

# CAFR

## Comprehensive Annual Financial Report

January 1 - December 31, 2017  
King County, Washington



**King County**

Finance and Business Operations Division





# CAFR

Comprehensive Annual Financial Report

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## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year  
January 1 through  
December 31, 2017**

King County  
State of Washington

PREPARED BY:

**DEPARTMENT OF EXECUTIVE SERVICES  
FINANCE AND BUSINESS OPERATIONS  
DIVISION**

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affirmative action employer and complies  
with the Americans with Disabilities Act

**Comprehensive Annual Financial Report**

December 31, 2017

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## King County

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

June 28, 2018

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

**W**e are pleased to transmit to you the **Comprehensive Annual Financial Report** (CAFR) of King County, Washington (the County) for the fiscal year ended December 31, 2017. A CAFR is prepared according to generally accepted accounting principles that are prescribed by the Governmental Accounting Standards Board (GASB) for all state and local governments in the United States of America. While GASB compliance only requires the basic financial statements and required supplementary information, the County always prepares a full CAFR that is eligible for the award program for reporting excellence administered by Government Finance Officers Association of the United States and Canada.

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

The County's financial statements have been audited by the Washington State Auditor's Office. The auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements are fairly presented in conformity with generally accepted accounting principles. The auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal granting agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, which includes the CAFR and the Schedule of Expenditures of Federal Awards, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on those that involve the administration of federal awards. Once the audit has been completed, the County's 2017 Single Audit Report will be available online at <http://www.sao.wa.gov>.

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

### **Profile of the County**

**T**he County ranks number one in population in the state of Washington and is the financial, economic and industrial center of the Pacific Northwest region. Located between the sparkling blue waters of Puget Sound and the snowcapped Cascade Mountains, the County consists of 2,307 square miles, ranking 11th in geographical size among Washington's 39 counties. King County is nearly twice as large as the average county in the United States. With a population of 2.2 million, it also ranks as the 13th most populous county in the nation. The County includes 39 incorporated cities, accounting for 87.5 percent of its population.



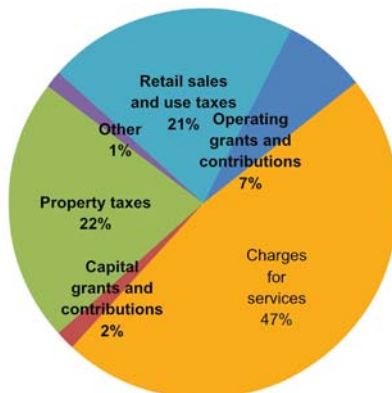
King County, named after Dr. Martin Luther King, Jr., is organized under the executive-council form of county government. The Metropolitan King County Council is the policy-determining legislative body while the Executive serves as the chief executive officer. Other elected officials include the prosecuting attorney, sheriff, assessor, director of elections and Superior and District Court judges. The Executive presents to the Council annual statements of the County's financial and governmental affairs, 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 essential and critical services regionally 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 select individual or suite of services. Within appropriate jurisdictions, the County provides public transportation, wastewater treatment, waste disposal and recycling, behavioral and physical health care, emergency medical and E-911, elections, tax assessments and collections, law enforcement, criminal detention, court services, licensing, animal control, surface water management, flood control, roads construction and maintenance, low-income housing, agricultural services, parks and recreation, land use planning and permitting, zoning, radio communications, internet and other services.

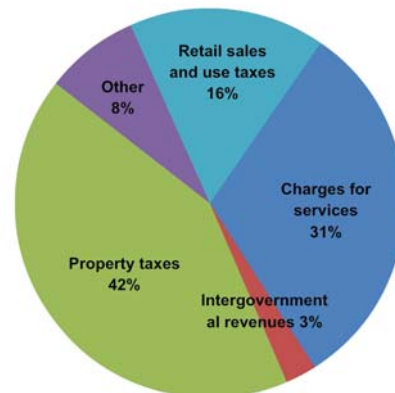
### **Economic Outlook**

Economic conditions have a direct impact on the County's revenues and the demand for its services. The County's economy continues to improve owing largely to the unique and diverse composition of businesses in the region. Headquartered within the County, are large retailers like Costco and Nordstrom; high-tech conglomerates like Amazon and Microsoft; and industry leaders like Starbucks, Paccar, Expeditors International, Expedia, Alaska Air and Weyerhaeuser. The Boeing Company continues to conduct a significant portion of its airplane manufacturing business in the area. The presence of these successful companies, along with their networks of suppliers and supporting organizations, and combined with large institutional employers, such as universities, local governments and hospitals, contribute to a robust local economy with a high employment rate.

**2017 Countywide Revenue**



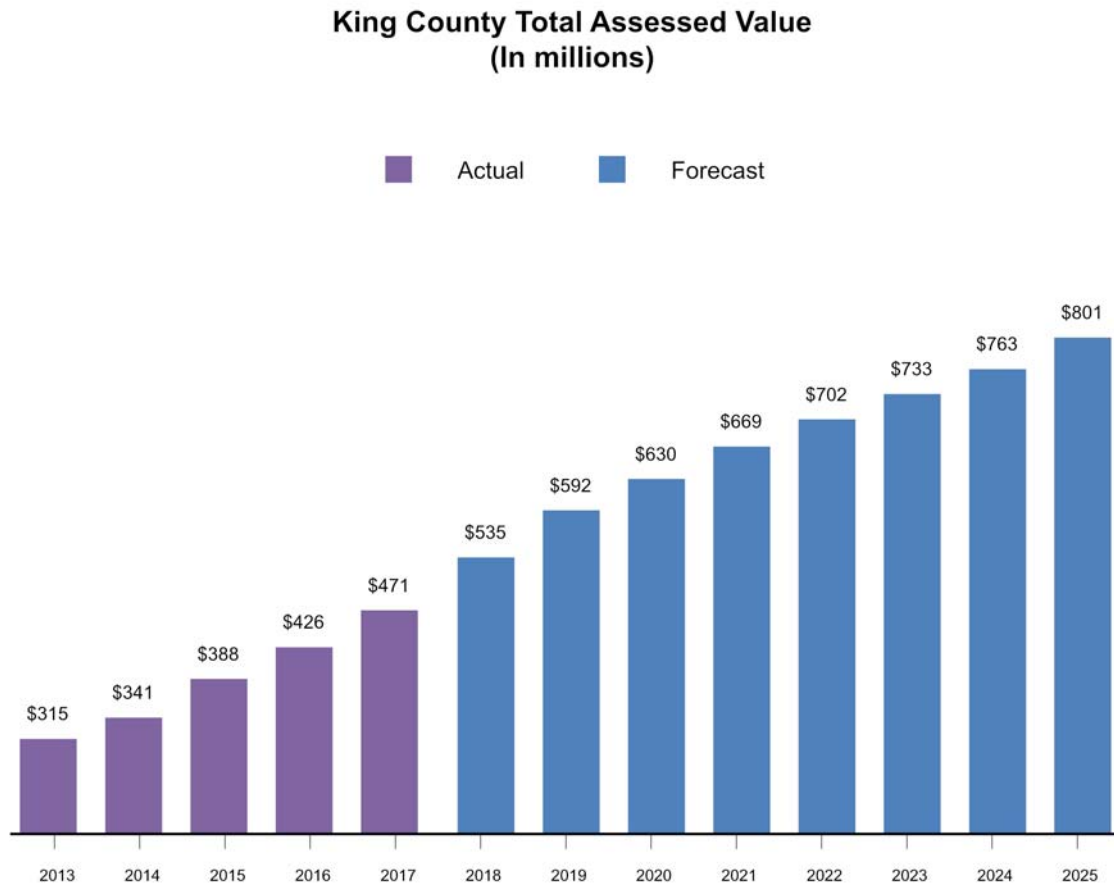
**2017 General Fund Revenues**



The County's main revenue sources include taxes, such as property and retail sales, charges for services, and intergovernmental revenues, such as grants and other financial assistance. The largest of these are charges for services at 47 percent, mostly generated by the County's large enterprise operations, and combined property and sales taxes, comprising 43 percent of total system-wide revenues. The County's portion of sales tax revenue is relatively small as most of the taxes are allocated to the state of Washington and Sound Transit. Retail sale and use taxes are dependent on the level of retail sales which is largely driven by economic factors such as consumer confidence, personal income growth and market interest rates. 2017 taxable sales increased by about 5 percent boosted by high construction sales from a hot real estate market. This trend is expected to continue through 2018 but growth will likely taper off as the real estate market cools and volatility returns to the construction sector.

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

Real property assessed values continued to rise in 2017 increasing by 14 percent and there are positive signs for continued medium-term growth as shown in the following chart.



In the County's general fund, property taxes made up the bulk of its revenues at 42 percent, followed by charges for services at 31 percent, and retail sales and use taxes at 16 percent. While property taxes are still the mainstay for financing County governmental activities, the general fund continues to be hampered by the structural gap between the statutorily limited property tax growth, and the continuing increase in demand for services due to an extraordinary rise in population and business activity.

## **Major initiatives**

### **Best-Run Government**

**T**he County's goal is to be the **best-run government** in the nation. The County is embracing continuous improvement by adopting Lean practices in managing its business processes. Lean, the concept made well-known by Toyota of Japan in the manufacturing sector, has proven to be adaptable to the service sector and governments. It fits well with the County's strategies of instituting management best practices, encouraging employees to innovate and solve problems, and striving for excellence in customer service. The Lean objective of eliminating waste by stripping off non-value-added steps in processes will not only improve employee productivity, but also inspire engagement as employees who own the processes are given the responsibility and implicit authority, through the Lean problem-solving culture, to effect continuous improvements.

Some examples of Lean initiatives undertaken by the County include a) reducing the parts inventory in Metro Transit that saved several million dollars, b) reducing procurement cycle times for agencies involved in the design and construction of public works projects, c) reducing processing time of election results, d) improving productivity in health care centers, and e) implementing a more effective release planning program in Jail Health Services. The County's ongoing Lean efforts has earned it a 2017 Achievement Award in the category of financial management from the National Association of Counties.

The Office of Performance, Strategy and Budget (PSB) continued systematic quarterly reviews of financial plans and conditions for all major County funds. These reviews have identified emerging financial challenges far earlier than in the past, which has allowed prompt action to resolve issues. All County funds now use the same format for financial plans and the same data sources, which ensures consistency and clarity across the government. PSB also continued its performance management model using line-of-business planning which promotes understanding of the strategic context, products and services, capacity, costs, and current or emerging problems in the identified lines of businesses conducted by County departments and divisions. Plans have been developed for 31 Lines of Business, covering more than a third of the County's divisions. These plans are typically the basis for budget proposals and they strengthen the strategic and operational basis for County investments.

### **Building Equity and Opportunity**

**K**ing County is committed to addressing equity and social justice issues in the hopes of molding a more inclusive society that will uplift all County residents through greater economic vitality, access to higher education, affordable health care, fair and low-cost criminal justice system, and an overall better government. The Office of Equity and Social Justice is coordinating the County's efforts to use equity and social justice considerations to guide decision making both internally and externally. This Office had also developed the **Equity and Social Justice Strategic Plan** that can be used to advance the goals and objectives identified by County equity and social justice representatives. To achieve better outcomes in the community, the County will integrate and implement pro-equity practices in our major functions of government where we can effect change, including the following six goal areas: leadership, operations and services; plans, policies and budgets; workplace and workforce; community partnerships; communication and education and facility and system improvements.

**Best Starts for Kids**, a comprehensive set of programs to help children and youth succeed, is an innovative and research-based initiative to eliminate social ills by focusing on the origins. Its implementation in the 2017-2018 biennium leverages \$56 million per year in investments and services to set-up kids to succeed through prevention and early intervention strategies, help remove barriers in institutional policies, practices, and systems, and move towards racial equity and better outcomes for overburdened communities. Projects that took off in 2017 were geared towards good nutrition, exercise and safety for children and youth; opening school-based health centers to meet medical, dental and mental health needs of disadvantaged kids in school; and preventing youth and families from being homeless not only through affordable housing, but through income assistance, small business loans availability and job training.

In line with the social justice initiative, the County had begun the development of the new **Children and Family Justice Center** to replace the old and dilapidated Youth Services Center. The theme of the design concept is not so much on architectural modernization but on the County's paradigm shift in its philosophy of juvenile justice, moving the focus away from harsh incarceration to providing practical support and uplift to its troubled youth and their families.

### **Confronting Climate Change**

**T**he County is guided by the King County **Strategic Climate Action Plan** (SCAP) in confronting climate change. In addition to establishing targets and performance measures to track and assess the County's progress, the SCAP details more than 70 Priority Actions that the County will carry out between now and 2020. These actions cover diverse strategies including transit, renewable energy, green building, recycling and preparing for local climate impacts, such as increasing flood risks and extreme weather. A prime and notable achievement in this area was reached when the County's Department of Natural Resources became operationally carbon-neutral in 2017. The department also issued its first "green" bonds which funded waste disposal improvement projects that helped reduce greenhouse gas emissions. Another area where the County is reducing its carbon footprint is in mass transit as it continued to upgrade its passenger bus fleet to more fuel-efficient models including current testing of battery-powered versions.

## Regional Mobility

**D**emand for transit is at an all-time high, but the Central Puget Sound region is growing faster than anywhere in the United States. Recent studies project 1 million more people and 850 thousand more jobs by 2040. Roadways throughout the County are already congested during peak commute times, limiting the mobility of people who live, work, and play in our beautiful region. As growth continues unabated, public transportation will play an important role in reducing congestion, protecting our environment, and getting more people where they need to go quickly and comfortably.

The County's response to the regional mobility issue includes 1) collaborating with Sound Transit to effect joint planning and integrated operations, 2) expanding its ORCA regional fare system and offering low-income discounts to qualified riders, 3) connecting more neighborhoods to link light rail and sounder train stations, 4) creating more transit-oriented development, 5) acquiring more fuel-efficient buses, 5) providing more Wi-Fi hotspots in buses or stations to increase access to transit schedules, and 5) being directly involved in the long-term planning of the regional transportation infrastructure. Metro Transit provides 400,000 daily rides and takes 190,000 cars off the road each weekday, carrying nearly half of downtown Seattle's workforce to and from their jobs.

## Awards and Acknowledgements

**T**he Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to King County for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the 36th consecutive year in which the County has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our 2017 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's excellence requirements and we are submitting it to the GFOA for review and determination of eligibility.

Finally, the preparation of this report would not have been possible without the dedication and outstanding work ethic of the Financial Accounting Unit staff of the Finance and Business Operations Division. We would also like to express our appreciation to all members of the division and finance staff of County agencies who assisted and contributed to the preparation of this report. Credit must also be given to the Executive and County Council and to our other elected officials for their support in maintaining the highest standards of professionalism in the stewardship of the County's finances.

Respectfully submitted,



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Ken Guy  
Finance Director  
Finance and Business Operations Division



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





Government Finance Officers Association

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

Presented to

**King County  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO



**King County Executive  
Dow Constantine**



**METROPOLITAN KING COUNTY COUNCIL**

**Standing (left to right): Jeanne Kohl-Welles (District 4), Dave Upthegrove (District 5), Reagan Dunn (District 9), Council Vice Chair Claudia Balducci (District 6), Rod Dembowski (District 1)**

**Seated (left to right): Pete von Reichbauer (District 7), Council Chair Joe McDermott (District 8), Larry Gossett (District 2), Council Vice Chair Kathy Lambert (District 3)**



**King County  
Assessor  
John Wilson**



**King County  
Elections Director  
Julie Wise**



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



**King County  
Sheriff  
Mitzi Johanknecht**

**ELECTED OFFICIALS**

at time of publication

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



# ACKNOWLEDGMENTS

The following were instrumental in performing the year-end closing of the County's general ledger and in supporting the preparation of the 2017 CAFR:

## Finance and Business Operations

Carla Beck	Cindy Funai	Roxanne Oliver	Megan Rulien
Mike Bacnis	Rena Jackson	Laura Otanez	Mary Beth Short
Mari Conrad	Lulu St. John	Janice Park	Mike Smith
Denise Dean	Nigel Lewis	Sheryl Petersen	Sherry Stroud
Christine Denis	Scott Matheson	Jean Prepotente	Flor Tubo
Martha Diesner	Lynn Mckiernan Ngari	Renee Richards	
Chris Franco	Karl Nygard	Mary Ann Robey	

The following furnished data, special research, information or technical support to the 2017 CAFR:

## Executive Services

Sean Bouffiu	Veronica Hill
Laurie Copsey	Hanh Mai
Tim Drangsholt	Carolyn Mock
Greg Felton	Marjorie Mills
Chauntelle Hellner	Kathy Pravitz

## Office of the Executive

Mel Robertson	Anthony Cacallori
Anil Tomar	Mike Morrison
Connie Wong	Jim Record
Li Fang Yu	Aaron Rubardt

## Natural Resources and Parks

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Veronica Doherty	Amy Kaminishi
Nitin Chadha	Steve Klusman
Myunghee Chung	Robert Kniestedt
Trish Emry	Hong Nguyen
Max Foster	Eben Sutton
Sandy Fujioka	Sue Sweany
Doug Hodson	Kerry Thrasher

## Public Health

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Cynthia Bradshaw	Bill Oung
Kimberly Buchanan	Minh Ta
Becky Ellis	Lynette Unrau
Amanuel Kahssai	Alex Yoon
Silvia Lim	

## Community and Human Services

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Maria Cabrales	Scott Miller
Charmaine Caros	Florence Nabagenyi
Ta-Win Fernandes	Beatrice Tseng
Eva Haney	

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Tony Eayrs	Deanne Radke
Chris Forsyth	Kathleen Royal
Rex Hung	Evelyn Wise
Jill Krecklow	

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---------------	--------------

