borrowing and other obligations as they come due. The graphs below compare revenues and expenses for the last three years displayed by activity-type (left) and source/function (right).

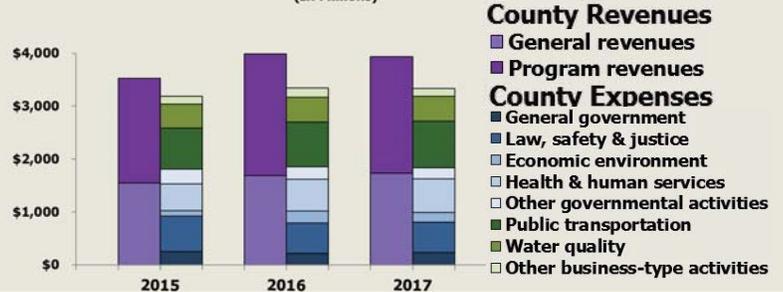
Revenues and Expenses by Activity-Type

(In Millions)



Revenues by Source & Expenses by Function

(In Millions)



LIST OF SERVICES

GOVERNMENTAL ACTIVITIES BY FUNCTION

| | |
|------------------------------------|--|
| General Government | Executive & council functions, elections, assessments, records & licensing |
| Health & Human Services | Public health clinics and programs, mental health program, environmental health, hazardous waste management |
| Law, Safety & Justice | Superior Court, District Court, criminal detention, E911 emergency, sheriff protection, public defense, misdemeanor prosecution, law enforcement |
| Transportation | Roads & bridges maintenance |

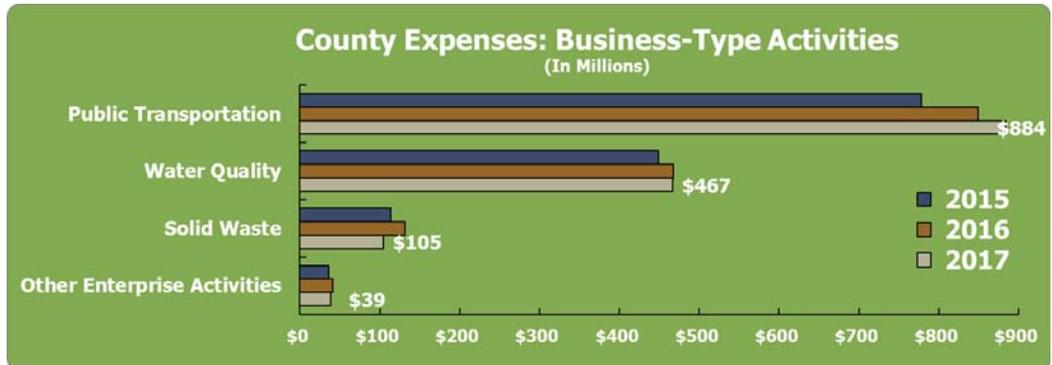
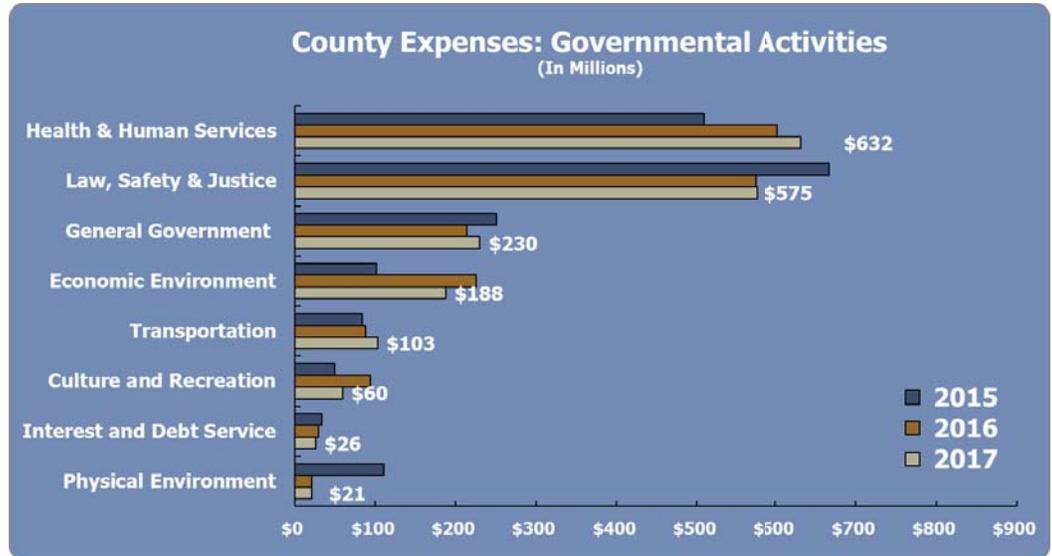
| | |
|-------------------------------|--|
| Economic Environment | Building permits, zoning, housing and community development, veterans' relief, youth employment programs |
| Physical Environment | Natural resources management, flood control, surface water management, river improvement, animal control |
| Culture and Recreation | Parks, public art, historic preservation |