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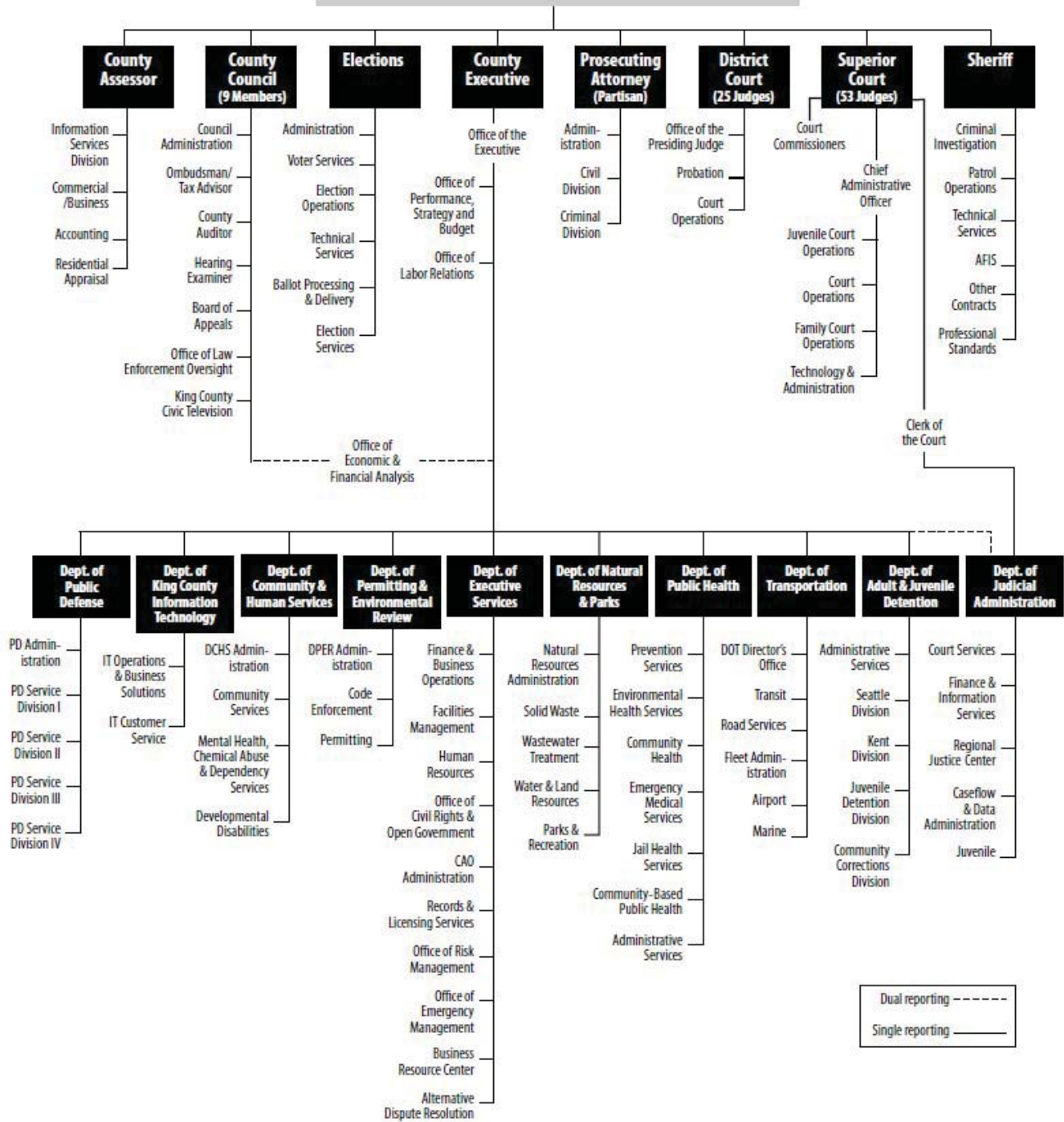
## Information Technology

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Junko Keesecker			

## Component Units

<u>4Culture</u>	<u>NJB Properties</u>	<u>Flood Control District</u>	<u>Harborview Medical</u>
Mike Griggs	Adam Ennis	Francis and Co, PLLC	Tzeghe Makonnen

# The Electorate of King County



## 2017/2018 King County Organization

Elected Officials, Departments and Divisions

# **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,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

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
<b>Assets</b>						
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
<b>Deferred Outflows of Resources</b>	88,119	136,468	280,051	319,215	368,170	455,683
<b>Liabilities</b>						
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
<b>Deferred Inflows of Resources</b>	88,326	15,300	106,109	54,848	194,435	70,148
<b>Net Position</b>						
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		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
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
<b>Expenses<sup>(a)</sup></b>						
General government <sup>(b) (c)</sup>	229,651	214,328	—	—	229,651	214,328
Law, safety and justice <sup>(b) (c)</sup>	574,938	572,925	—	—	574,938	572,925
Physical environment <sup>(b) (c)</sup>	20,784	21,046	—	—	20,784	21,046
Transportation <sup>(b)</sup>	103,509	88,394	—	—	103,509	88,394
Economic environment <sup>(b) (c)</sup>	187,712	226,291	—	—	187,712	226,291
Health and human services <sup>(c)</sup>	632,257	602,843	—	—	632,257	602,843
Culture and recreation <sup>(b) (c)</sup>	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 <sup>(d)</sup>	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	<u>\$ 3,160.7</u>	<u>\$ 3,062.4</u>	<u>\$ 6,046.5</u>	<u>\$ 5,968.2</u>	<u>\$ 9,207.2</u>	<u>\$ 9,030.6</u>

\* 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 <sup>(a)</sup>	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	<u>814.5</u>	<u>867.8</u>	<u>4,428.3</u>	<u>4,453.4</u>	<u>5,242.8</u>	<u>5,321.2</u>

(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			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>	<b>4,685,474</b>	<b>8,226,926</b>	<b>12,912,400</b>	<b>894,910</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on refunding	21,014	231,731	252,745	—
Deferred outflows on pensions	67,105	48,320	115,425	303
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>88,119</b>	<b>280,051</b>	<b>368,170</b>	<b>303</b>
<b>LIABILITIES</b>				
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
<b>TOTAL LIABILITIES</b>	<b>1,751,063</b>	<b>5,279,584</b>	<b>7,030,647</b>	<b>176,322</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	47	—	47	—
Deferred inflows on pensions	88,279	59,859	148,138	226
Rate stabilization	—	46,250	46,250	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>88,326</b>	<b>106,109</b>	<b>194,435</b>	<b>226</b>
<b>NET POSITION</b>				
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
<b>TOTAL NET POSITION</b>	<b>\$ 2,934,204</b>	<b>\$ 3,121,284</b>	<b>\$ 6,055,488</b>	<b>\$ 718,665</b>

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)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units Total
						Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 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)	\$ —
<b>Component Units</b>	<b>\$ 1,009,117</b>		<b>\$ 992,694</b>	<b>\$ 16,624</b>	<b>\$ 892</b>				<b>\$ 1,093</b>
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
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>	<b>\$ 190,521</b>	<b>\$ 72,055</b>	<b>\$ 951,534</b>	<b>\$ 1,214,110</b>
<b>LIABILITIES</b>				
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
<b>TOTAL LIABILITIES</b>	<b>32,986</b>	<b>14,733</b>	<b>176,692</b>	<b>224,411</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
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
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>12,765</b>	<b>40</b>	<b>9,834</b>	<b>22,639</b>
<b>FUND BALANCES</b>				
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
<b>TOTAL FUND BALANCES</b>	<b>144,770</b>	<b>57,282</b>	<b>765,008</b>	<b>967,060</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 190,521</b>	<b>\$ 72,055</b>	<b>\$ 951,534</b>	<b>\$ 1,214,110</b>

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	<u>\$ 2,934,204</u>

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
<b>REVENUES</b>				
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
<b>TOTAL REVENUES</b>	<b>821,945</b>	<b>286,967</b>	<b>1,082,440</b>	<b>2,191,352</b>
<b>EXPENDITURES</b>				
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
<b>TOTAL EXPENDITURES</b>	<b>729,747</b>	<b>305,591</b>	<b>1,101,287</b>	<b>2,136,625</b>
Excess (deficiency) of revenues over (under) expenditures	92,198	(18,624)	(18,847)	54,727
<b>OTHER FINANCING SOURCES (USES)</b>				
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
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(70,935)</b>	<b>3,049</b>	<b>134,555</b>	<b>66,669</b>
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)
<b>Fund balances - ending</b>	<b>\$ 144,770</b>	<b>\$ 57,282</b>	<b>\$ 765,008</b>	<b>\$ 967,060</b>

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	<u><u>\$ 334,147</u></u>

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				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>2,605,143</b>	<b>4,879,101</b>	<b>641,282</b>	<b>8,125,526</b>	<b>461,507</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
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
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>41,072</b>	<b>233,618</b>	<b>5,361</b>	<b>280,051</b>	<b>9,341</b>

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
<b>LIABILITIES</b>					
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
<b>DEFERRED INFLOWS OF RESOURCES</b>					
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
<b>NET POSITION</b>					
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)

	<b>BUSINESS-TYPE ACTIVITIES</b>				<b>INTERNAL SERVICE FUNDS</b>
	<b>PUBLIC TRANSPOR- TATION</b>	<b>WATER QUALITY</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	
<b>OPERATING REVENUES</b>					
I-Net fees	\$ —	\$ —	\$ 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
<b>TOTAL OPERATING REVENUES</b>	<b>355,145</b>	<b>502,573</b>	<b>174,706</b>	<b>1,032,424</b>	<b>564,656</b>
<b>OPERATING EXPENSES</b>					
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
<b>TOTAL OPERATING EXPENSES</b>	<b>896,483</b>	<b>319,284</b>	<b>135,618</b>	<b>1,351,385</b>	<b>500,343</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(541,338)</b>	<b>183,289</b>	<b>39,088</b>	<b>(318,961)</b>	<b>64,313</b>
<b>NONOPERATING REVENUES</b>					
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
<b>TOTAL NONOPERATING REVENUES</b>	<b>656,734</b>	<b>26,166</b>	<b>8,864</b>	<b>691,764</b>	<b>1,539</b>
<b>NONOPERATING EXPENSES</b>					
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
<b>TOTAL NONOPERATING EXPENSES</b>	<b>1,096</b>	<b>151,494</b>	<b>11,119</b>	<b>163,709</b>	<b>597</b>
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)
<b>CHANGE IN NET POSITION</b>	<b>151,657</b>	<b>57,220</b>	<b>41,767</b>	<b>250,644</b>	<b>46,938</b>
NET POSITION - JANUARY 1, 2017 (RESTATED)	1,893,269	639,359	232,871		142,024
NET POSITION - DECEMBER 31, 2017	<u>\$ 2,044,926</u>	<u>\$ 696,579</u>	<u>\$ 274,638</u>		<u>\$ 188,962</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				20,347	
Change in net position of business-type activities				<u>\$ 270,991</u>	

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)

	<b>BUSINESS-TYPE ACTIVITIES</b>				<b>INTERNAL SERVICE FUNDS</b>
	<b>PUBLIC TRANSPOR- TATION</b>	<b>WATER QUALITY</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
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
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
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
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
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				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>					
<b>TO NET CASH PROVIDED (USED) BY OPERATING</b>					
<b>ACTIVITIES:</b>					
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)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (417,767)</b>	<b>\$ 336,633</b>	<b>\$ 53,356</b>	<b>\$ (27,778)</b>	<b>\$ 57,139</b>

**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)

	<b>INVESTMENT TRUST FUNDS</b>	<b>AGENCY FUNDS*</b>
<b>ASSETS</b>		
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
<b>TOTAL ASSETS</b>	<b>\$ 3,481,159</b>	<b>\$ 285,333</b>
<b>LIABILITIES</b>		
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
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>\$ 285,333</b>
<b>NET POSITION</b>		
Held in trust for pool participants	<b>\$ 3,481,159</b>	

\*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)

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

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
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>	<b>824,556</b>	<b>60,575</b>	<b>9,779</b>	<b>894,910</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on pensions	—	303	—	303
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>—</b>	<b>303</b>	<b>—</b>	<b>303</b>
<b>LIABILITIES</b>				
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
<b>TOTAL LIABILITIES</b>	<b>145,429</b>	<b>21,715</b>	<b>9,178</b>	<b>176,322</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows on pensions	—	226	—	226
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>226</b>	<b>—</b>	<b>226</b>
<b>NET POSITION</b>				
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
<b>TOTAL NET POSITION</b>	<b>\$ 679,127</b>	<b>\$ 38,937</b>	<b>\$ 601</b>	<b>\$ 718,665</b>

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

**STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(IN THOUSANDS)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Harborview Medical Center	Cultural Development Authority	NJB Properties	Total
<b>Component Units:</b>								
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	<u>\$ 1,009,117</u>	<u>\$ 992,694</u>	<u>\$ 16,624</u>	<u>\$ 892</u>	<u>\$ 6,808</u>	<u>\$ (6,162)</u>	<u>\$ 447</u>	<u>\$ 1,093</u>
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					<u>\$ 679,127</u>	<u>\$ 38,937</u>	<u>\$ 601</u>	<u>\$ 718,665</u>

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

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## 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.

#### Component Units – Discretely Presented

##### Harborview Medical Center (HMC)

Harborview Medical Center (HMC), a 413 licensed-bed hospital with extensive ambulatory services, is located in Seattle, Washington and is managed by the University of Washington (UW).

The HMC Board of Trustees is appointed by the County Executive. The County's director of Finance and Business Operations Division is the Treasurer of HMC. The management contract between the HMC Board of Trustees and the UW Board of Regents recognizes the Trustees' desire to maintain HMC as a means of meeting King County's obligation to provide the community with a resource for health services, and UW's desire that HMC be maintained as a continuing resource for medical education, training, and research. The general conditions of the management contract specify that King County retains title to all real and personal property acquired for King County with HMC capital or operating funds.

The Trustees determine major institutional policies and retain control of programs and fiscal matters. The Trustees agree to secure UW's recommendations on any changes to the above. The Trustees are accountable to the public and King County for all financial aspects of HMC's operation and agree to maintain a fiscal policy that keeps the operating program and expenditures of HMC within the limits of operating income.

HMC is a component unit of the County for the following reasons: (1) it possesses de facto corporate powers evident from the UW management agreement; (2) the County Executive appoints HMC's Board of Trustees, who may be removed only for statutorily defined causes; and (3) HMC creates a financial burden on the County because the County is responsible for the issuance and repayment of all general obligation bonds for HMC capital improvements.

HMC is reported in the County's CAFR using the discrete presentation method because the County and HMC's governing boards are not substantively the same and the hospital does not provide services solely to King County.

The primary classification of HMC is that of a component unit, however, the County is the issuer of HMC's general obligation bonds. Note 15 - "Debt" reports on all the general obligation bonds issued by the County as of December 31, 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 Plant that came online in 2011-12, the West Point Treatment Plant in Seattle, and the South Treatment Plant in Renton, as well as two smaller facilities, namely the Carnation and Vashon Island Treatment Plants.

### Nonmajor Governmental Funds

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

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

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

### Nonmajor 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 branches of the government entity for the benefit of the public or governmental body as a whole. This function includes the County Council, County Executive, 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:

<b><u>Description</u></b>	<b><u>Estimated Life (Years)</u></b>
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.

#### Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

#### Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### Fund Balance Policies

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

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

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

have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

## **Revenues and Expenditures/Expenses**

### **Program Revenues**

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

### **Allocating Indirect Expense to Functions**

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

### **Compensated Absences**

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

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

### **Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

## Note 2

### Reconciliation of Government-wide and Fund Financial Statements

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

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

Long-term liabilities reported for governmental activities:	
Bonds payable	\$ (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	<u>\$ (1,355,009)</u>

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

Capital assets reported for governmental activities:	
Nondepreciable 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	<u>\$ 3,110,079</u>

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

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	<u>\$ 128,253</u>

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

Internal service funds reported for governmental activities:	
Net position of the governmental activities internal service funds	\$ 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	<u>\$ 83,821</u>

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

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

Capital outlay reported for governmental activities:

Capital outlay	\$ 155,195
Depreciation expense	(45,926)
Total adjustments related to capital outlay	<u>\$ 109,269</u>

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

Miscellaneous capital asset transactions reported for governmental activities:

The statement of activities report the gain 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	<u>\$ (9,175)</u>

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

Revenues reported for 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	<u>\$ 7,937</u>

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

Debt issuance or refundings reported for governmental activities:

Issuance of general government debt	\$ (33,325)
Premium on bonds sold	(5,038)
Principal repayments	63,702
Total adjustments related to debt issuance or refundings	<u>\$ 25,339</u>

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

Expenses reported for governmental activities:

Compensated absences	\$ (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	<u>\$ 52,790</u>

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

Internal service funds reported for governmental activities:

Investment interest earnings	\$ 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	<u>\$ 26,591</u>

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

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

Consolidation of internal service fund activities related to enterprise funds:

Net position of the business-type activities internal service fund	\$ 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	<u>\$ 105,141</u>

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

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

Consolidation of internal service fund activities related to enterprise funds:	
Investment interest earnings	\$ 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	<u>\$ 20,347</u>

## Note 3

### Stewardship, Compliance and Accountability

#### **Budgetary Basis of Accounting**

Biennial budgets are adopted on the modified accrual basis of accounting for the General Fund, 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):

<b>Fund:</b>	<b>Total Net Position</b>
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 an emergency or if it has determined irrevocably to liquidate the LGIP and suspend withdrawals and payments of withdrawal proceeds in order to facilitate the permanent termination of the LGIP in an orderly manner.

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

<b>KING COUNTY INVESTMENT POOL</b>				
<b>Investment Type</b>	<b>Fair Value</b>	<b>Principal</b>	<b>Average Interest Rate</b>	<b>Effective Duration (Yrs)</b>
Repurchase Agreements	\$ 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	<u>\$ 6,885,055</u>	<u>\$ 6,920,086</u>	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

<u>Investment Type</u>	<u>AAA or A-1</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>	<u>Total</u>
Repurchase Agreements	\$ 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	<u>\$ 1,658,367</u>	<u>\$ 1,773,249</u>	<u>\$ 550,849</u>	<u>\$ 415,634</u>	<u>\$ 4,398,099</u>

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**

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Security Type Limit</u>	<u>Single Issuer Limit</u>	<u>Minimum Credit Rating</u>
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency <sup>(1)</sup>	5 Years	100%	35%	N/A
U.S. Federal Agency MBS <sup>(2)</sup>	5 Year WAL	25%	25%	N/A
Certificates of Deposit <sup>(3)</sup>	1 Year	25%	5%	A-1 or P-1
Municipal Securities <sup>(4)</sup>	5 Years	20%	5%	A
Corporate Securities	5 Years	25%	2%	A <sup>(5)</sup>
Commercial Paper	270 Days	25%	3%	A-1/P-1 <sup>(6)</sup>
Repurchase Agreements <sup>(7)</sup>	60 Days	100%	25%	A-1 or P-1
Bankers' Acceptances	180 Days	25%	5%	A-1/P-1 <sup>(8)</sup>
State LGIP <sup>(9)</sup>	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):

Investments by fair value level	Fair Value 12/31/2017	Fair Value Measurements Using		
		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	\$ —
<b>Investments measured at amortized cost (not subject to fair value hierarchy)</b>				
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**

	<b>Total</b>	<b>King County Investment Pool</b>	<b>Impaired Pool</b>
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	<u>\$ 6,895,033</u>	<u>\$ 6,889,659</u>	<u>\$ 5,374</u>

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

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	<u>\$ 6,895,033</u>	<u>\$ 6,889,659</u>	<u>\$ 5,374</u>

### **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):

<b>Harborview Medical Center</b>			
<b>As of June 30, 2017</b>			
	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>Uninsured and Uncollateralized</b>
Cash in other banks	\$ 4,354	\$ 3,992	\$ 3,317
Equity in Investment Pool	301,590	304,189	—
Total deposits	<u>\$ 305,944</u>	<u>\$ 308,181</u>	<u>\$ 3,317</u>

#### 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 depository 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):

	<b>Fair Value 12/31/2017</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>
<b>Investments by fair value level</b>				
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	<u>31,500</u>	<u>\$ 2,763</u>	<u>\$ 28,737</u>	<u>\$ —</u>
<b>Investments measured at amortized cost (not subject to fair value hierarchy)</b>				
State Treasurer's Investment Pool (LGIP)	26,323			
Other/Money Market Fund	956			
Subtotal investments measured at cost	<u>27,279</u>			
Total CDA investments	<u>\$ 58,779</u>			

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

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

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

The following schedule shows the types of investments, the average interest rate, the effective duration limits and the concentration of all CDA investments as of December 31, 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
	<u>\$ 880</u>

## Note 5

### Receivables

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

<b>Governmental</b>	<b>General Fund</b>	<b>Behavioral Health Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>	
Accounts receivable:					
Accounts receivable	\$ 52,180	\$ 1,900	\$ 35,056	\$ 89,136	
Estimated uncollectible	(34,943)	—	(5,223)	(40,166)	
Accounts receivable, net	<u>\$ 17,237</u>	<u>\$ 1,900</u>	<u>\$ 29,833</u>	<u>\$ 48,970</u>	
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	<u>\$ 64,207</u>	<u>\$ 3,279</u>	<u>\$ 79,102</u>	<u>\$ 146,588</u>	
<b>Proprietary</b>	<b>Public Transportation</b>	<b>Water Quality</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
Current assets:					
Accounts receivable:					
Accounts receivable	\$ 24,246	\$ 58,657	\$ 15,289	\$ 98,192	\$ 2,096
Estimated uncollectible	(74)	(890)	(327)	(1,291)	(47)
Accounts receivable, net	<u>\$ 24,172</u>	<u>\$ 57,767</u>	<u>\$ 14,962</u>	<u>\$ 96,901</u>	<u>\$ 2,049</u>
Due from other governments:					
Due from other governments	\$ 163,561	\$ —	\$ 5,564	\$ 169,125	\$ 37
Estimated uncollectible	—	—	(5)	(5)	—
Due from other governments, net	<u>\$ 163,561</u>	<u>\$ —</u>	<u>\$ 5,559</u>	<u>\$ 169,120</u>	<u>\$ 37</u>
Noncurrent assets:					
Due from other governments	<u>\$ 26</u>	<u>—</u>	<u>—</u>	<u>\$ 26</u>	<u>—</u>

## Note 6

### Tax Revenues

#### Taxing Powers

King County is authorized to levy both “regular” property taxes and “excess” property taxes.

*Regular property taxes* are imposed for general municipal purposes, including the payment of debt service on limited tax general obligation bonds. Regular property tax levies are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1, of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the taxing district. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

*Maximum Rate Limitations.* The County may levy regular property taxes for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to \$1.80 per \$1,000 of assessed value, and the County levied \$1.24349 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)
<b>Countywide Levy</b>				
<b>Assessed Value:</b>				
\$471,456,288,019 <sup>(a)</sup>				
Items Within Operating Levy: <sup>(b)</sup>				
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
<b>Conservation Futures Levy</b>				
Conservation Futures Levy <sup>(c)</sup>	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
<b>Unlimited Tax GO Bonds</b> (Voter-approved Excess Levy)	16,878	0.03609	16,818	0.03981
<b>Transportation Levy</b> <sup>(d)</sup>	23,322	0.04966	26,956	0.06346
Total Countywide Levy	649,375	1.38294	628,661	1.48027
<b>Emergency Medical Services Levy</b>				
<b>Assessed Value:</b>				
\$471,354,435,905 <sup>(a)</sup>				
Emergency Medical Services Levy <sup>(e)</sup>	74,664	0.26305	73,781	0.28235
<b>Unincorporated County Levy</b>				
<b>Assessed Value:</b>				
\$39,295,405,501 <sup>(a)</sup>				
County Road Fund <sup>(f)</sup>	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 \$0.070000 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.

#### Historic Preservation Program

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

An owner of property desiring special valuation shall apply to the assessor of the County in which the property is located upon forms prescribed by the Department of Revenue (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).

#### Single-family Dwelling Improvement Program

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

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

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

<b>Tax Abatement Program</b>	<b>Total Amount of Taxes Abated</b>
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):

<b>Tax Abatement Program</b>	<b>Total Amount of Taxes Abated</b>
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
<b>Governmental Activities:</b>					
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
<b>Business-type Activities:</b>					
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):

	<b>2017</b>
<b>Governmental Activities</b>	
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	<u>\$ 54,854</u>
<b>Business-type Activities</b>	
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	<u>\$ 323,612</u>
Less amortization - Water Quality other assets	<u>(7,429)</u>
Total depreciation - business-type activities	<u>\$ 316,183</u>

### **Infrastructure**

#### **Roads and Bridges Infrastructure Valuation**

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

#### **Rights-of-Way**

Historical costs for infrastructure-related rights-of-way were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indices from the King County Assessor's Office.

**Construction Commitments**

Project commitments are defined as authorized and planned expenditures for the next fiscal year.

**Enterprise Funds**

Public Transportation Enterprise - \$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

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

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

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

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

<u>1% for Art Fund</u> - restricted for the one percent for public art programs operated to benefit King County.	\$ 6,995
<u>Building for Culture Program</u> - restricted for a regional King County cultural capital investment partnership program.	6,304
<u>Cultural Special Account &amp; Other Funds</u> - restricted for arts and heritage cultural programs.	47,276
Total CDA restricted assets	<u>\$ 60,575</u>

#### Component Unit - NJB Properties

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

## Note 9

### Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 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](http://www.drs.wa.gov).

SCERS is administered by the City of Seattle's Employees' Retirement System under cost-sharing, multiple-employer public employee defined benefit retirement plans. The seven-member Board of Administration establishes and amends laws pertaining to the administration of SCERS.

The Employees' Retirement System issues an independent financial report. A copy of the report is available from the Seattle City Employees' Retirement System at 720 Third Avenue, Suite 900, Seattle, WA 98104; by telephone at 206-386-1293; or by accessing the website <http://www.seattle.gov/retirement>.

#### **Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS Plan 1 and Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

#### **PERS Plan 1**

**Benefits Provided:** PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits.

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions:** The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 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.

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

Best estimates of geometric real rates of return for each major asset class included in the SCERS pension plan's target asset allocation as of December 31, 2016 are summarized in the chart that follows:

<b>Asset Class</b>	<b>% Long-term Expected Real Rate of Return Geometric</b>
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.

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

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

<b>Net Pension Liability/(Asset) (in thousands)</b>	
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)
<b>TOTAL</b>	<b>\$ (66,654)</b>

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

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

<b>Collective Net Pension Liabilities</b>			
	<b>Proportionate Share 12/31/15</b>	<b>Proportionate Share 12/31/16</b>	<b>Change in Proportion</b>
<b>SCERS</b>	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:

<b>Pension Expense (in thousands)</b>	
<b>PERS 1</b>	\$ 757
<b>PERS 2/3</b>	47,675
<b>PSERS 2</b>	2,745
<b>LEOFF 1</b>	(1,397)
<b>LEOFF 2</b>	(832)
<b>SCERS</b>	289
<b>TOTAL</b>	\$ 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:

<b>PERS 1</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ —	\$ —
Net difference between projected and actual investment earnings on pension plan investments	—	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	—
<b>TOTAL</b>	<b>\$ 28,207</b>	<b>\$ 14,957</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ 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	—
<b>TOTAL</b>	<b>\$ 78,646</b>	<b>\$ 119,591</b>

<b>PSERS 2</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ 1,150	\$ 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	—
<b>TOTAL</b>	<b>\$ 2,433</b>	<b>\$ 1,750</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ —	\$ —
Net difference between projected and actual investment earnings on pension plan investments	—	841
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	—	—
<b>TOTAL</b>	<b>\$ —</b>	<b>\$ 841</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
Differences between expected and actual experience	\$ 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	—
<b>TOTAL</b>	<b>\$ 4,920</b>	<b>\$ 10,745</b>

<b>SCERS</b>	<b>Deferred Outflows of Resources (in thousands)</b>	<b>Deferred Inflows of Resources (in thousands)</b>
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	—
<b>TOTAL</b>	<b>\$ 1,219</b>	<b>\$ 254</b>

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

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

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

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

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

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

<b>Year ended December 31:</b>	<b>SCERS (in thousands)</b>
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	<u>\$ 72,968</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$ 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)	<u>\$ 121,079</u>
Funded ratio (actuarial value of plan assets ÷ AAL)	<u>0.00%</u>
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):

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
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 and scheduled value	None
King County International Airport General Liability	\$300 million	None
King County International Airport Property Damage	\$186 million	\$100 thousand per occurrence
Marine Policies (includes King County Ferry District)	\$150 million	Varies based on vessel and coverage type
Foreign Liability in General and Automobile	\$1 million	\$1 thousand
Fiduciary Liability for Employees' Benefit	\$20 million	None
Parks Swimming Pools General Liability	\$7.5 million	\$5 thousand
Crime and Fidelity	\$2.5 million	\$50 thousand
Flood Insurance	Scheduled 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:

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
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:

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
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	<u>\$ 157,237</u>	<u>\$ 2,308</u>	<u>\$ 8,843</u>	<u>\$ 2,514</u>

Future minimum lease payments under capital lease agreements and the present value of the net minimum lease payments are shown below as of December 31, 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	<u>14,530</u>	<u>3,464</u>
Less: Amount representing interest	<u>(5,687)</u>	<u>(950)</u>
Present value of net minimum lease payments	<u>\$ 8,843</u>	<u>\$ 2,514</u>

#### Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year ended December 31, 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	<u>\$ 183</u>	<u>\$ 25,444</u>	<u>\$ 738</u>

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

Year	Governmental	Business-type Activities		Total
	Activities	Airport	Other	
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	Net Investment in Capital Lease	
	Lease Payment		2017
2018	\$ 764	Minimum lease payments receivable	\$ 14,530
2019	764	Uncollected income	(5,687)
2020	767	Net investment in capital lease	<u>\$ 8,843</u>
2021	765		
2022	768		
thereafter	10,702		
	<u>\$ 14,530</u>		

## 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 identified the Boeing Company, the City of Seattle and the Port of Seattle as parties to conduct the studies on which to base the cleanup decision. Each party has agreed in principle to pay one-fourth of the cleanup costs.

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

There are no estimated recoveries at this time that will reduce the amount of these obligations. The total pollution remediation liability at December 31, 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 260<sup>th</sup> St, adding a compost cap, and replanting the area with native trees and shrubs. The cleanup costs that incurred in 2016 were capitalized. 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)

	<b>Issue Date</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Issue Amount</b>	<b>Outstanding at 12/31/17</b>
<b>I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT</b>					
<b>IA. Limited Tax General Obligation Bonds (LTGO)</b>					
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 Refunding 1993B Bonds	12/10/2009	1/1/2024	4.50%	17,150	16,975
2010A LTGO Refunding 2001 and 2002 Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	21,445	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				<u>836,743</u>	<u>653,350</u>
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%	<u>22,405</u>	<u>8,240</u>
Total Payable From Internal Service Funds				<u>29,530</u>	<u>11,315</u>
Total Limited Tax General Obligation Debt				<u>866,273</u>	<u>664,665</u>
<b>IB. Limited Tax GO Capital Leases<sup>(a)</sup></b>					
2006 Project lease agreement - NJB Properties	12/5/2006	12/1/2036	5.00-5.51%	<u>189,720</u>	<u>8,843</u>
Total Limited Tax GO Capital leases				<u>189,720</u>	<u>8,843</u>
<b>IC. Unlimited Tax General Obligation Bonds (UTGO)</b>					
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%	<u>8,660</u>	<u>2,850</u>
Total Payable From Unlimited Tax GO Bond Redemption Fund				<u>122,840</u>	<u>77,790</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT</b>				<u>1,178,833</u>	<u>751,298</u>

## 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
<b>II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT</b>					
<b>IIA. Limited Tax General Obligation Bonds (LTGO)</b>					
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				<u>1,539,375</u>	<u>956,595</u>
<b>IIB. Revenue Bonds, Capital Leases and Loans</b>					
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				<u>3,923,885</u>	<u>3,095,867</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT</b>				<u>5,463,260</u>	<u>4,052,462</u>
<b>TOTAL LONG-TERM DEBT</b>				<u>\$ 6,642,093</u>	<u>\$ 4,803,760</u>

(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)

<b>GOVERNMENTAL ACTIVITIES</b>							
Year	General Obligation Bonds		General Obligation Capital Leases		Total		
	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	<u>\$ 742,455</u>	<u>\$ 216,989</u>	<u>\$ 8,843</u>	<u>\$ 5,687</u>	<u>\$ 751,298</u>	<u>\$ 222,676</u>	

<b>BUSINESS-TYPE ACTIVITIES</b>								<b>DEBT SERVICE REQUIREMENTS TO MATURITY</b>	
Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
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	<u>\$ 956,595</u>	<u>\$ 527,462</u>	<u>\$ 3,095,867</u>	<u>\$ 2,181,946</u>	<u>\$ 4,052,462</u>	<u>\$ 2,709,408</u>	<u>\$ 4,803,760</u>	<u>\$ 2,932,084</u>	

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
<b>Governmental activities:</b>					
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	<u>852,902</u>	<u>38,363</u>	<u>(85,563)</u>	<u>805,702</u>	<u>69,133</u>
Other liabilities:					
General Obligation capital leases <sup>(a)</sup>	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	<u>898,890</u>	<u>591,433</u>	<u>(751,120)</u>	<u>739,203</u>	<u>62,742</u>
Total Governmental activities long-term liabilities	<u>\$ 1,751,792</u>	<u>\$ 629,796</u>	<u>\$ (836,683)</u>	<u>\$ 1,544,905</u>	<u>\$ 131,875</u>
<b>Business-type activities:</b>					
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	<u>4,247,362</u>	<u>523,436</u>	<u>(560,516)</u>	<u>4,210,282</u>	<u>103,765</u>
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	<u>925,124</u>	<u>341,215</u>	<u>(441,278)</u>	<u>825,061</u>	<u>47,705</u>
Total Business-type activities long-term liabilities	<u>\$ 5,172,486</u>	<u>\$ 864,651</u>	<u>\$ (1,001,794)</u>	<u>\$ 5,035,343</u>	<u>\$ 151,470</u>

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)	<u>\$ 534,662,435</u>
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	<u>(880,080)</u>
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 3,129,888</u>
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	<u>(880,080)</u>
Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions	<u>(1,523,853)</u>
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 6,496,084</u>
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	<u>(880,080)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 12,486,481</u>
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	<u>(643,773)</u>
Total net general obligation indebtedness for general county purposes	<u>(719,456)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 12,647,105</u>

#### **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)						Year	Principal
	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	2018	\$ 275
Lease Revenue Bonds, 2006 Series B	12/5/2006	12/1/2036	5.00-6.00%	10,435	8,865	2019	290
						2020	310
						2021	325
						2022	345
Total Bonds Payable				<u>\$ 189,720</u>	<u>\$ 8,870</u>	Thereafter	7,325
						TOTAL	<u>\$ 8,870</u>

## Note 16

### Interfund Balances and Transfers

#### Interfund Balances

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	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		<u>\$ 30,609</u>

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 4,000
Internal Service Funds	Nonmajor Governmental Funds	13,679
Total advances from/to other funds		<u>\$ 17,679</u>

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

**Interfund Transfers (in thousands)**

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	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		<u>\$ 370,620</u>

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

## **Note 17**

### **Related Party Transactions**

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly occupancy fee and rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth and Jefferson Building (NJB). The County became the legal owner of the Patricia Steel Memorial Building in December 2012 when it refinanced the original developer issued bonds. HMC will continue to use the building. Rent is also paid by HMC to the County for use of NJB, owned by a nonprofit corporation that is a blended component unit of the County. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofit which funded construction of NJB. In both situations, HMC has agreed to include the annual rental payments in its operating budget for as long as it uses the buildings. In 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	<u>2,016</u>	<u>57,282</u>	<u>726,107</u>	<u>785,405</u>
Committed for:				
Antiprofitteering Program	69	—	—	69
Rainy Day Reserve	25,092	—	—	25,092
Urban Restoration and Habitat	—	—	43	43
Total Committed Fund Balance	<u>25,161</u>	<u>—</u>	<u>43</u>	<u>25,204</u>
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	<u>19,181</u>	<u>—</u>	<u>45,905</u>	<u>65,086</u>
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	<u>98,412</u>	<u>—</u>	<u>(18,414)</u>	<u>79,998</u>
Total Fund Balance	<u>\$ 144,770</u>	<u>\$ 57,282</u>	<u>\$ 765,008</u>	<u>\$ 967,060</u>



**Restatements of Beginning Balances**

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

**GOVERNMENTAL ACTIVITIES**

		Total		Nonmajor	Internal
	Governmental	Governmental	General	Governmental	Service
Changes in Net Position or Fund Balance	Activities	Funds	Fund	Funds	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)	<u>\$ 2,600,057</u>	<u>\$ 757,450</u>	<u>\$ 123,507</u>	<u>\$ 633,943</u>	<u>\$ 142,024</u>

**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)**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
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
<b>TOTAL REVENUES</b>	<u>1,650,559</u>	<u>1,664,911</u>	<u>838,668</u>	<u>(826,243)</u>
<b>EXPENDITURES</b>				
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
<b>TOTAL EXPENDITURES</b>	<u>1,667,711</u>	<u>1,705,893</u>	<u>815,345</u>	<u>890,548</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (17,152)</u>	<u>\$ (40,982)</u>	23,323	<u>\$ 64,305</u>
Adjustment from budgetary basis to GAAP basis <sup>(a)</sup>			(2,060)	
Net change in fund balance			21,263	
Fund balance - Beginning balance (Restated)			123,507	
Fund balance - Ending balance			<u>\$ 144,770</u>	

<sup>(a)</sup>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	<u>\$ (2,060)</u>

**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)**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
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)
<b>TOTAL REVENUES</b>	<u>861,350</u>	<u>591,987</u>	<u>292,597</u>	<u>(299,390)</u>
<b>EXPENDITURES</b>				
Current:				
Health and human services	857,917	652,649	307,567	345,082
Transfers out	—	—	443	(443)
<b>TOTAL EXPENDITURES</b>	<u>857,917</u>	<u>652,649</u>	<u>308,010</u>	<u>344,639</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ 3,433</u>	<u>\$ (60,662)</u>	(15,413)	<u>\$ 45,249</u>
Adjustment from budgetary basis to GAAP basis <sup>(a)</sup>			(162)	
Net change in fund balance			(15,575)	
Fund balance - Beginning balance			72,857	
Fund balance - Ending balance			<u>\$ 57,282</u>	

<sup>(a)</sup>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	<u>\$ (162)</u>

**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	<u>\$ (66,654)</u>	<u>\$ (28,980)</u>	<u>\$ (49,535)</u>
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			Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)
		Actuarial Value of Assets (a)	Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
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.