BUSINESS-TYPE ACTIVITIES

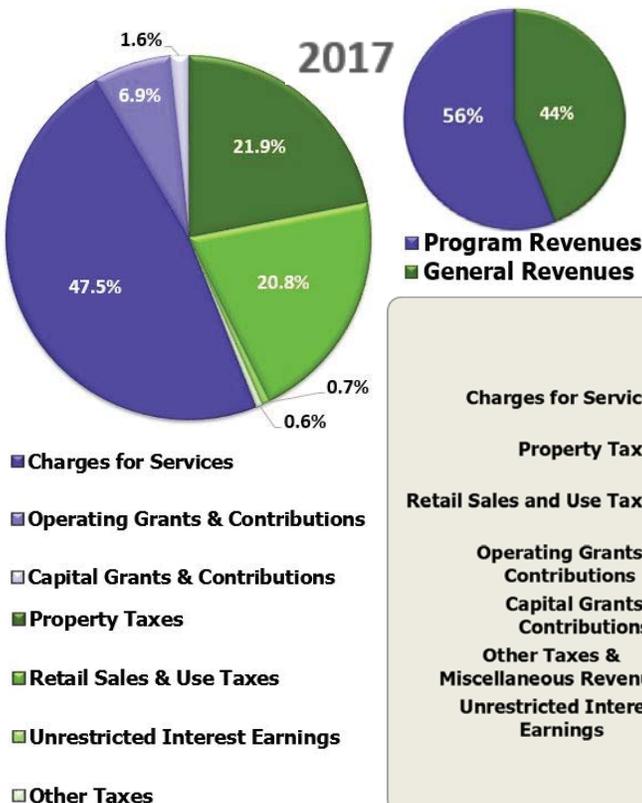
Public transportation, wastewater treatment, solid waste disposal and landfill, airport, institutional network, radio communications and water taxi