Condition ratings	2016-2014		2013-2011		2010-2008	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	294.3	65.0	297.7	64.9	348.2	71.8
Fair	61.4	13.5	32.0	7.0	20.3	4.2
Poor to substandard	97.5	21.5	129.0	28.1	116.7	24.0
Total	453.2	100.0	458.7	100.0	485.2	100.0
Local access roads						
Excellent to good	689.2	67.7	742.0	70.7	867.0	75.6
Fair	134.7	13.2	91.4	8.7	74.2	6.5
Poor to substandard	194.2	19.1	216.5	20.6	205.8	17.9
Total	1,018.1	100.0	1,049.9	100.0	1,147.0	100.0

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

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

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

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 Sufficiency Rating	Number of Bridges		
	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.

**Governmental Funds**

**CAFR**

**Comprehensive Annual Financial Report**





## NONMAJOR GOVERNMENTAL FUNDS

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

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

*Alcoholism and Substance Abuse Services* - In 2017, this fund was closed and residual balance was moved to Behavioral Health Fund.

*Animal Services* - This fund is used to support regional animal services and related administration, including animal care services, administering pet licenses and enforcing animal control laws. This fund also accounts for donation-sponsored activities which include housing animals, medical attention for animals, public education, animal shelter improvements and other purposes that further the general welfare of animals.

*Arts and Cultural Development* - Receives and transfers to the cultural development authority (4Culture) a variety of revenues including, but not limited to, general fund revenues, hotel-motel tax revenues and public art revenues. The fund supports the 1% for Art program, the stewardship of the county art collection, the Building for Culture bond program established in 2016, and is a pass through for hotel-motel revenues distributed from the State.

*Automated Fingerprint Identification System* - Accounts for the receipt of revenues and disbursement of expenditures related to the acquisition implementation of a regional Automated Fingerprint Identification System (AFIS) for King County. The AFIS database consists of more than 600,000 people's fingerprint files from King County, the City of Seattle, and 42 police agencies within the region. This database also contains over 20,000 latent prints collected from unsolved crimes and searched against incoming fingerprints as they are newly registered. The system is electronically connected to the Washington State Patrol, California Department of Justice, and the Western Identification Network, an AFIS database shared by seven western states, giving access to more than 20 million sets of fingerprints. Included in this system is the electronic fingerprint capture and transmission to AFIS, known as Livescan. There are currently 42 Livescan units throughout King County.

*Best Starts for Kids Levy* - Accounts for tax revenues for the purpose of funding prevention and early intervention strategies to improve the health and wellbeing of children, youth, and their communities. Funded programs includes 1) Invest Early (Age 0-5), 2) Sustain the Gain (5-24), 3) Communities of Opportunity 4) Outcomes-Focused and Data Driven.

*Byrne Justice Assistance Grants* - This fund accounts for the grants received from the Department of Justice, Office of Justice Programs, Bureau of Justice Assistance for the Byrne Justice Assistance Grants program. Each year, the Office of Performance Strategy and Budget identifies projects to be funded by the grants.

*Community Services Operating* - This fund, formerly Children and Family Services Fund, provide two primary functions: 1) CSD administration which support administrative staff, such as finance and clerical staff and overhead costs, and 2) Community Services Contracts which provides services for civil legal aid services, domestic violence survivor services, sexual assault survivor services and older adults programs.

*County Road Operating* - This fund finances the construction, maintenance, preservation and inspection of county streets, roads and bridges.

*DCHS Administration* - Accounts for 1) services associated with the DCHS Director's office activities with funds coming from a cost allocation formula applied to all funds in DCHS and 2) All Home, formerly the Committee to End Homelessness (CEH) in King County, a coalition of governments, provides regional leadership and coordination to the efforts to end homelessness.

*DDES Operating* - This fund accounts for (1) administration of the King County building, housing, fire, energy, shoreline management, zoning, and subdivision codes; (2) ensuring that development complies with the requirements of the State Environmental Policy Act (SEPA) and King County's environmental code, procedures, and regulations; (3) protecting natural resources, natural areas, sensitive areas, and water bodies in the county; (4) managing County

review of building applications and issuing permits; (5) conducting fire prevention and investigation activities; (6) reviewing and inspecting proposed land developments; and (7) administering the County's drainage regulation policies through review of land development permit applications.

*Developmental Disabilities* - Provide services and supports to enhance the lives of residents with developmental disabilities. Funded services include adult employment program, early intervention services for infants and toddlers with development delays, Community Information and Outreach and Adult Day Services.

*Emergency Medical Services* - Finances emergency medical programs for developing, implementing and administering various emergency medical services in cooperation with King County fire district. This fund also provides contract funds for financing paramedic and other emergency medical service programs in the County.

*Enhanced 911 Emergency Telephone System* - Accounts for the receipt of E-911 excise tax revenues and the disbursement of expenditures related to the management of the Enhanced 911 Emergency Telephone system with participating jurisdictions in King County.

*Employment and Education Resources* - To provide job readiness, education, and employment services to help vulnerable youth and adults increase independence and self-sufficiency and lead more meaningful and productive lives. This fund has two sections, youth and adults, which are primarily supported through grants and other funds.

*Environmental Health* - Accounts for financial resources to protect and improve the health and well-being of all people in King County, specifically focusing on prevention of disease through sanitation, safe food and water, proper disposal of wastes and toxics, and promoting safe and healthy environmental conditions throughout King County for the benefit of all residents and visitors. This fund was created as part of the 2015-2016 budget by separating Environmental Health out of the Public Health Fund (KCC 4A.200.281).

*Flood Control Zone District* - The Flood Control Zone District was established under chapter 86.15 RCW to be instrumental in acquiring repetitive loss properties, other at-risk floodplain properties, and in addressing and improving countywide flood warning and flood prediction capacity.

*Grants* - The fund accounts primarily for federal and state grants, though other grants may be receipted and spent in this fund with prior approval.

*Green River Flood Mitigation* - Established to account for the proceeds from the issuance of a bond anticipation note. The proceeds are used for planning and mitigation efforts in advance of a potential flood in the Green River valley due to the Howard Hanson dam structural faults and to coordinate emergency preparedness efforts in the event of flooding, ensure timely availability and acquisition of emergency design, construction and other required services, materials and equipment necessary to protect King County citizens, facilities, roads and other assets from the threat of flooding in the Green River valley.

*Historical Preservation* - Main funding source of the Historic Preservation Program (HPP) to preserve and protect the county's significant historic and archaeological resources.

*Housing and Community Development* - This fund collects revenue from federal, state, and other funding sources to support housing and community development projects such as development of affordable and special needs housing, homeless prevention and supportive services, housing repairs, and community development projects that improve the livability of neighborhoods and communities.

*Human Services Levy* - Accounts for tax revenues designated for the provision of regional health and human services to a wide range of people in need of such services. Services provided include ending homelessness, improving health through integration of medical and behavioral health services and strengthening families at risk.

*Intercounty River Improvement* - Set up under chapter 86.13 RCW, in partnership with Pierce County, to finance necessary improvements to the White River.

*King County Flood Control Contract* - This fund primarily provides services to the King County Flood Control District. The District works with King County to improve flood protection in major commercial, industrial and residential areas, improve flood water conveyance and capacity, reduce hazards by mitigating flood and erosion prone residential

structures, provide safe access to homes and businesses by protecting key transportation routes, and minimize the creation of new risks to public safety and infrastructure.

*Law Library* - This fund accounts for the activities of the Public Law Library of King County. The majority of the resources are received from court filing fees pursuant to RCW 27.24.070.

*Local Hazardous Waste Fund*- Accounts for financial resources used to support the Local Hazardous Waste Management Program established pursuant to chapter 70.105.220 RCW. This program works to protect and enhance public health and environmental quality in King County by helping citizens, businesses and government reduce the threat posed by the use, storage, and disposal of hazardous materials.

*Long-term Leases* - This fund accounts for all long-term leases for the County.

*Major Maintenance* - This fund accounts for the periodic replacement or repair of major building systems and components at King County facilities maintained by the Facilities Management Division.

*Mental Illness and Drug Dependency* - Accounts for the one-tenth of one percent local sales and use tax known as the Mental Illness and Drug Dependency (MIDD) to support mental health and chemical dependency treatment and therapeutic program and services including therapeutic courts. Major category of services provided are prevention and intervention, crisis diversion, recovery and reentry, system improvements and therapeutic courts.

*Noxious Weed Control* - Implements the mandates of Washington State noxious weed law and provides services to educate the public about noxious weeds harmful to the economy and environment and to identify and control both terrestrial and aquatic noxious weed infestations.

*Parks Operating Levy* - Operates and maintains the King County Parks system. Revenues are distributed from the 2014-2019 Parks Open Space and Trails Replacement Levy. Operating expenses supported by the levy include Parks operations and maintenance, Community Partnership and Grant (CPG), Eastside Rail Corridor, 4-H program, and enforcement and safety.

*Parks Trust and Contribution* - Accounts for the earnings from gifts, bequests and donations to the County Parks Division for designated parks and recreation purposes.

*Public Health* - Finances health services centers located through King County and public health programs. The Public health Fund supports clinical health services primary care assurance, management and business practice, population and environmental health services, and targeted community health services.

*Puget Sound Emergency Radio Network Levy* - Accounts for resources to replace the current Emergency Radio Communication Network jointly owned by King County, the City of Seattle, Valley Communications Center and the East Side Public Safety Communications Agency. The Puget Sound Emergency Radio Network (PSERN) will improve county-wide operations by providing increased system reliability, increased coverage, and better security on the network. It will also nearly double the number of existing 26 radio transmitter sites. The fund receives levy tax collections approved by special election in April 2015.

*Recorder's Operating and Maintenance* - Accounts for all revenues collected from an additional recording fee for the sole purpose of acquiring, installing, and maintaining an improved system for copying, preserving, and indexing documents recorded in, or filed with, King County Records and Licensing Services Division.

*Regional Justice Center Projects* - Originally this fund was created to account for the construction of the Maleng Regional Justice Center and finance the King County Correctional Facility (KCCF) security system and jail health upgrade. The remaining balance is programmed for jail planning and jail facility tenant improvements to address ongoing space needs.

*Road Improvement Districts Construction* - This fund accounts for the neighborhood improvements for RID number 132.

*Road Improvement Districts Maintenance* - There are currently two active Road Improvement Districts, numbers 107 and 110, accounting for special assessments.

*Risk Abatement* - Processes the administrative and related costs associated with settlements of class action lawsuits filed against King County.

*Surface Water Capital* - Accounts for projects to protect public safety, water quality, and property from stormwater runoff and pollution, and land development practices. Revenues include pay-as-you-go transfers from the SWM operating fund, grants from external agencies, proceeds associated with a 2014 bond issuance, critical area mitigation fees, and interlocal funding.

*Surface Water Management* - Accounts for programs specifically addressing impacts from stormwater runoff such as flooding, erosion, pollution, habitat degradation, and low stream flows. To pay for these services, a fee is assessed on property owners in unincorporated King County.

*Treasurer's Operating and Maintenance* - Accounts for the revenues received and costs incurred in the foreclosure, distraint and sale of real and personal property for delinquent taxes, and to defray the costs of further foreclosures, distraints and sales for delinquent taxes.

*Transfer of Developer Credit* - Accounts for the purchase and sale of development credits. The program facilitates the relocation of development growth out of the county's rural and resource lands into its designated urban areas, in both the incorporated cities and urban unincorporated areas under a voluntary, incentive-based, and market-driven approach to conserve land.

*Urban Restoration and Habitat* - Provides grants to local non-profits and governments for the purpose of funding urban reforestation and habitat restoration projects in the Urban Growth Area of King County.

*Veterans and Family Levy* - Accounts for tax revenues designated for the provision of regional health and human services for veterans, military personnel, and their families. Services provided include supporting veterans and their families to build stable lives and strong relationships, ending homelessness, improving health through integration of medical and behavioral health services and strengthening families at risk.

*Veterans Relief* - Finances emergency financial assistance, housing assistance and emergency shelter beds, employment opportunities, and referrals to other agencies for specialized services for veterans and their dependents.

*Youth Amateur Sports* - Accounts for youth and amateur sports activities or facilities, debt service payments for debt or refinancing debt issued for those purposes, and program funding obtained from the county-wide one-percent rental car sales tax.

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

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

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

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

*Building Repair and Replacement* - Accounts for receipts and expenditures related to the repair and replacement of various County buildings such as the Courthouse, Correctional Facility, Regional Justice Center Complex, Administration, and other buildings.

*Conservation Futures Sub-Fund* - Accounts for the Conservation Futures program to maintain, preserve, and conserve open space lands and to achieve an equitable geographical distribution of used funds over the long term.

*County Road Construction* - Established to account for the receipt and disbursement of funds received through a subsidy from the County Road Fund and federal road grants for construction of County roads. Receipts from the

mitigation payment system trust fund, although legally segregated in a trust fund, are included in this fund for reporting purposes.

*Enhanced 911 Emergency Telephone Capital Project Fund* - Established to support the capital projects of the Enhanced 911 Emergency Telephone system funded by excise taxes.

*Farmland and Open Space Acquisition* - Originally established to account for the proceeds of voter-approved (unlimited) bonds issued in 1979 used to acquire eligible, voluntarily-offered development rights of farm and open space land. Currently accounts for subsequent bond proceeds dedicated to acquisition of real property and/or development rights to preserve critical farmlands and other funding to support farmland preservation and enhance agricultural activity.

*Facilities Management Division-Parks* - Accounts for the major capital maintenance projects of the County parks facilities. Expenditures are primarily incurred in the Critical Infrastructure and Major Maintenance program. This program repairs and replaces Parks facilities, and creates critical infrastructure to access King County Parks and includes the Central Maintenance Facility. In addition, this fund accounts for major open space acquisitions and trail projects funded by the parks levy.

*Facilities Management Division-Parks Facility Rehabilitation* - Accounts mostly for the small capital maintenance projects of the County parks facilities and trail projects. Program expenditures are primarily funded from a portion of the County's Real Estate Excise Taxes.

*IT Services Capital* - Established to account for equipment replacement and general purpose technology projects managed by the Office of Information Resource Management.

*OIRM Capital Projects* - Account for resources of IT projects for King County departments and agencies that do not have their own capital funds. Three subfunds are included in this fund: a capital projects subfund where all the project activities are recorded and two bond sub-funds created for the purpose of holding and management of bond proceeds designated for IT capital projects. Money are transferred from the bondfunds to the capital projects fund to cover the actual expenditures incurred by the respective projects.

*Open Space King County Bond-Funded Subfund* - Holds and tracks bond proceeds associated with the 1989 King County Open Space bond issue. Funds are used to preserve and protect open lands throughout the County and preserve wildlife, enhance scenic vistas, provide access to water and provide open spaces in the midst of urban congestion. Trail additions add linkages to individual parks and neighborhoods.

*Parks Capital Fund* - Main capital fund for the Parks Division. The fund accounts for the capital portion of the Parks Levy. Other revenues include real estate excise tax revenues, bond proceeds, and state and federal grants. Specific uses of these funds include the acquisition of open space and natural lands, acquisition and development of right of ways for regional trails, repair and replacement of critical infrastructure, and developing trailheads.

*Puget Sound Emergency Radio Network Capital* - Established to account for the development of the new Puget Sound Emergency Radio Network (IT project) and associated site development projects throughout the county. All funds are transferred from the PSERN Levy Fund per the spending plan.

*Real Estate Excise Tax Capital* - Accounts for the proceeds of two levies on the sellers of real property in unincorporated King County. Each tax is one-quarter of one percent of the real property value. The tax is dedicated to specific local public works capital projects.

*Renton Maintenance Facilities* - This fund supports the Roads Service Division facilities, including maintenance facilities, gravel pits, emergency facilities, materials storage facilities, snow and ice storage facilities and other facilities necessary to support the maintenance of the road system.

*Youth Services Facilities Construction* - This fund accounts for planning future Youth Services facilities.



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

	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 509,927	\$ 14,688	\$ 276,939	\$ 801,554
Investments	—	—	2,670	2,670
Taxes receivable-delinquent	7,520	443	579	8,542
Accounts receivable, net	27,297	—	2,536	29,833
Interest receivable	—	—	—	—
Due from other funds	2,907	7	918	3,832
Interfund short-term loans receivable	—	—	—	—
Due from other governments, net	75,798	—	3,304	79,102
Inventory	834	—	—	834
Prepayments	7,914	—	—	7,914
Advances to other funds	4,000	—	—	4,000
Notes receivable	13,253	—	—	13,253
<b>TOTAL ASSETS</b>	<b>\$ 649,450</b>	<b>\$ 15,138</b>	<b>\$ 286,946</b>	<b>\$ 951,534</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 70,615	\$ —	\$ 18,288	\$ 88,903
Due to other funds	5,578	—	485	6,063
Interfund short-term loans payable	14,144	—	1,000	15,144
Due to other governments	8,279	—	—	8,279
Wages payable	10,628	—	377	11,005
Taxes payable	93	—	3	96
Unearned revenues	23,119	—	—	23,119
Custodial accounts	6,336	—	68	6,404
Advances from other funds	17,679	—	—	17,679
<b>TOTAL LIABILITIES</b>	<b>156,471</b>	<b>—</b>	<b>20,221</b>	<b>176,692</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	47	—	—	47
Unavailable revenue-property taxes	5,814	321	418	6,553
Unavailable revenue-other receivables	1,342	—	1,892	3,234
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,203</b>	<b>321</b>	<b>2,310</b>	<b>9,834</b>
<b>FUND BALANCES</b>				
Nonspendable	11,367	—	—	11,367
Restricted	464,401	—	261,706	726,107
Committed	43	—	—	43
Assigned	27,419	14,817	3,669	45,905
Unassigned	(17,454)	—	(960)	(18,414)
<b>TOTAL FUND BALANCES</b>	<b>485,776</b>	<b>14,817</b>	<b>264,415</b>	<b>765,008</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 649,450</b>	<b>\$ 15,138</b>	<b>\$ 286,946</b>	<b>\$ 951,534</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)

	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 424,824	\$ 25,729	\$ 34,766	\$ 485,319
Retail sales and use taxes	92,555	—	—	92,555
Business and other taxes	1,596	47	16,041	17,684
Licenses and permits	20,219	—	251	20,470
Intergovernmental revenues	160,522	16,901	9,758	187,181
Charges for services	243,169	—	512	243,681
Fines and forfeits	614	—	1	615
Interest earnings	3,609	55	2,184	5,848
Miscellaneous revenues	26,557	1	2,529	29,087
<b>TOTAL REVENUES</b>	<b>973,665</b>	<b>42,733</b>	<b>66,042</b>	<b>1,082,440</b>
<b>EXPENDITURES</b>				
Current:				
General government services	30,260	—	5,526	35,786
Law, safety and justice	133,621	—	—	133,621
Physical environment	24,470	—	—	24,470
Transportation	73,062	—	34,020	107,082
Economic environment	179,221	—	9,665	188,886
Health and human services	302,688	—	—	302,688
Culture and recreation	54,601	—	2,907	57,508
Debt service:				
Principal	—	63,702	—	63,702
Interest and other debt service costs	290	32,998	199	33,487
Capital outlay	36,509	—	117,548	154,057
<b>TOTAL EXPENDITURES</b>	<b>834,722</b>	<b>96,700</b>	<b>169,865</b>	<b>1,101,287</b>
Excess (deficiency) of revenues over (under) expenditures	138,943	(53,967)	(103,823)	(18,847)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	150,019	57,198	142,668	349,885
Transfers out	(210,224)	(1,641)	(50,206)	(262,071)
General government bonds issued	6,050	—	27,275	33,325
Premium on general government bonds issued	880	—	4,157	5,037
Sale of capital assets	2,744	—	2,097	4,841
Insurance recoveries	—	—	3,538	3,538
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(50,531)</b>	<b>55,557</b>	<b>129,529</b>	<b>134,555</b>
Net change in fund balances	88,412	1,590	25,706	115,708
Fund balances (deficits) - beginning	394,972	13,227	240,121	648,320
Prior period adjustment	2,392	—	(1,412)	980
<b>Fund balances (deficits) - ending</b>	<b>\$ 485,776</b>	<b>\$ 14,817</b>	<b>\$ 264,415</b>	<b>\$ 765,008</b>



## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 1 OF 12)

	TOTAL	ALCOHOLISM / SUBSTANCE ABUSE	ANIMAL SERVICES	ARTS & CULTURAL DEVELOPMENT
<b>ASSETS</b>				
Cash and cash equivalents	\$ 509,927	\$ —	\$ 2,061	\$ 444
Taxes receivable-delinquent	7,520	—	—	—
Accounts receivable, net	27,297	—	206	—
Due from other funds	2,907	—	4	2
Due from other governments, net	75,798	—	128	—
Inventory	834	—	—	—
Prepayments	7,914	—	—	6,995
Advances to other funds	4,000	—	—	—
Notes receivable	13,253	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 649,450</b>	<b>\$ —</b>	<b>\$ 2,399</b>	<b>\$ 7,441</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 70,615	\$ —	\$ 26	\$ —
Due to other funds	5,578	—	—	3,759
Interfund short-term loans payable	14,144	—	—	—
Due to other governments	8,279	—	—	—
Wages payable	10,628	—	131	—
Taxes payable	93	—	—	—
Unearned revenues	23,119	—	—	—
Custodial accounts	6,336	—	—	—
Advances from other funds	17,679	—	—	—
<b>TOTAL LIABILITIES</b>	<b>156,471</b>	<b>—</b>	<b>157</b>	<b>3,759</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	47	—	—	—
Unavailable revenue-property taxes	5,814	—	—	—
Unavailable revenue-other receivables	1,342	—	206	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,203</b>	<b>—</b>	<b>206</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable	11,367	—	—	6,995
Restricted	464,401	—	2,036	413
Committed	43	—	—	—
Assigned	27,419	—	—	—
Unassigned	(17,454)	—	—	(3,726)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>485,776</b>	<b>—</b>	<b>2,036</b>	<b>3,682</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 649,450</b>	<b>\$ —</b>	<b>\$ 2,399</b>	<b>\$ 7,441</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

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	AUTOMATED FINGERPRINT IDENTIFICATION	BEST START FOR KIDS LEVY	BYRNE JUSTICE ASSISTANCE	COMMUNITY SERVICES OPERATING
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,848	\$ 73,176	\$ —	\$ 335
Taxes receivable-delinquent	349	902	—	—
Accounts receivable, net	5	—	127	—
Due from other funds	30	124	1	1
Due from other governments, net	—	—	—	923
Inventory	—	—	—	—
Prepayments	—	—	—	—
Advances to other funds	—	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 28,232</b>	<b>\$ 74,202</b>	<b>\$ 128</b>	<b>\$ 1,259</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 35	\$ 1,692	\$ —	\$ 467
Due to other funds	12	23	—	—
Interfund short-term loans payable	—	—	122	—
Due to other governments	—	—	—	—
Wages payable	341	38	6	39
Taxes payable	51	—	—	—
Unearned revenues	—	—	—	—
Custodial accounts	—	—	—	—
Advances from other funds	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>439</b>	<b>1,753</b>	<b>128</b>	<b>506</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	251	628	—	—
Unavailable revenue-other receivables	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>251</b>	<b>628</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable	—	—	—	—
Restricted	27,542	71,821	—	753
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>27,542</b>	<b>71,821</b>	<b>—</b>	<b>753</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 28,232</b>	<b>\$ 74,202</b>	<b>\$ 128</b>	<b>\$ 1,259</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 3 OF 12)

	COUNTY ROAD OPERATING	DCHS ADMIN	DDES OPERATING	DEVELOP- MENTAL DISABILITY
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,798	\$ 484	\$ 6,704	\$ 9,432
Taxes receivable-delinquent	2,118	—	—	55
Accounts receivable, net	1,137	125	1,063	—
Due from other funds	59	45	7	—
Due from other governments, net	—	156	—	4,870
Inventory	—	—	—	—
Prepayments	2	—	—	—
Advances to other funds	—	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 30,114</b>	<b>\$ 810</b>	<b>\$ 7,774</b>	<b>\$ 14,357</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,342	\$ 100	\$ 68	\$ 2,514
Due to other funds	19	—	1	—
Interfund short-term loans payable	—	—	—	—
Due to other governments	—	—	—	3,923
Wages payable	1,547	123	389	95
Taxes payable	2	—	—	1
Unearned revenues	6	—	1,801	—
Custodial accounts	299	—	4,933	—
Advances from other funds	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>3,215</b>	<b>223</b>	<b>7,192</b>	<b>6,533</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	1,679	—	—	39
Unavailable revenue-other receivables	—	—	9	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,679</b>	<b>—</b>	<b>9</b>	<b>39</b>
<b>FUND BALANCES</b>				
Nonspendable	—	—	—	—
Restricted	25,220	587	970	7,785
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	(397)	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>25,220</b>	<b>587</b>	<b>573</b>	<b>7,785</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 30,114</b>	<b>\$ 810</b>	<b>\$ 7,774</b>	<b>\$ 14,357</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 4 OF 12)

	EMERGENCY MEDICAL SERVICES	EMERGENCY TELEPHONE E911	EMPLOYMENT & EDUCATION RESOURCES	ENVIRON- MENTAL HEALTH
<b>ASSETS</b>				
Cash and cash equivalents	\$ 47,434	\$ 23,548	\$ 379	\$ 19,884
Taxes receivable-delinquent	1,202	—	—	—
Accounts receivable, net	5	4,028	—	377
Due from other funds	65	25	23	20
Due from other governments, net	127	—	1,173	628
Inventory	140	—	—	—
Prepayments	—	—	—	1
Advances to other funds	—	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 48,973</b>	<b>\$ 27,601</b>	<b>\$ 1,575</b>	<b>\$ 20,910</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,685	\$ 2,211	\$ 1,375	\$ 91
Due to other funds	5	—	—	46
Interfund short-term loans payable	—	—	—	—
Due to other governments	—	—	—	—
Wages payable	880	57	188	772
Taxes payable	—	—	—	—
Unearned revenues	172	—	—	5,388
Custodial accounts	—	—	—	—
Advances from other funds	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>3,742</b>	<b>2,268</b>	<b>1,563</b>	<b>6,297</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	47	—
Unavailable revenue-property taxes	886	—	—	—
Unavailable revenue-other receivables	—	—	—	291
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>886</b>	<b>—</b>	<b>47</b>	<b>291</b>
<b>FUND BALANCES</b>				
Nonspendable	140	—	—	1
Restricted	44,205	25,333	—	14,321
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	(35)	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>44,345</b>	<b>25,333</b>	<b>(35)</b>	<b>14,322</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 48,973</b>	<b>\$ 27,601</b>	<b>\$ 1,575</b>	<b>\$ 20,910</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

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	FLOOD CONTROL ZONE DISTRICT	GRANTS FUND	GREENRIVER FLOOD MITIGATION	HISTORICAL PRESERVATION
<b>ASSETS</b>				
Cash and cash equivalents	\$ 87,657	\$ —	\$ —	\$ 80
Taxes receivable-delinquent	922	—	—	—
Accounts receivable, net	92	5,873	—	—
Due from other funds	—	—	—	58
Due from other governments, net	—	75	—	—
Inventory	—	—	—	—
Prepayments	—	—	—	—
Advances to other funds	4,000	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 92,671</b>	<b>\$ 5,948</b>	<b>\$ —</b>	<b>\$ 138</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 20,258	\$ 450	\$ —	\$ —
Due to other funds	—	589	—	—
Interfund short-term loans payable	—	1,222	—	—
Due to other governments	—	—	—	—
Wages payable	—	171	—	—
Taxes payable	—	—	—	—
Unearned revenues	—	912	—	—
Custodial accounts	—	8	—	—
Advances from other funds	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>20,258</b>	<b>3,352</b>	<b>—</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	922	—	—	—
Unavailable revenue-other receivables	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>922</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable	—	—	—	—
Restricted	71,491	2,596	—	138
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>71,491</b>	<b>2,596</b>	<b>—</b>	<b>138</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 92,671</b>	<b>\$ 5,948</b>	<b>\$ —</b>	<b>\$ 138</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 6 OF 12)

	HOUSING AND COMMUNITY DEVELOPMENT	HUMAN SERVICES LEVY	INTERCOUNTY RIVER IMPROVEMENT	KC FLOOD CONTROL CONTRACT
<b>ASSETS</b>				
Cash and cash equivalents	\$ 46,751	\$ 536	\$ 15	\$ 151
Taxes receivable-delinquent	—	155	1	—
Accounts receivable, net	—	—	—	1,512
Due from other funds	1,676	3	—	—
Due from other governments, net	5,854	10	—	21,893
Inventory	—	—	—	—
Prepayments	—	—	—	—
Advances to other funds	—	—	—	—
Notes receivable	13,253	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 67,534</b>	<b>\$ 704</b>	<b>\$ 16</b>	<b>\$ 23,556</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,137	\$ 70	\$ —	\$ 6,420
Due to other funds	191	—	—	11
Interfund short-term loans payable	—	—	—	12,800
Due to other governments	—	—	—	—
Wages payable	163	21	—	278
Taxes payable	—	—	—	—
Unearned revenues	—	—	—	—
Custodial accounts	—	—	—	—
Advances from other funds	—	—	—	4,000
<b>TOTAL LIABILITIES</b>	<b>7,491</b>	<b>91</b>	<b>—</b>	<b>23,509</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	—	155	1	—
Unavailable revenue-other receivables	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>155</b>	<b>1</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable	—	—	—	—
Restricted	60,043	458	15	47
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>60,043</b>	<b>458</b>	<b>15</b>	<b>47</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 67,534</b>	<b>\$ 704</b>	<b>\$ 16</b>	<b>\$ 23,556</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

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	LAW LIBRARY	LOCAL HAZARDOUS WASTE	LONG-TERM LEASES	MAJOR MAINTENANCE
<b>ASSETS</b>				
Cash and cash equivalents	\$ 299	\$ 14,142	\$ 1,001	\$ 16,650
Taxes receivable-delinquent	—	—	—	—
Accounts receivable, net	—	1,504	1,350	—
Due from other funds	—	18	1	447
Due from other governments, net	—	1,355	—	—
Inventory	—	—	—	—
Prepayments	—	—	916	—
Advances to other funds	—	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 299</b>	<b>\$ 17,019</b>	<b>\$ 3,268</b>	<b>\$ 17,097</b>
<b>LIABILITIES</b>				
Accounts payable	\$ —	\$ 784	\$ 643	\$ 1,184
Due to other funds	—	—	389	—
Interfund short-term loans payable	—	—	—	—
Due to other governments	—	—	—	—
Wages payable	—	—	1	4
Taxes payable	—	—	—	—
Unearned revenues	—	—	—	—
Custodial accounts	—	—	917	—
Advances from other funds	—	—	3,080	—
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>784</b>	<b>5,030</b>	<b>1,188</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	—	—	—	—
Unavailable revenue-other receivables	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable	—	—	916	—
Restricted	299	16,235	—	2,251
Committed	—	—	—	—
Assigned	—	—	70	13,658
Unassigned	—	—	(2,748)	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>299</b>	<b>16,235</b>	<b>(1,762)</b>	<b>15,909</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 299</b>	<b>\$ 17,019</b>	<b>\$ 3,268</b>	<b>\$ 17,097</b>



## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

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	MENTAL ILL- NESS & DRUG DEPENDENCY	NOXIOUS WEED CONTROL	PARKS OPERATING LEVY	PARKS TRUST AND CONTRIBUTION
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,433	\$ 1,100	\$ 18,692	\$ 5
Taxes receivable-delinquent	—	—	1,163	—
Accounts receivable, net	—	118	11	—
Due from other funds	10	8	40	—
Due from other governments, net	12,272	2	—	—
Inventory	—	—	—	—
Prepayments	—	—	—	—
Advances to other funds	—	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 22,715</b>	<b>\$ 1,228</b>	<b>\$ 19,906</b>	<b>\$ 5</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,688	\$ 6	\$ 475	\$ —
Due to other funds	106	7	124	—
Interfund short-term loans payable	—	—	—	—
Due to other governments	—	—	8	—
Wages payable	243	38	869	—
Taxes payable	—	—	36	—
Unearned revenues	—	—	97	—
Custodial accounts	—	—	4	—
Advances from other funds	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>3,037</b>	<b>51</b>	<b>1,613</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	—	—	837	—
Unavailable revenue-other receivables	—	32	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>32</b>	<b>837</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable	—	—	—	—
Restricted	19,678	1,145	17,456	5
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>19,678</b>	<b>1,145</b>	<b>17,456</b>	<b>5</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 22,715</b>	<b>\$ 1,228</b>	<b>\$ 19,906</b>	<b>\$ 5</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 9 OF 12)

	PUBLIC HEALTH	PUGET SOUND EMERGENCY NETWORK LEVY	RECORDER'S OPERATING & MAINTENANCE	REGIONAL JUSTICE CENTER PRJTS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,124	\$ 1,399	\$ 1,925	\$ 296
Taxes receivable-delinquent	—	444	—	4
Accounts receivable, net	2,831	—	—	—
Due from other funds	31	11	119	—
Due from other governments, net	24,724	—	—	—
Inventory	694	—	—	—
Prepayments	—	—	—	—
Advances to other funds	—	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 52,404</b>	<b>\$ 1,854</b>	<b>\$ 2,044</b>	<b>\$ 300</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 16,074	\$ —	\$ —	\$ —
Due to other funds	210	—	—	—
Interfund short-term loans payable	—	—	—	—
Due to other governments	4,348	—	—	—
Wages payable	2,911	—	22	—
Taxes payable	3	—	—	—
Unearned revenues	2,349	—	—	—
Custodial accounts	124	—	—	—
Advances from other funds	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>26,019</b>	<b>—</b>	<b>22</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	—	309	—	3
Unavailable revenue-other receivables	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>309</b>	<b>—</b>	<b>3</b>
<b>FUND BALANCES</b>				
Nonspendable	695	—	—	—
Restricted	25,690	1,545	2,022	—
Committed	—	—	—	—
Assigned	—	—	—	297
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>26,385</b>	<b>1,545</b>	<b>2,022</b>	<b>297</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 52,404</b>	<b>\$ 1,854</b>	<b>\$ 2,044</b>	<b>\$ 300</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

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	ROAD IMPROVEMENT CONSTRUCTION	ROAD IMPROVEMENT MAINTENANCE	RISK ABATEMENT	SURFACE WATER CAPITAL
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 6	\$ 62	\$ 17,981
Taxes receivable-delinquent	—	—	—	—
Accounts receivable, net	2	1	—	4,336
Due from other funds	—	—	—	17
Due from other governments, net	—	—	—	814
Inventory	—	—	—	—
Prepayments	—	—	—	—
Advances to other funds	—	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 2</b>	<b>\$ 7</b>	<b>\$ 62</b>	<b>\$ 23,148</b>
<b>LIABILITIES</b>				
Accounts payable	\$ —	\$ —	\$ —	\$ 437
Due to other funds	—	—	11	34
Interfund short-term loans payable	—	—	—	—
Due to other governments	—	—	—	—
Wages payable	—	—	—	54
Taxes payable	—	—	—	—
Unearned revenues	—	—	—	12,051
Custodial accounts	—	—	—	—
Advances from other funds	—	—	10,599	—
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>—</b>	<b>10,610</b>	<b>12,576</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	—	—	—	—
Unavailable revenue-other receivables	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable	—	—	—	—
Restricted	2	7	—	10,572
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	(10,548)	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>2</b>	<b>7</b>	<b>(10,548)</b>	<b>10,572</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 2</b>	<b>\$ 7</b>	<b>\$ 62</b>	<b>\$ 23,148</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 11 OF 12)