EXPENSES BY FUNCTION

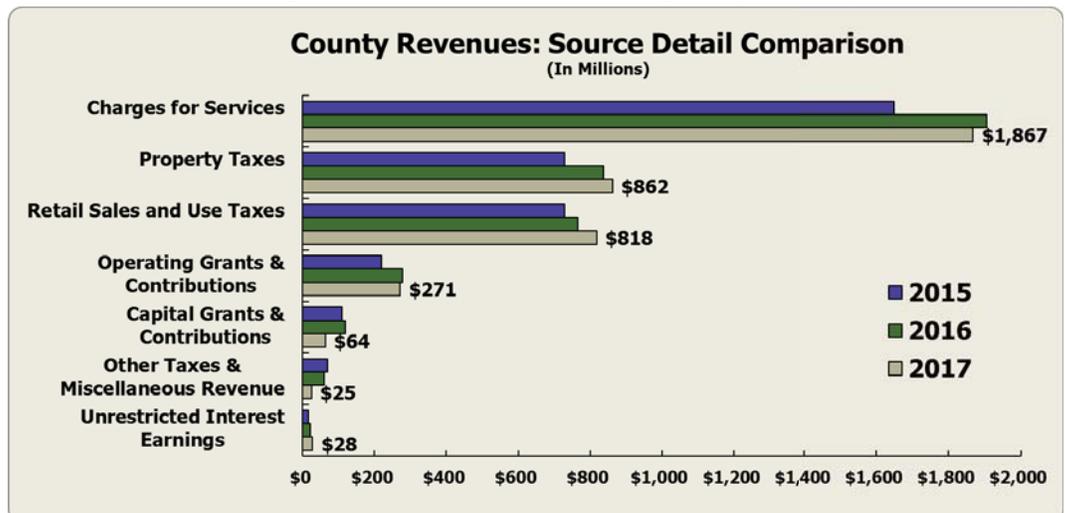
King County provides some services regionally and others exclusively to unincorporated areas. Some are available to cities on a contractual basis. The table on the previous page provides a list of the major services provided by the County, and the graphs to the right present a three-year comparison of their expenses. The largest County expenses were for Public Transportation followed by Health and Human Services, Law, Safety and Justice and Water Quality. The largest increases in 2017 occurred in Public Transportation by \$35.2 million.



REVENUES BY SOURCE



About 56 percent of the County's total revenues came from **program revenues** such as charges for goods and services, operating and capital grants and contributions (including state and federal assistance). The remaining 44 percent came from **general revenues** (mostly property taxes and retail sales and use taxes). In 2017 program revenues decreased by 4.3 percent (\$99.3 million) while general revenues increased by 2.8 percent (\$47.1 million).



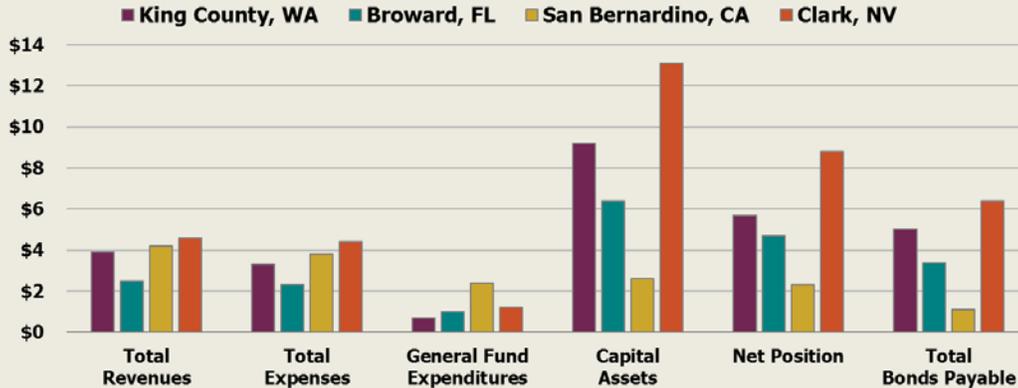
COMPARISON WITH OTHER COUNTIES

| Financial Ratios & Percentages | King County, WA | Broward, FL | San Bernardino, CA | Clark, NV |
|---------------------------------------|-----------------|-------------|--------------------|-----------|
| Ratio of Bus-type to Gov't'l Expenses | 0.82 | 0.33 | 0.45 | 0.51 |
| Current Ratio (Liquidity) | 8.08 | 6.48 | 10.00 | 5.82 |
| Percent Revenue from Property Taxes | 21.9% | 34.6% | 16.0% | 13.7% |

This is the second of two side-by-side comparisons between King County and three other counties. Page 6 compares demographic & economic indicators.

DATA FROM LATEST CAFRS

(in Billions)



King County compares favorably with other similar-sized counties in terms of population and services provided. Straight comparisons of financial results, however, may sometimes not provide the true picture as a county's financial performance is determined by the complex interplay of multiple factors, some of which may be unique to an individual county.