	SURFACE WATER MANAGEMENT	TREASURER'S OPERATING & MAINTENANCE	TRANSFER OF DEVELOPER CREDIT	URBAN RESTORATION & HABITAT
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,203	\$ 204	\$ 7,552	\$ 692
Taxes receivable-delinquent	—	—	—	—
Accounts receivable, net	2,594	—	—	—
Due from other funds	41	—	9	1
Due from other governments, net	254	—	—	—
Inventory	—	—	—	—
Prepayments	—	—	—	—
Advances to other funds	—	—	—	—
Notes receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 12,092</b>	<b>\$ 204</b>	<b>\$ 7,561</b>	<b>\$ 693</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 470	\$ —	\$ 40	\$ —
Due to other funds	41	—	—	—
Interfund short-term loans payable	—	—	—	—
Due to other governments	—	—	—	—
Wages payable	1,161	—	2	—
Taxes payable	—	—	—	—
Unearned revenues	343	—	—	—
Custodial accounts	11	40	—	—
Advances from other funds	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>2,026</b>	<b>40</b>	<b>42</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advanced grants	—	—	—	—
Unavailable revenue-property taxes	—	—	—	—
Unavailable revenue-other receivables	804	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>804</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES</b>				
Nonspendable	—	—	—	—
Restricted	9,262	164	—	350
Committed	—	—	—	43
Assigned	—	—	7,519	300
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>9,262</b>	<b>164</b>	<b>7,519</b>	<b>693</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 12,092</b>	<b>\$ 204</b>	<b>\$ 7,561</b>	<b>\$ 693</b>

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 12 OF 12)

	VETERANS AND FAMILY LEVY	VETERANS RELIEF	YOUTH AMATEUR SPORTS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,178	\$ 466	\$ 7,800
Taxes receivable-delinquent	156	49	—
Accounts receivable, net	—	—	—
Due from other funds	3	—	8
Due from other governments, net	20	48	472
Inventory	—	—	—
Prepayments	—	—	—
Advances to other funds	—	—	—
Notes receivable	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 2,357</b>	<b>\$ 563</b>	<b>\$ 8,280</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 577	\$ 224	\$ 72
Due to other funds	—	—	—
Interfund short-term loans	—	—	—
Due to other governments	—	—	—
Wages payable	42	29	13
Taxes payable	—	—	—
Unearned revenues	—	—	—
Custodial accounts	—	—	—
Advances from other funds	—	—	—
<b>TOTAL LIABILITIES</b>	<b>619</b>	<b>253</b>	<b>85</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advanced grants	—	—	—
Unavailable revenue-property taxes	69	35	—
Unavailable revenue-other receivables	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>69</b>	<b>35</b>	<b>—</b>
<b>FUND BALANCES</b>			
Nonspendable	—	—	2,620
Restricted	1,669	275	—
Committed	—	—	—
Assigned	—	—	5,575
Unassigned	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>1,669</b>	<b>275</b>	<b>8,195</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 2,357</b>	<b>\$ 563</b>	<b>\$ 8,280</b>

**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2017**  
(IN THOUSANDS)

	TOTAL	LIMITED GO BOND REDEMPTION	UNLIMITED GO BOND REDEMPTION
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,688	\$ 12,868	\$ 1,820
Taxes receivable - delinquent	443	156	287
Due from other funds	7	7	—
<b>TOTAL ASSETS</b>	<b>\$ 15,138</b>	<b>\$ 13,031</b>	<b>\$ 2,107</b>
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	321	113	208
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>321</b>	<b>113</b>	<b>208</b>
<b>FUND BALANCES</b>			
Assigned	14,817	12,918	1,899
<b>TOTAL FUND BALANCES</b>	<b>14,817</b>	<b>12,918</b>	<b>1,899</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 15,138</b>	<b>\$ 13,031</b>	<b>\$ 2,107</b>

## NONMAJOR CAPITAL PROJECTS FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 1 OF 4)

	TOTAL	BUILDING REPAIR AND REPLACEMENT	CONSERVATION FUTURES	COUNTY ROAD CONSTRUCTION
<b>ASSETS</b>				
Cash and cash equivalents	\$ 276,939	\$ 21,803	\$ 24,130	\$ 16,416
Investments	2,670	—	—	1,500
Taxes receivable—delinquent	579	—	174	—
Accounts receivable, net	2,536	1,100	—	—
Due from other funds	918	23	31	17
Due from other governments, net	3,304	—	—	1,089
<b>TOTAL ASSETS</b>	<b>\$ 286,946</b>	<b>\$ 22,926</b>	<b>\$ 24,335</b>	<b>\$ 19,022</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 18,288	\$ 12,340	\$ 249	\$ 471
Due to other funds	485	—	—	—
Interfund short-term loans payable	1,000	—	—	—
Wages payable	377	46	8	35
Taxes payable	3	—	—	—
Custodial accounts	68	1	—	—
<b>TOTAL LIABILITIES</b>	<b>20,221</b>	<b>12,387</b>	<b>257</b>	<b>506</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	418	—	126	—
Unavailable revenue-other receivables	1,892	—	—	142
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,310</b>	<b>—</b>	<b>126</b>	<b>142</b>
<b>FUND BALANCES</b>				
Restricted	261,706	11,499	23,952	18,374
Assigned	3,669	—	—	—
Unassigned	(960)	(960)	—	—
<b>TOTAL FUND BALANCES</b>	<b>264,415</b>	<b>10,539</b>	<b>23,952</b>	<b>18,374</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 286,946</b>	<b>\$ 22,926</b>	<b>\$ 24,335</b>	<b>\$ 19,022</b>



## NONMAJOR CAPITAL PROJECTS FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 2 OF 4)

	E 911 CAPITAL FUND	FARMLAND & OPEN SPACE ACQUISITION	FACILITIES MANAGEMENT- PARKS	FMD-PARKS FACILITY REHAB
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,593	\$ 349	\$ 1,794	\$ 9
Investments	—	1,170	—	—
Taxes receivable—delinquent	—	—	—	—
Accounts receivable, net	—	—	—	—
Due from other funds	2	—	1	—
Due from other governments, net	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 1,595</b>	<b>\$ 1,519</b>	<b>\$ 1,795</b>	<b>\$ 9</b>
<b>LIABILITIES</b>				
Accounts payable	\$ —	\$ —	\$ 57	\$ —
Due to other funds	—	—	19	—
Interfund short-term loans payable	—	—	—	—
Wages payable	—	—	16	—
Taxes payable	—	—	—	—
Custodial accounts	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>—</b>	<b>92</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	—	—	—	—
Unavailable revenue-other receivables	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES</b>				
Restricted	1,595	1,519	1,703	9
Assigned	—	—	—	—
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES</b>	<b>1,595</b>	<b>1,519</b>	<b>1,703</b>	<b>9</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,595</b>	<b>\$ 1,519</b>	<b>\$ 1,795</b>	<b>\$ 9</b>

## NONMAJOR CAPITAL PROJECTS FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 3 OF 4)

	IT SERVICES CAPITAL	OIRM CAPITAL PROJECTS	OPEN SPACE KC BOND- FUNDED	PARKS CAPITAL FUND
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,167	\$ 24,679	\$ 74	\$ 49,911
Investments	—	—	—	—
Taxes receivable—delinquent	—	—	—	—
Accounts receivable, net	—	—	927	509
Due from other funds	—	657	—	54
Due from other governments, net	—	7	447	11
<b>TOTAL ASSETS</b>	<b>\$ 4,167</b>	<b>\$ 25,343</b>	<b>\$ 1,448</b>	<b>\$ 50,485</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 481	\$ 485	\$ —	\$ 2,547
Due to other funds	—	463	1	—
Interfund short-term loans payable	—	—	1,000	—
Wages payable	17	120	—	29
Taxes payable	—	3	—	—
Custodial accounts	—	—	4	—
<b>TOTAL LIABILITIES</b>	<b>498</b>	<b>1,071</b>	<b>1,005</b>	<b>2,576</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	—	—	—	—
Unavailable revenue-other receivables	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES</b>				
Restricted	—	24,272	443	47,909
Assigned	3,669	—	—	—
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES</b>	<b>3,669</b>	<b>24,272</b>	<b>443</b>	<b>47,909</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,167</b>	<b>\$ 25,343</b>	<b>\$ 1,448</b>	<b>\$ 50,485</b>

## NONMAJOR CAPITAL PROJECTS FUNDS

## COMBINING BALANCE SHEET

DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 4 OF 4)

	PUGET SOUND EMERGENCY NETWORK CAP	REAL ESTATE EXCISE TAX CAPITAL	RENTON MAINTENANCE FACILITY	YOUTH SERVICES FACILITIES
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,536	\$ 27,641	\$ 21,644	\$ 52,193
Investments	—	—	—	—
Taxes receivable—delinquent	—	—	—	405
Accounts receivable, net	—	—	—	—
Due from other funds	24	31	23	55
Due from other governments, net	—	—	1,750	—
<b>TOTAL ASSETS</b>	<b>\$ 30,560</b>	<b>\$ 27,672</b>	<b>\$ 23,417</b>	<b>\$ 52,653</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,125	\$ —	\$ 533	\$ —
Due to other funds	2	—	—	—
Interfund short-term loans payable	—	—	—	—
Wages payable	71	—	35	—
Taxes payable	—	—	—	—
Custodial accounts	—	—	63	—
<b>TOTAL LIABILITIES</b>	<b>1,198</b>	<b>—</b>	<b>631</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	—	—	—	292
Unavailable revenue-other receivables	—	—	1,750	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>—</b>	<b>1,750</b>	<b>292</b>
<b>FUND BALANCES</b>				
Restricted	29,362	27,672	21,036	52,361
Assigned	—	—	—	—
Unassigned	—	—	—	—
<b>TOTAL FUND BALANCES</b>	<b>29,362</b>	<b>27,672</b>	<b>21,036</b>	<b>52,361</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 30,560</b>	<b>\$ 27,672</b>	<b>\$ 23,417</b>	<b>\$ 52,653</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 1 OF 12)

	TOTAL	ALCOHOLISM / SUBSTANCE ABUSE	ANIMAL SERVICES	ARTS & CULTURAL DEVELOPMENT
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 424,824	\$ —	\$ —	\$ —
Retail sales and use taxes	92,555	—	—	—
Business and other taxes	1,596	—	—	—
Licenses and permits	20,219	—	3,116	—
Intergovernmental revenues	160,522	—	—	31
Charges for services	243,169	—	1,177	—
Fines and forfeits	614	—	174	—
Interest earnings	3,609	—	5	41
Miscellaneous revenues	26,557	—	41	—
<b>TOTAL REVENUES</b>	<b>973,665</b>	<b>—</b>	<b>4,513</b>	<b>72</b>
<b>EXPENDITURES</b>				
Current:				
General government services	30,260	—	1,034	—
Law, safety and justice	133,621	—	—	—
Physical environment	24,470	—	—	—
Transportation	73,062	—	—	—
Economic environment	179,221	—	5,454	—
Health and human services	302,688	—	—	—
Culture and recreation	54,601	—	—	2,391
Debt service:				
Interest and other debt service costs	290	—	—	1
Capital outlay	36,509	—	—	217
<b>TOTAL EXPENDITURES</b>	<b>834,722</b>	<b>—</b>	<b>6,488</b>	<b>2,609</b>
Excess (deficiency) of revenues over (under) expenditures	138,943	—	(1,975)	(2,537)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	150,019	—	2,538	998
Transfers out	(210,224)	(3)	(27)	(178)
General government bonds issued	6,050	—	—	—
Premium on general government bonds issued	880	—	—	—
Sale of capital assets	2,744	—	5	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(50,531)</b>	<b>(3)</b>	<b>2,516</b>	<b>820</b>
Net change in fund balances	88,412	(3)	541	(1,717)
Fund balances (deficits) - beginning	394,972	3	1,495	5,399
Prior period adjustment	2,392	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 485,776</b>	<b>\$ —</b>	<b>\$ 2,036</b>	<b>\$ 3,682</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 2 OF 12)

	<b>AUTOMATED FINGERPRINT IDENTIFICATION</b>	<b>BEST START FOR KIDS LEVY</b>	<b>BYRNE JUSTICE ASSISTANCE</b>	<b>COMMUNITY SERVICES OPERATING</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 20,904	\$ 61,915	\$ —	\$ —
Retail sales and use taxes	—	—	—	—
Business and other taxes	89	273	—	—
Licenses and permits	—	—	—	—
Intergovernmental revenues	4	13	172	75
Charges for services	2	—	—	622
Fines and forfeits	—	—	—	—
Interest earnings	193	403	—	8
Miscellaneous revenues	2	3	—	2
<b>TOTAL REVENUES</b>	<b>21,194</b>	<b>62,607</b>	<b>172</b>	<b>707</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	—	172	—
Law, safety and justice	15,811	—	—	—
Physical environment	—	—	—	—
Transportation	—	—	—	—
Economic environment	—	—	—	6,481
Health and human services	—	3,930	—	—
Culture and recreation	—	—	—	—
Debt service:				
Interest and other debt service costs	—	—	—	—
Capital outlay	162	—	—	—
<b>TOTAL EXPENDITURES</b>	<b>15,973</b>	<b>3,930</b>	<b>172</b>	<b>6,481</b>
Excess (deficiency) of revenues over (under) expenditures	5,221	58,677	—	(5,774)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	—	—	—	6,246
Transfers out	(666)	(36,039)	—	(889)
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(666)</b>	<b>(36,039)</b>	<b>—</b>	<b>5,357</b>
Net change in fund balances	4,555	22,638	—	(417)
Fund balances (deficits) - beginning	22,987	49,183	—	1,170
Prior period adjustment	—	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 27,542</b>	<b>\$ 71,821</b>	<b>\$ —</b>	<b>\$ 753</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 3 OF 12)

	<b>COUNTY ROAD OPERATING</b>	<b>DCHS ADMIN</b>	<b>DDES OPERATING</b>	<b>DEVELOP- MENTAL DISABILITY</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 87,591	\$ —	\$ —	\$ 3,259
Retail sales and use taxes	—	—	—	—
Business and other taxes	223	—	—	14
Licenses and permits	—	—	41	—
Intergovernmental revenues	22,766	1,050	—	176
Charges for services	2,269	477	14,434	29,313
Fines and forfeits	—	—	202	—
Interest earnings	164	6	58	—
Miscellaneous revenues	316	477	35	11
<b>TOTAL REVENUES</b>	<b>113,329</b>	<b>2,010</b>	<b>14,770</b>	<b>32,773</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	—	—	—
Law, safety and justice	—	—	—	—
Physical environment	—	—	—	—
Transportation	73,062	—	—	—
Economic environment	—	6,134	16,212	—
Health and human services	—	—	—	34,469
Culture and recreation	—	—	—	—
Debt service:				
Interest and other debt service costs	1	—	—	—
Capital outlay	1,092	—	—	—
<b>TOTAL EXPENDITURES</b>	<b>74,155</b>	<b>6,134</b>	<b>16,212</b>	<b>34,469</b>
Excess (deficiency) of revenues over (under) expenditures	39,174	(4,124)	(1,442)	(1,696)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	109	3,771	2,547	2,237
Transfers out	(33,840)	(18)	(69)	(319)
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	658	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(33,073)</b>	<b>3,753</b>	<b>2,478</b>	<b>1,918</b>
Net change in fund balances	6,101	(371)	1,036	222
Fund balances (deficits) - beginning	17,867	958	(463)	7,563
Prior period adjustment	1,252	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 25,220</b>	<b>\$ 587</b>	<b>\$ 573</b>	<b>\$ 7,785</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 4 OF 12)

	<b>EMERGENCY MEDICAL SERVICES</b>	<b>EMERGENCY TELEPHONE E911</b>	<b>EMPLOYMENT &amp; EDUCATION RESOURCES</b>	<b>ENVIRON- MENTAL HEALTH</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 74,316	\$ —	\$ —	\$ —
Retail sales and use taxes	—	24,182	—	—
Business and other taxes	210	—	—	—
Licenses and permits	49	—	—	16,675
Intergovernmental revenues	74	82	3,675	803
Charges for services	810	—	164	6,268
Fines and forfeits	—	—	—	219
Interest earnings	401	235	—	259
Miscellaneous revenues	170	—	1,262	79
<b>TOTAL REVENUES</b>	<b>76,030</b>	<b>24,499</b>	<b>5,101</b>	<b>24,303</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	—	—	—
Law, safety and justice	74,528	22,710	—	—
Physical environment	—	—	—	—
Transportation	—	—	—	—
Economic environment	—	—	14,740	—
Health and human services	—	—	—	24,244
Culture and recreation	—	—	—	—
Debt service:				
Interest and other debt service costs	—	—	—	—
Capital outlay	116	2,305	—	—
<b>TOTAL EXPENDITURES</b>	<b>74,644</b>	<b>25,015</b>	<b>14,740</b>	<b>24,244</b>
Excess (deficiency) of revenues over (under) expenditures	1,386	(516)	(9,639)	59
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	—	—	8,196	564
Transfers out	(111)	(2,086)	(225)	(141)
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	5	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(106)</b>	<b>(2,086)</b>	<b>7,971</b>	<b>423</b>
Net change in fund balances	1,280	(2,602)	(1,668)	482
Fund balances (deficits) - beginning	43,065	27,935	1,633	13,840
Prior period adjustment	—	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 44,345</b>	<b>\$ 25,333</b>	<b>\$ (35)</b>	<b>\$ 14,322</b>