GENERAL FUND HIGHLIGHTS

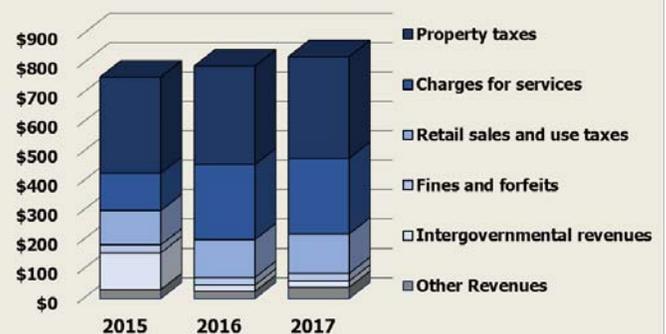
The General Fund serves as the chief operating fund of the County which is where most traditional operating departments reside, among them, the Executive and Council, Sheriff, Superior Court, Elections, and Judicial Administration. About three-quarters of the General Fund is spent on law, safety and justice.

At the end of 2017, total fund balance was \$144.8 million, an increase of 17.2 percent or \$21.3 million over the prior year. The increase was attributed to moderate but across-the-board increases in nearly all revenue streams. Notable increases occurred in property taxes and sales taxes, \$10.4 million and \$5.6 million, respectively, owing to the boom in residential and business construction in the region. Unassigned fund balance totaled \$98.4 million, an increase of 48.6 percent over the prior year. As a measure of liquidity, the size of the unassigned fund balance is often compared relative to total expenditures which gives 13.5 percent. This represents a buffer that the fund can use to finance spending in the first few months of the following period.

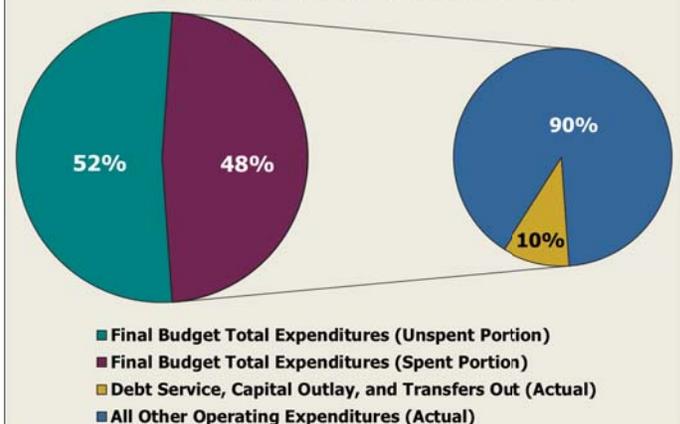
The General Fund continues to face financial challenges due to a structural imbalance between the limited rate of property tax growth (about 1.5 – 2.5 percent per year) and the combined rate of inflation and population growth (typically around 4.0 percent). While the County searches for more permanent solutions, it balances the budget each biennium through service reductions, gain in efficiencies, rate increases, cost shifts and other fiscal strategies.

General Fund 3-Year Revenue Trend

(in Millions)



Final Budget to Actual Expenditures



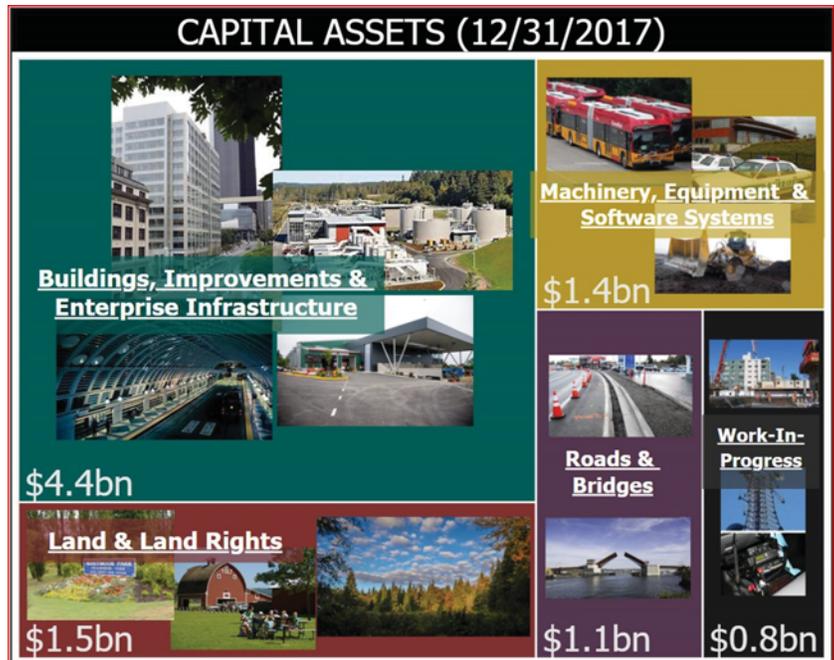
THE CAPITAL BASE

The County utilizes capital assets to provide vital services and enhance the quality of life of its citizens. Major capital assets include the industrial-scale plants for wastewater treatment and waste disposal, the infrastructure network of roads and bridges, multi-modal transportation facilities, open space land and land rights, and buildings.

The County's investment in capital assets at the end of 2017 increased by 2.0 percent from 2016, with a new net book value of \$9.2 billion.

Major capital asset events during 2017 included the following:

- Acquisition of 108 new fuel-efficient buses at a cost of 114.1 million.
- Construction started on the voter-approved Children and Family Justice Center which will replace the existing Youth Services Center. Estimated cost is about \$210.0 million.
- Construction and upgrades to wastewater treatment system at a cost of \$61.1 million.
- Full completion of the new state-of-the-art Factoria Recycling and Transfer Station at a cost of \$91.0 million. The facility won an award for innovation and sustainability from a national industry group.
- Continued construction of the Puget Sound Emergency Radio Network (PSERN) which is expected to be completed in 2021.



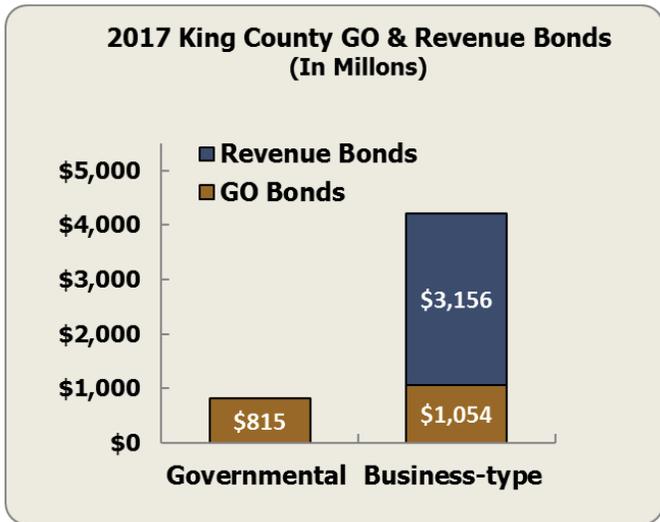
SIX-YEAR CAPITAL IMPROVEMENT PLAN HIGHLIGHTS (2017-2022)

- Combined Sewer Overflow Control Program – \$618.7 million for Georgetown Wet Weather Treatment Station and Ship Canal Water Quality CSO Control Project.
- Bus fleet additions—\$448.0 million for new 60-foot hybrid buses
- Conveyance system improvements \$428.8 million for pump stations replacement, force main and interceptor upgrades.
- Bus bases expansion—\$161.0 million for South Base and Central/Atlantic Base expansion
- Bus layover facilities—\$97.2 million to provide layover facilities for downtown Metro buses.
- South County Recycling and Transfer Station—\$90.1 million to replace the Algona Transfer Station.
- Roadway preservation - \$34.8 million to preserve the roadway infrastructure.