**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 5 OF 12)

	<b>FLOOD CONTROL ZONE DISTRICT</b>	<b>GRANTS FUND</b>	<b>GREENRIVER FLOOD MITIGATION</b>	<b>HISTORICAL PRSERVATION</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 54,823	\$ —	\$ —	\$ —
Retail sales and use taxes	—	—	—	—
Business and other taxes	249	—	—	—
Licenses and permits	—	—	—	—
Intergovernmental revenues	—	11,671	—	—
Charges for services	—	3,430	—	528
Fines and forfeits	—	—	—	—
Interest earnings	641	—	11	3
Miscellaneous revenues	—	261	5	—
<b>TOTAL REVENUES</b>	<b>55,713</b>	<b>15,362</b>	<b>16</b>	<b>531</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	249	—	—
Law, safety and justice	—	14,554	—	—
Physical environment	—	—	—	—
Transportation	—	—	—	—
Economic environment	19,527	236	—	—
Health and human services	—	—	—	—
Culture and recreation	—	—	—	165
Debt service:				
Interest and other debt service costs	73	—	—	—
Capital outlay	25,260	316	—	—
<b>TOTAL EXPENDITURES</b>	<b>44,860</b>	<b>15,355</b>	<b>—</b>	<b>165</b>
Excess (deficiency) of revenues over (under) expenditures	10,853	7	16	366
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	45	—	—	160
Transfers out	(1,712)	(110)	(946)	(454)
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,667)</b>	<b>(110)</b>	<b>(946)</b>	<b>(294)</b>
Net change in fund balances	9,186	(103)	(930)	72
Fund balances (deficits) - beginning	62,325	1,668	930	66
Prior period adjustment	(20)	1,031	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 71,491</b>	<b>\$ 2,596</b>	<b>\$ —</b>	<b>\$ 138</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
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	<b>HOUSING AND COMMUNITY DEVELOPMENT</b>	<b>HUMAN SERVICES LEVY</b>	<b>INTERCOUNTY RIVER IMPROVEMENT</b>	<b>KC FLOOD CONTROL CONTRACT</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ 9,211	\$ 52	\$ —
Retail sales and use taxes	—	—	—	—
Business and other taxes	—	41	—	—
Licenses and permits	—	—	—	—
Intergovernmental revenues	42,387	29	—	—
Charges for services	14,374	—	—	—
Fines and forfeits	—	—	—	—
Interest earnings	316	15	—	24
Miscellaneous revenues	55	2	—	24
<b>TOTAL REVENUES</b>	<b>57,132</b>	<b>9,298</b>	<b>52</b>	<b>48</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	—	—	—
Law, safety and justice	—	—	—	—
Physical environment	—	—	—	—
Transportation	—	—	—	—
Economic environment	70,192	—	2	6
Health and human services	—	1,145	—	—
Culture and recreation	—	—	—	—
Debt service:				
Interest and other debt service costs	—	—	—	—
Capital outlay	—	—	—	—
<b>TOTAL EXPENDITURES</b>	<b>70,192</b>	<b>1,145</b>	<b>2</b>	<b>6</b>
Excess (deficiency) of revenues over (under) expenditures	(13,060)	8,153	50	42
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,574	—	—	—
Transfers out	(1,594)	(8,767)	(45)	—
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	—	—	—	5
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>13,980</b>	<b>(8,767)</b>	<b>(45)</b>	<b>5</b>
Net change in fund balances	920	(614)	5	47
Fund balances (deficits) - beginning	59,123	1,072	10	31
Prior period adjustment	—	—	—	(31)
<b>Fund balances (deficits) - ending</b>	<b>\$ 60,043</b>	<b>\$ 458</b>	<b>\$ 15</b>	<b>\$ 47</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
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	<b>LAW LIBRARY</b>	<b>LOCAL HAZARDOUS WASTE</b>	<b>LONG-TERM LEASES</b>	<b>MAJOR MAINTENANCE</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ —	\$ —	\$ —
Retail sales and use taxes	—	—	—	—
Business and other taxes	—	—	—	—
Licenses and permits	—	—	—	—
Intergovernmental revenues	—	428	—	—
Charges for services	758	15,648	176	9,315
Fines and forfeits	—	—	—	—
Interest earnings	4	136	21	19
Miscellaneous revenues	491	—	16,707	246
<b>TOTAL REVENUES</b>	<b>1,253</b>	<b>16,212</b>	<b>16,904</b>	<b>9,580</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	—	17,517	9,122
Law, safety and justice	—	—	—	—
Physical environment	—	—	—	—
Transportation	—	—	—	—
Economic environment	—	—	—	—
Health and human services	—	15,393	—	—
Culture and recreation	1,232	—	—	—
Debt service:				
Interest and other debt service costs	—	—	24	37
Capital outlay	—	—	—	—
<b>TOTAL EXPENDITURES</b>	<b>1,232</b>	<b>15,393</b>	<b>17,541</b>	<b>9,159</b>
Excess (deficiency) of revenues over (under) expenditures	21	819	(637)	421
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	—	—	—	3,193
Transfers out	—	—	—	(114)
General government bonds issued	—	—	—	6,050
Premium on general government bonds issued	—	—	—	880
Sale of capital assets	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>10,009</b>
Net change in fund balances	21	819	(637)	10,430
Fund balances (deficits) - beginning	278	15,416	(1,125)	5,479
Prior period adjustment	—	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 299</b>	<b>\$ 16,235</b>	<b>\$ (1,762)</b>	<b>\$ 15,909</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
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	<b>MENTAL ILL- NESS &amp; DRUG DEPENDENCY</b>	<b>NOXIOUS WEED CONTROL</b>	<b>PARKS OPERATING LEVY</b>	<b>PARKS TRUST AND CONTRIBUTION</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ —	\$ 70,176	\$ —
Retail sales and use taxes	64,382	—	—	—
Business and other taxes	—	—	309	—
Licenses and permits	—	—	21	—
Intergovernmental revenues	587	103	14	—
Charges for services	—	2,334	3,365	—
Fines and forfeits	—	—	14	—
Interest earnings	52	9	183	—
Miscellaneous revenues	4	10	3,209	—
<b>TOTAL REVENUES</b>	<b>65,025</b>	<b>2,456</b>	<b>77,291</b>	<b>—</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	—	—	—
Law, safety and justice	6,018	—	—	—
Physical environment	—	—	—	—
Transportation	—	—	—	—
Economic environment	—	2,076	—	—
Health and human services	44,342	—	—	—
Culture and recreation	—	—	48,908	—
Debt service:				
Interest and other debt service costs	—	—	—	—
Capital outlay	—	—	357	—
<b>TOTAL EXPENDITURES</b>	<b>50,360</b>	<b>2,076</b>	<b>49,265</b>	<b>—</b>
Excess (deficiency) of revenues over (under) expenditures	14,665	380	28,026	—
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	—	—	34,648	—
Transfers out	(10,661)	(468)	(61,319)	—
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	—	—	22	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,661)</b>	<b>(468)</b>	<b>(26,649)</b>	<b>—</b>
Net change in fund balances	4,004	(88)	1,377	—
Fund balances (deficits) - beginning	15,674	1,233	16,079	5
Prior period adjustment	—	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 19,678</b>	<b>\$ 1,145</b>	<b>\$ 17,456</b>	<b>\$ 5</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
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	<b>PUBLIC HEALTH</b>	<b>PUGET SOUND EMERGENCY NETWORK LEVY</b>	<b>RECORDER'S OPERATING &amp; MAINTENANCE</b>	<b>REGIONAL JUSTICE CENTER PRJTS</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ 30,375	\$ —	\$ —
Retail sales and use taxes	—	—	—	—
Business and other taxes	—	134	—	—
Licenses and permits	317	—	—	—
Intergovernmental revenues	69,159	6	662	—
Charges for services	64,133	—	1,219	—
Fines and forfeits	2	—	—	—
Interest earnings	3	47	16	4
Miscellaneous revenues	2,715	1	—	—
<b>TOTAL REVENUES</b>	<b>136,329</b>	<b>30,563</b>	<b>1,897</b>	<b>4</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	—	1,596	—
Law, safety and justice	—	—	—	—
Physical environment	—	—	—	—
Transportation	—	—	—	—
Economic environment	—	—	—	—
Health and human services	171,396	—	—	—
Culture and recreation	—	—	—	—
Debt service:				
Interest and other debt service costs	3	—	—	—
Capital outlay	70	—	—	—
<b>TOTAL EXPENDITURES</b>	<b>171,469</b>	<b>—</b>	<b>1,596</b>	<b>—</b>
Excess (deficiency) of revenues over (under) expenditures	(35,140)	30,563	301	4
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	58,689	—	—	—
Transfers out	(730)	(30,453)	(119)	(64)
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	2,049	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>60,008</b>	<b>(30,453)</b>	<b>(119)</b>	<b>(64)</b>
Net change in fund balances	24,868	110	182	(60)
Fund balances (deficits) - beginning	1,517	1,435	1,840	357
Prior period adjustment	—	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 26,385</b>	<b>\$ 1,545</b>	<b>\$ 2,022</b>	<b>\$ 297</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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	ROAD IMPROVEMENT CONSTRUCTION	ROAD IMPROVEMENT MAINTENANCE	RISK ABATEMENT	SURFACE WATER CAPITAL
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ —	\$ —	\$ —
Retail sales and use taxes	—	—	—	—
Business and other taxes	—	—	—	—
Licenses and permits	—	—	—	—
Intergovernmental revenues	—	—	—	4,501
Charges for services	7	3	—	2,455
Fines and forfeits	—	—	—	2
Interest earnings	—	—	32	129
Miscellaneous revenues	—	—	—	198
<b>TOTAL REVENUES</b>	<b>7</b>	<b>3</b>	<b>32</b>	<b>7,285</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	—	—	—
Law, safety and justice	—	—	—	—
Physical environment	—	—	—	11,131
Transportation	—	—	—	—
Economic environment	—	—	—	1,123
Health and human services	—	—	—	—
Culture and recreation	—	—	—	—
Debt service:	—	—	—	—
Interest and other debt service costs	—	—	118	—
Capital outlay	—	—	—	2
<b>TOTAL EXPENDITURES</b>	<b>—</b>	<b>—</b>	<b>118</b>	<b>12,256</b>
Excess (deficiency) of revenues over (under) expenditures	7	3	(86)	(4,971)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	—	—	—	6,200
Transfers out	(7)	—	—	(33)
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(7)</b>	<b>—</b>	<b>—</b>	<b>6,167</b>
Net change in fund balances	—	3	(86)	1,196
Fund balances (deficits) - beginning	2	4	(10,462)	9,216
Prior period adjustment	—	—	—	160
<b>Fund balances (deficits) - ending</b>	<b>\$ 2</b>	<b>\$ 7</b>	<b>\$ (10,548)</b>	<b>\$ 10,572</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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	<b>SURFACE WATER MANAGEMENT</b>	<b>TREASURER'S OPERATING &amp; MAINTENANCE</b>	<b>TRANSFER OF DEVELOPER CREDIT</b>	<b>URBAN RESTORATION &amp; HABITAT</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ —	\$ —	\$ —
Retail sales and use taxes	—	—	—	—
Business and other taxes	—	—	—	—
Licenses and permits	—	—	—	—
Intergovernmental revenues	1,931	—	—	—
Charges for services	58,869	538	10,481	—
Fines and forfeits	1	—	—	—
Interest earnings	56	—	50	6
Miscellaneous revenues	164	—	—	—
<b>TOTAL REVENUES</b>	<b>61,021</b>	<b>538</b>	<b>10,531</b>	<b>6</b>
<b>EXPENDITURES</b>				
Current:				
General government services	—	570	—	—
Law, safety and justice	—	—	—	—
Physical environment	13,339	—	—	—
Transportation	—	—	—	—
Economic environment	36,342	—	696	—
Health and human services	—	—	—	—
Culture and recreation	—	—	—	—
Debt service:				
Interest and other debt service costs	33	—	—	—
Capital outlay	70	—	6,542	—
<b>TOTAL EXPENDITURES</b>	<b>49,784</b>	<b>570</b>	<b>7,238</b>	<b>—</b>
Excess (deficiency) of revenues over (under) expenditures	11,237	(32)	3,293	6
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,663	—	—	—
Transfers out	(12,945)	—	—	—
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,282)</b>	<b>—</b>	<b>—</b>	<b>—</b>
Net change in fund balances	955	(32)	3,293	6
Fund balances (deficits) - beginning	8,307	196	4,226	687
Prior period adjustment	—	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 9,262</b>	<b>\$ 164</b>	<b>\$ 7,519</b>	<b>\$ 693</b>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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	<b>VETERANS AND FAMILY LEVY</b>	<b>VETERANS RELIEF</b>	<b>YOUTH AMATEUR SPORTS</b>
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 9,298	\$ 2,904	\$ —
Retail sales and use taxes	—	—	3,991
Business and other taxes	41	13	—
Licenses and permits	—	—	—
Intergovernmental revenues	74	49	—
Charges for services	—	—	—
Fines and forfeits	—	—	—
Interest earnings	17	1	41
Miscellaneous revenues	1	66	—
<b>TOTAL REVENUES</b>	<b>9,431</b>	<b>3,033</b>	<b>4,032</b>
<b>EXPENDITURES</b>			
Current:			
General government services	—	—	—
Law, safety and justice	—	—	—
Physical environment	—	—	—
Transportation	—	—	—
Economic environment	—	—	—
Health and human services	5,016	2,753	—
Culture and recreation	—	—	1,905
Debt service:			
Interest and other debt service costs	—	—	—
Capital outlay	—	—	—
<b>TOTAL EXPENDITURES</b>	<b>5,016</b>	<b>2,753</b>	<b>1,905</b>
Excess (deficiency) of revenues over (under) expenditures	4,415	280	2,127
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	—	—	1,641
Transfers out	(4,804)	(263)	(5)
General government bonds issued	—	—	—
Premium on general government bonds issued	—	—	—
Sale of capital assets	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,804)</b>	<b>(263)</b>	<b>1,636</b>
Net change in fund balances	(389)	17	3,763
Fund balances (deficits) - beginning	2,058	258	4,432
Prior period adjustment	—	—	—
<b>Fund balances (deficits) - ending</b>	<b>\$ 1,669</b>	<b>\$ 275</b>	<b>\$ 8,195</b>



**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)

	<b>TOTAL</b>	<b>LIMITED GO BOND REDEMPTION</b>	<b>UNLIMITED GO BOND REDEMPTION</b>
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 25,729	\$ 8,953	\$ 16,776
Business and other taxes	47	39	8
Licenses and permits	—	—	—
Intergovernmental revenues	16,901	16,898	3
Interest earnings	55	55	—
Miscellaneous revenues	1	—	1
<b>TOTAL REVENUES</b>	<b>42,733</b>	<b>25,945</b>	<b>16,788</b>
<b>EXPENDITURES</b>			
Debt service:			
Principal	63,702	51,357	12,345
Interest and other debt service costs	32,998	28,633	4,365
<b>TOTAL EXPENDITURES</b>	<b>96,700</b>	<b>79,990</b>	<b>16,710</b>
Excess (deficiency) of revenues over (under) expenditures	(53,967)	(54,045)	78
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	57,198	57,198	—
Transfers out	(1,641)	(1,641)	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>55,557</b>	<b>55,557</b>	<b>—</b>
Net change in fund balances	1,590	1,512	78
Fund balances - beginning	13,227	11,406	1,821
Prior period adjustment	—	—	—
<b>Fund balances - ending</b>	<b>\$ 14,817</b>	<b>\$ 12,918</b>	<b>\$ 1,899</b>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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	TOTAL	BUILDING REPAIR AND REPLACEMENT	CONSERVATION FUTURES	COUNTY ROAD CONSTRUCTION
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 34,766	\$ —	\$ 10,387	\$ —
Business and other taxes	16,041	—	46	—
Licenses and permits	251	—	—	—
Intergovernmental revenues	9,758	439	2	4,905
Charges for services	512	—	—	156
Fines and forfeits	1	—	—	—
Interest earnings	2,184	(2)	284	221
Miscellaneous revenues	2,529	1,585	—	19
<b>TOTAL REVENUES</b>	<b>66,042</b>	<b>2,022</b>	<b>10,719</b>	<b>5,301</b>
<b>EXPENDITURES</b>				
Current:				
General government	5,526	4,776	—	—
Transportation	34,020	—	—	16,530
Economic environment	9,665	—	9,077	—
Culture and recreation	2,907	—	—	—
Debt service:				
Interest and other debt service costs	199	78	—	—
Capital outlay	117,548	39,112	7,590	1,365
<b>TOTAL EXPENDITURES</b>	<b>169,865</b>	<b>43,966</b>	<b>16,667</b>	<b>17,895</b>
Excess (deficiency) of revenues over (under) expenditures	(103,823)	(41,944)	(5,948)	(12,594)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	142,668	39,232	—	2,609
Transfers out	(50,206)	(246)	—	(102)
General government bonds issued	27,275	12,645	—	—
Premium on general government bonds issued	4,157	2,111	—	—
Sale of capital assets	2,097	—	8	—
Insurance recoveries	3,538	3,538	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>129,529</b>	<b>57,280</b>	<b>8</b>	<b>2,507</b>
Net change in fund balances	25,706	15,336	(5,940)	(10,087)
Fund balances (deficits) - beginning	240,121	(4,797)	30,052	29,713
Prior period adjustment	(1,412)	—	(160)	(1,252)
Fund balances - ending	<b>\$ 264,415</b>	<b>\$ 10,539</b>	<b>\$ 23,952</b>	<b>\$ 18,374</b>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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	<b>E 911 CAPITAL FUND</b>	<b>FARMLAND &amp; OPEN SPACE ACQUISITION</b>	<b>FACILITIES MANAGEMENT- PARKS</b>	<b>FMD-PARKS FACILITY REHAB</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ —	\$ —	\$ —
Business and other taxes	—	—	—	—
Licenses and permits	—	—	—	—
Intergovernmental revenues	—	—	350	—
Charges for services	—	—	—	—
Fines and forfeits	—	—	—	—
Interest earnings	(5)	125	(3)	—
Miscellaneous revenues	—	9	5	5
<b>TOTAL REVENUES</b>	<b>(5)</b>	<b>134</b>	<b>352</b>	<b>5</b>
<b>EXPENDITURES</b>				
Current:				
General government	—	—	—	—
Transportation	—	—	—	—
Economic environment	—	86	—	—
Culture and recreation	—	—	1,107	226
Debt service:				
Interest and other debt service costs	—	—	22	2
Capital outlay	—	553	4,031	342
<b>TOTAL EXPENDITURES</b>	<b>—</b>	<b>639</b>	<b>5,160</b>	<b>570</b>
Excess (deficiency) of revenues over (under) expenditures	(5)	(505)	(4,808)	(565)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,600	—	5,635	1,240
Transfers out	—	—	(66)	(456)
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	—	—	1,481	—
Insurance recoveries	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,600</b>	<b>—</b>	<b>7,050</b>	<b>784</b>
Net change in fund balances	1,595	(505)	2,242	219
Fund balances (deficits) - beginning	—	2,024	(539)	(210)
Prior period adjustment	—	—	—	—
<b>Fund balances - ending</b>	<b>\$ 1,595</b>	<b>\$ 1,519</b>	<b>\$ 1,703</b>	<b>\$ 9</b>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 3 OF 4)

	IT SERVICES CAPITAL	OIRM CAPITAL PROJECTS	OPEN SPACE KC BOND- FUNDED	PARKS CAPITAL FUND
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ —	\$ —	\$ —
Business and other taxes	—	—	—	—
Licenses and permits	—	—	—	251
Intergovernmental revenues	—	440	1,706	1,561
Charges for services	—	—	—	—
Fines and forfeits	—	—	—	—
Interest earnings	14	154	9	354
Miscellaneous revenues	1	309	—	590
<b>TOTAL REVENUES</b>	<b>15</b>	<b>903</b>	<b>1,715</b>	<b>2,756</b>
<b>EXPENDITURES</b>				
Current:				
General government	—	—	—	—
Transportation	—	—	—	—
Economic environment	—	—	502	—
Culture and recreation	—	—	—	1,574
Debt service:				
Interest and other debt service costs	—	88	5	2
Capital outlay	3,722	16,893	1,263	28,512
<b>TOTAL EXPENDITURES</b>	<b>3,722</b>	<b>16,981</b>	<b>1,770</b>	<b>30,088</b>
Excess (deficiency) of revenues over (under) expenditures	(3,707)	(16,078)	(55)	(27,332)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,819	4,186	—	30,488
Transfers out	—	(1,008)	—	(1,219)
General government bonds issued	—	14,280	—	350
Premium on general government bonds issued	—	1,980	—	66
Sale of capital assets	—	—	—	—
Insurance recoveries	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,819</b>	<b>19,438</b>	<b>—</b>	<b>29,685</b>
Net change in fund balances	(888)	3,360	(55)	2,353
Fund balances (deficits) - beginning	4,557	20,912	498	45,556
Prior period adjustment	—	—	—	—
<b>Fund balances - ending</b>	<b>\$ 3,669</b>	<b>\$ 24,272</b>	<b>\$ 443</b>	<b>\$ 47,909</b>