BORROWING AND LEVERAGE

At the end of 2017, the County had a total of \$5.0 billion in debt outstanding, comprised of \$1.9 billion in general obligation (GO) bonds and \$3.1 billion in revenue bonds. GO bonds are backed by the full faith, credit and taxing power of the government while revenue bonds are secured by specific revenue sources, such as sewer fees and lease payments. The County uses revenue bonds to finance the major portion of its wastewater treatment facilities. GO bonds include unlimited tax (UTGO) debt and limited tax (LTGO) debt. UTGO requires an approving vote of the people. LTGO can be issued by resolution of the County Council. No total combination of GO debt may exceed 2.5 percent of the assessed valuation of taxable property. All

of the County's bond issuances consistently receive exceptional ratings from the leading industry credit rating agencies, which allows borrowing at favorable interest rates. A lower interest rate can mean substantial savings, however, the 2018 tax reform act limits the County's ability to advance refund bonds. The County's 2017 bond ratings are shown in the table below.



| | Moody's | Standard & Poor's | Fitch |
|---------------------------------------|---------|-------------------|-----------|
| Limited Tax General Obligation Debt | Aaa | AAA | AAA |
| Unlimited Tax General Obligation Debt | Aaa | AAA | AAA |
| Sewer Revenue Bonds | Aa1 | AA+ | not rated |

Approximate Relative Rankings of Top Rating Categories:

| | |
|------------|-----------------|
| Prime | Aaa / AAA / AAA |
| High Grade | Aa1 / AA+ / AA+ |
| High Grade | Aa2 / AA / AA |
| High Grade | Aa3 / AA- / AA- |

LIQUIDITY AND SAFETY OF INVESTMENTS

The County's investment objectives in order of priority are safety, liquidity and yield. An investment policy guides decisions on sector allocations, credit quality and maturity distributions.

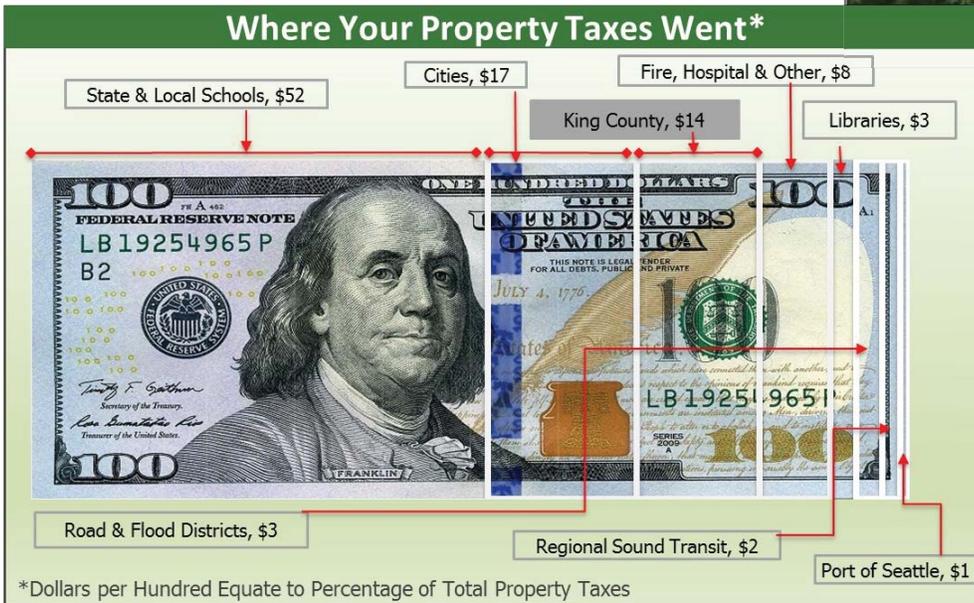
For investment purposes and to manage liquidity, the County pools the cash balances of all its funds and other legally separate local governments in an investment pool. The King County Investment Pool (the Pool) is one of the largest in the state of Washington, valued at about \$6.9 billion, as of December 31, 2017. The Pool is managed by the King County Treasury Operations Section and overseen by the Executive Finance Committee (EFC). The EFC sets policies and procedures for the effective management and control of the Pool's activities. The Pool is not registered with the Securities and Exchange Commission.

At year-end, the Pool held 63.7 percent of investments in U.S. Treasury and Agency securities. With a conservative investment strategy, the County's return has exceeded the return of its performance benchmark.



PROPERTY TAXES

There were 119 local taxing districts in King County levied in 2017. For every property tax dollar collected, 14 cents are used to support King County General Fund and 86 cents are allocated between the State, cities and other local jurisdictions. A large part of each property tax dollar goes to pay off construction bonds for school buildings and other public projects. Depending on where a taxpayer lives, the specific taxes levied in an area and local real estate values, it is possible that property taxes can increase, even if the appraised value of a home decreases. This is because about half of property tax is determined by levies that are voter-approved for such services as schools, parks, water districts, emergency medical service and fire/rescue, among others.



2017 Principal Property Taxpayers

- Microsoft
- Boeing
- Puget Sound Energy/Gas/Electric
- Amazon.com
- Essex Property Trust
- Alaska Airlines

Property taxes are levied primarily on real property owned by individuals and businesses. The King County assessor determines the fair market value of properties, which is intended to generally reflect 100 percent of the property's market value. Total assessed values of real property increased by 10.6 percent in 2017 reaching \$471.4 billion.



Property Tax Calendar

| Jan | Feb | Apr | May | Oct |
|---|----------------------|---------------------------------------|--|-----------------------------|
| 1 | 14 | 30 | 31 | 31 |
| Taxes are levied and become an enforceable lien against | Tax bills are mailed | 1st of two equal installments are due | Assessed value of property established for next year's levy at 100% of fair market | 2nd of two installments due |

Accrual basis is the method of accounting that records revenues and expenses when they are incurred, in contrast with “cash basis”, which records revenues and expenses when the cash is received or paid-out. (See also modified accrual basis)

Assets are resources which the County owns (and therefore, controls) that can be utilized in providing services. For example, cash from tax collections is an “asset” that is used to pay salaries of police officers as they serve the community by making the streets safe from criminals.

Capital assets are the buildings, roads and bridges, plant and equipment, land and other long-lived assets that are utilized by the County in providing services to its taxpayers.

Current assets include cash or assets that can be quickly turned into cash to pay this month’s bills.

Deferred inflows of resources is an acquisition of net position during the year that is applicable to a future year. For example, a federal grant may be received in 2017 to reimburse the County’s incurred costs, but the grantor may restrict spending until 2018 because that is when the federal budget has appropriated them.

Deferred outflows of resources is a consumption of net position during the year that is applicable to a future year. This is in essence the opposite of deferred inflows of resources.

Fund balance This term is strictly used in governmental financial statements to denote the difference between a) Assets plus Deferred outflows of resources, and b) Liabilities plus Deferred inflows of resources. Entity-wide and proprietary fund statements, which are both under the accrual basis, use the term “net position.”

Government-wide reporting provides an aggregate view of the County’s financial activities

consolidating governmental and business-type activities using the accrual basis of accounting.

Liabilities are present obligations to sacrifice resources that the government has little or no discretion to avoid, such as, payments owed to suppliers.

Long-term liabilities include items such as bonds, loans, pension contributions and other obligations, typically payable beyond the current reporting period.

Modified accrual basis is the method of accounting, strictly for governmental funds (such as the General Fund), where revenues are recognized not just when they are earned, but also when they are both “measurable” and “available”.

Net investment in capital assets is the portion of net position that represents the historical cost of capital assets less the amount of debt used to acquire them. A loose analogy can be made to the equity in one’s home under a mortgage. In this case, however, the net investment is measured using the current market value of the house. In accounting, capital assets are not marked to market because the government does not intend to sell them.

Net position is the residual of all other financial statement elements found in accrual basis statements: the difference between a) assets plus deferred outflows of resources; and b) liabilities plus deferred inflows of resources.

Restricted net position is the portion of net position subject to external spending restrictions, such as state law, bond covenants (contracts), interlocal agreements, etc.

Unrestricted net position is the portion of net position not tied up in net investment in capital assets or by external legal restrictions as to spending, hence, available to be programmed for services at the government’s discretion.



Note: Some definitions were simplified to be easily understood by the general PAFR audience. Readers that need to know the standard governmental accounting definitions should refer to the 2017 CAFR.

KING COUNTY AT A GLANCE



~~~~~ County has 39 incorporated cities and is the 13th most populous county in the U.S. ~~~~~

## ABOUT KING COUNTY

|                         |             |
|-------------------------|-------------|
| Miles of Paved Roads    | 1,415       |
| Bridges                 | 182         |
| Building Permits Issued | 1,294       |
| Number of Parks         | 229         |
| Acres of Parks          | 173,203     |
| Number of Buses         | 1,429       |
| Annual Bus Trips        | 131,322,000 |
| Wastewater Trtmt Plants | 5           |

## DEMOGRAPHICS

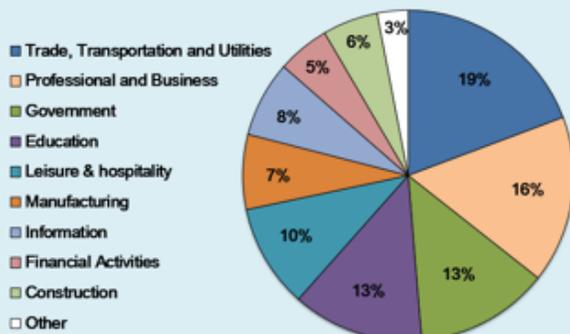
|                           | 2017      | 2016      |
|---------------------------|-----------|-----------|
| Population                | 2,188,649 | 2,149,970 |
| - 65 years & over         | 277,958   | 266,596   |
| Births                    | N/A       | 30,508    |
| Deaths                    | N/A       | 16,162    |
| Public school enrollment  | 296,519   | 292,066   |
| Private school enrollment | 41,771    | 42,256    |
| Median household Income   | \$78,800  | \$75,302  |
| Unemployment              | 3.7%      | 3.9%      |

LAND AREA: 2,132 square miles

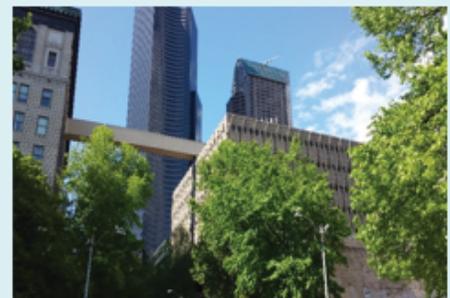
## 2017 FINANCIAL DATA (in millions)

|                        |           |
|------------------------|-----------|
| Assessed Valuation     | \$471,456 |
| Property Taxes Levied  | \$864     |
| General Fund 2016-2017 | \$1,706   |
| Biennial Appropriation | \$1,706   |

## 2017 Principal Employers of King County by Major Industry



| Number           | Industry                            |
|------------------|-------------------------------------|
| 269,508          | Trade, Transportation and Utilities |
| 228,183          | Professional and Business           |
| 181,883          | Government                          |
| 179,092          | Education                           |
| 141,392          | Leisure & hospitality               |
| 102,983          | Manufacturing                       |
| 102,892          | Information                         |
| 75,108           | Financial Activities                |
| 71,208           | Construction                        |
| 49,084           | Other                               |
| <b>1,401,333</b> | <b>TOTAL</b>                        |



**King County Courthouse & Administration Building**