**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 4 OF 4)

	<b>PUGET SOUND EMERGENCY NETWORK</b>	<b>REAL ESTATE EXCISE TAX CAPITAL</b>	<b>RENTON MAINTENANCE FACILITY</b>	<b>YOUTH SERVICES FACILITIES</b>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ —	\$ —	\$ —	\$ 24,379
Business and other taxes	—	15,887	—	108
Licenses and permits	—	—	—	—
Intergovernmental revenues	—	—	350	5
Charges for services	—	—	356	—
Fines and forfeits	—	1	—	—
Interest earnings	84	221	146	582
Miscellaneous revenues	5	—	—	1
<b>TOTAL REVENUES</b>	<b>89</b>	<b>16,109</b>	<b>852</b>	<b>25,075</b>
<b>EXPENDITURES</b>				
Current:				
General government	—	750	—	—
Transportation	—	—	17,490	—
Economic environment	—	—	—	—
Culture and recreation	—	—	—	—
Debt service:				
Interest and other debt service costs	—	2	—	—
Capital outlay	12,782	—	1,383	—
<b>TOTAL EXPENDITURES</b>	<b>12,782</b>	<b>752</b>	<b>18,873</b>	<b>—</b>
Excess (deficiency) of revenues over (under) expenditures	(12,693)	15,357	(18,021)	25,075
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	30,453	—	24,406	—
Transfers out	—	(12,662)	—	(34,447)
General government bonds issued	—	—	—	—
Premium on general government bonds issued	—	—	—	—
Sale of capital assets	—	—	608	—
Insurance recoveries	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>30,453</b>	<b>(12,662)</b>	<b>25,014</b>	<b>(34,447)</b>
Net change in fund balances	17,760	2,695	6,993	(9,372)
Fund balances (deficits) - beginning	11,602	24,977	14,043	61,733
Prior period adjustment	—	—	—	—
<b>Fund balances - ending</b>	<b>\$ 29,362</b>	<b>\$ 27,672</b>	<b>\$ 21,036</b>	<b>\$ 52,361</b>

**GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 1 OF 3)

APPROPRIATION UNIT	2017-2018 BUDGET			VARIANCE	2017 ACTUAL
	ORIGINAL	ADJUSTMENTS	FINAL		EXPENDITURES
MAJOR FUNDS					
GENERAL FUND					
County Council	\$ 3,691	\$ —	\$ 3,691	\$ 1,890	\$ 1,801
Council Administration	29,755	1,116	30,871	16,073	14,798
Hearing Examiner	1,176	(43)	1,133	629	504
County Auditor	4,935	(197)	4,738	2,607	2,131
Ombudsman/Tax Advisor	2,812	249	3,061	1,720	1,341
King County Civic Television	1,305	232	1,537	831	706
Board of Appeals	1,825	(19)	1,806	886	920
Office of Law Enforcement Oversight	1,591	179	1,770	1,029	741
Charter Review Commission Support	655	96	751	380	371
Office of Economic and Financial Analysis	983	—	983	514	469
Flood Control District Administration	444	621	1,065	909	156
County Executive	583	—	583	290	293
Office of the Executive	9,872	—	9,872	5,066	4,806
Office of Performance, Strategy and Budget	21,464	70	21,534	11,151	10,383
Office of Equity and Social Justice	2,428	124	2,552	1,422	1,130
Sheriff	347,572	9,393	356,965	183,035	173,930
Succession Planning	970	—	970	532	438
Office of Emergency Management	4,570	345	4,915	2,835	2,080
Executive Services Administration	4,691	145	4,836	2,528	2,308
Human Resources Management	15,081	140	15,221	8,630	6,591
Labor Relations	6,149	—	6,149	3,353	2,796
Cable Communications	772	256	1,028	699	329
Real Estate Services	8,878	—	8,878	4,957	3,921
Records and Licensing Services	23,733	120	23,853	13,420	10,433
Elections	38,334	671	39,005	21,831	17,174
Prosecuting Attorney	141,417	956	142,373	72,702	69,671
Prosecuting Attorney - Anti-profiteering	120	—	120	120	—
Superior Court	102,080	1,231	103,311	53,652	49,659
District Courts	67,161	180	67,341	35,663	31,678
Judicial Administration	43,652	554	44,206	23,036	21,170
Facilities Management	7,437	—	7,437	5,550	1,887
State Auditor	2,098	—	2,098	1,099	999
Boundary Review Board	768	—	768	414	354
Federal Lobbying	520	—	520	238	282
Special Programs: Memberships and Dues	1,574	—	1,574	730	844
Special Programs: Internal Support	38,122	4,900	43,022	20,534	22,488
Assessments	54,931	210	55,141	29,039	26,102
Transfers: Debt Service	55,521	—	55,521	26,607	28,914
Transfers: Dept. of Permitting & Environmental Rev	4,630	—	4,630	2,315	2,315
Transfers: Dept. of Transportation	4,000	—	4,000	4,000	—
Transfers: Dept. of Community & Human Services	22,961	879	23,840	11,181	12,659
Transfers: Dept. of Executive Services	5,814	—	5,814	2,918	2,896
Transfers: Dept. of Public Health	50,466	175	50,641	25,615	25,026
Transfers: Dept. of Natural Resources & Parks	2,848	182	3,030	1,638	1,392
Transfers: King County Information Technology	1,724	1,058	2,782	2,472	310
Transfers: CIP Transfer to DES	9,000	2,445	11,445	5,676	5,769
Transfers: Transfer to Homelessness	5,000	1,000	6,000	5,846	154
Jail Health Services	67,439	4,264	71,703	38,643	33,060
Medical Examiner	11,781	237	12,018	6,323	5,695
Adult and Juvenile Detention	291,930	6,222	298,152	154,302	143,850
Public Defense	137,839	191	138,030	71,558	66,472
Inmate Welfare - Adult	2,601	—	2,601	1,453	1,148
Inmate Welfare - Juvenile	8	—	8	7	1
TOTAL OF GENERAL FUND	1,667,711	38,182	1,705,893	890,548	815,345

**GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 2 OF 3)

APPROPRIATION UNIT	2017-2018 BUDGET				2017 ACTUAL
	ORIGINAL	ADJUSTMENTS	FINAL	VARIANCE	EXPENDITURES
BEHAVIORAL HEALTH FUND					
Behavioral Health Fund	857,917	(205,268)	652,649	344,639	308,010
TOTAL BEHAVIORAL HEALTH FUND	857,917	(205,268)	652,649	344,639	308,010
<b>TOTAL MAJOR FUNDS</b>	<b>\$ 2,525,628</b>	<b>\$ (167,086)</b>	<b>\$ 2,358,542</b>	<b>\$ 1,235,187</b>	<b>\$ 1,123,355</b>
<b>NONMAJOR SPECIAL REVENUE FUNDS</b>					
ANIMAL SERVICES					
Animal Bequest	\$ 380	\$ —	\$ 380	\$ 230	\$ 150
Regional Animal Services	14,646	—	14,646	8,130	6,516
TOTAL ANIMAL SERVICES	15,026	—	15,026	8,360	6,666
ARTS & CULTURAL DEVELOPMENT					
Cultural Development Authority	6,196	2,200	8,396	1,846	6,550
AUTOMATED FINGERPRINT IDENTIFICATION					
Automated Fingerprint Identification System	45,496	—	45,496	28,869	16,627
BEST START FOR KIDS LEVY					
Best Starts for Kids	129,798	6,372	136,170	96,201	39,969
BYRNE JUSTICE ASSISTANCE GRANT					
Byrne Justice Assistance Grants	203	(203)	—	(172)	172
COMMUNITY SERVICES OPERATING					
Community Services Operating	12,234	1,247	13,481	6,111	7,370
COUNTY ROAD OPERATING					
Roads	184,569	8,979	193,548	106,654	86,894
Roads Construction Transfer	40,400	—	40,400	19,300	21,100
TOTAL COUNTY ROAD OPERATING	224,969	8,979	233,948	125,954	107,994
DCHS ADMINISTRATION					
DCHS Administration	11,679	—	11,679	5,527	6,152
DDES OPERATING					
Dept. of Permitting and Environ. Review Abatement	1,318	—	1,318	771	547
General Public Services	3,803	—	3,803	2,014	1,789
Planning and Permitting	28,918	—	28,918	14,974	13,944
TOTAL DDES OPERATING	34,039	—	34,039	17,759	16,280
DEVELOPMENTAL DISABILITY					
Developmental Disabilities Division	65,297	11,610	76,907	42,118	34,789
DEPT. OF PUBLIC HEALTH ADMINISTRATION					
Public Health Administration	64,437	(204)	64,233	51,141	13,092
EMERGENCY MEDICAL SERVICE					
Emergency Medical Services	162,345	—	162,345	87,595	74,750
EMERGENCY TELEPHONE E911					
Enhanced-911	61,985	—	61,985	34,885	27,100
EMPLOYMENT AND EDUCATION RESOURCES					
Employment and Education Resources	22,327	11,406	33,733	18,768	14,965
ENVIRONMENTAL HEALTH					
Environmental Health	51,711	2,401	54,112	29,772	24,340
GRANTS FUND					
Grants	32,258	10,818	43,076	27,591	15,485
HISTORICAL PRESERVATION					
Historic Preservation Program	1,097	424	1,521	903	618
HOUSING & COMMUNITY DEVELOPMENT					
Housing and Community Development	177,072	7,079	184,151	112,050	72,101
Revolving Loans	—	—	—	(47)	47
TOTAL HOUSING & COMMUNITY DEVELOPMENT	177,072	7,079	184,151	112,003	72,148
HUMAN SERVICES LEVY					
Human Services Levy	9,390	565	9,955	43	9,912

**GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS**  
**SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) BY APPROPRIATION UNIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
 (IN THOUSANDS)  
 (PAGE 3 OF 3)

APPROPRIATION UNIT	2017-2018 BUDGET			VARIANCE	2017 ACTUAL EXPENDITURES
	ORIGINAL	ADJUSTMENTS	FINAL		
INTERCOUNTY RIVER IMPROVEMENT					
Intercounty River Improvement	100	—	100	52	48
KING COUNTY FLOOD CONTROL OPERATING					
King County Flood Control Contract	126,907	75,739	202,646	148,906	53,740
LOCAL HAZARDOUS WASTE					
Local Hazardous Waste	38,728	—	38,728	23,335	15,393
MENTAL ILLNESS AND DRUG DEPENDENCY					
District Court MIDD	2,778	202	2,980	1,733	1,247
Judicial Administration MIDD	3,342	—	3,342	1,617	1,725
Mental Illness and Drug Dependency	115,561	2,730	118,291	65,596	52,695
Prosecuting Attorney MIDD	3,013	—	3,013	1,975	1,038
Office of Public Defender MIDD	5,406	—	5,406	2,836	2,570
Superior Court MIDD	3,810	—	3,810	2,065	1,745
TOTAL MENTAL ILLNESS & DRUG DEPENDENCY	133,910	2,932	136,842	75,822	61,020
NOXIOUS WEED CONTROL					
Noxious Weed Control Program	5,630	—	5,630	3,105	2,525
PARKS OPERATING LEVY					
Parks and Recreation	87,237	582	87,819	48,508	39,311
Parks Open Space and Trail Levy	142,474	1,185	143,659	72,389	71,270
TOTAL PARKS OPERATING LEVY	229,711	1,767	231,478	120,897	110,581
PUBLIC HEALTH					
Medical Examiner	—	—	—	(6)	6
Public Health	377,096	18,354	395,450	223,277	172,173
TOTAL PUBLIC HEALTH	377,096	18,354	395,450	223,271	172,179
PUGET SOUND EMERGENCY NETWORK LEVY					
Puget Sound Emergency Regional Network Levy	61,365	—	61,365	30,912	30,453
RECORDER'S O & M FUND					
Recorder's Operation and Maintenance	4,238	25	4,263	2,549	1,714
RISK ABATEMENT					
OMB 2006	—	—	—	(118)	118
SURFACE WATER MGT FUND					
Surface Water Mgmt Local Drainage Services	71,148	2,268	73,416	36,995	36,421
Water and Land Resources Shared Services	73,033	—	73,033	39,191	33,842
TOTAL SURFACE WATER MGT FUND	144,181	2,268	146,449	76,186	70,263
VETERANS AND FAMILY LEVY					
Veterans and Family Levy	9,540	337	9,877	58	9,819
Veterans, Seniors & Human Services Levy	—	18,278	18,278	18,278	—
TOTAL VETERANS AND FAMILY LEVY	9,540	18,615	28,155	18,336	9,819
VETERANS RELIEF					
Veterans Relief	6,173	—	6,173	3,157	3,016
YOUTH AMATEUR SPORTS					
Youth Amateur Sports Fund	10,706	9,241	19,947	18,037	1,910
<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>	<b>\$ 2,275,844</b>	<b>\$ 191,635</b>	<b>\$ 2,467,479</b>	<b>\$ 1,439,721</b>	<b>\$ 1,027,758</b>
<b>DEBT SERVICE FUNDS</b>					
Limited GO Bond Redemption	\$ 246,833	\$ —	\$ 246,833	\$ 130,059	\$ 116,774
Unlimited GO Bond Redemption	34,338	—	34,338	17,628	16,710
<b>TOTAL DEBT SERVICE FUNDS</b>	<b>\$ 281,171</b>	<b>\$ —</b>	<b>\$ 281,171</b>	<b>\$ 147,687</b>	<b>\$ 133,484</b>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 5,082,643</b>	<b>\$ 24,549</b>	<b>\$ 5,107,192</b>	<b>\$ 2,822,595</b>	<b>\$ 2,284,597</b>

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



**Proprietary Funds**

**CAFR**

**Comprehensive Annual Financial Report**



## NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**DECEMBER 31, 2017**  
(IN THOUSANDS)  
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	TOTAL	I-NET	KING COUNTY INTERNATIONAL AIRPORT
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 120,050	\$ 906	\$ 26,351
Restricted cash and cash equivalents	16,595	—	97
Accounts receivable, net	14,962	185	970
Due from other funds	882	195	63
Property tax receivable-delinquent	75	—	—
Due from other governments, net	5,559	338	1,028
Inventory of supplies	1,876	—	461
Prepayments	196	—	—
Total current assets	160,195	1,624	28,970
Noncurrent assets			
Restricted cash and cash equivalents	52,238	—	640
Capital assets:			
Nondepreciable assets	92,755	—	16,800
Depreciable assets, net of depreciation	336,094	2,010	71,430
Total noncurrent assets	481,087	2,010	88,870
<b>TOTAL ASSETS</b>	641,282	3,634	117,840
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on refundings	1,292	—	43
Deferred outflows on pension	4,069	16	569
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	5,361	16	612
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	10,923	106	689
Retainage payable	3,361	—	70
Due to other funds	412	—	1
Due to other governments	11	—	—
Interest payable	620	—	8
Wages payable	2,315	11	196
Compensated absences payable	639	4	50
Taxes payable	368	—	212
Unearned revenue	148	—	145
Customer deposits	897	—	27
General obligation bonds payable	6,640	—	515
Landfill closure and post-closure care	13,207	—	—
Total current liabilities	39,541	121	1,913
Noncurrent liabilities			
Customer deposits	640	—	640
Compensated absences payable	5,495	35	429
Other postemployment benefits	1,359	22	125
Net pension liability	24,761	70	5,402
General obligation bonds payable	184,756	—	1,742
Pollution remediation	256	—	256
Landfill closure and post-closure care	109,675	—	—
Total noncurrent liabilities	326,942	127	8,594
<b>TOTAL LIABILITIES</b>	366,483	248	10,507
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pension	5,522	24	574
<b>NET POSITION</b>			
Net investment in capital assets	261,037	2,010	86,016
Unrestricted	13,601	1,368	21,355
<b>TOTAL NET POSITION</b>	\$ 274,638	\$ 3,378	\$ 107,371

**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**DECEMBER 31, 2017**  
(IN THOUSANDS)  
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	MARINE	RADIO COMMUNICATIONS SERVICES	SOLID WASTE
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 5,692	\$ 17,895	\$ 69,206
Restricted cash and cash equivalents	—	6	16,492
Accounts receivable, net	—	—	13,807
Due from other funds	171	19	434
Property tax receivable-delinquent	75	—	—
Due from other governments, net	3,768	221	204
Inventory of supplies	106	114	1,195
Prepayments	160	2	34
Total current assets	9,972	18,257	101,372
Noncurrent assets			
Restricted cash and cash equivalents	—	—	51,598
Capital assets:			
Nondepreciable assets	7,320	—	68,635
Depreciable assets, net of depreciation	20,675	3,345	238,634
Total noncurrent assets	27,995	3,345	358,867
<b>TOTAL ASSETS</b>	37,967	21,602	460,239
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on refundings	—	—	1,249
Deferred outflows on pension	165	110	3,209
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	165	110	4,458
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	3,807	193	6,128
Retainage payable	—	6	3,285
Due to other funds	—	212	199
Due to other governments	11	—	—
Interest payable	—	—	612
Wages payable	99	74	1,935
Compensated absences payable	25	17	543
Taxes payable	—	—	156
Unearned revenue	—	—	3
Customer deposits	—	870	—
General obligation bonds payable	—	—	6,125
Landfill closure and post-closure care	—	—	13,207
Total current liabilities	3,942	1,372	32,193
Noncurrent liabilities			
Customer deposits	—	—	—
Compensated absences payable	214	149	4,668
Other postemployment benefits	12	40	1,160
Net pension liability	740	493	18,056
General obligation bonds payable	—	—	183,014
Pollution remediation	—	—	—
Landfill closure and post-closure care	—	—	109,675
Total noncurrent liabilities	966	682	316,573
<b>TOTAL LIABILITIES</b>	4,908	2,054	348,766
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pension	251	167	4,506
<b>NET POSITION</b>			
Net investment in capital assets	27,995	3,345	141,671
Unrestricted	4,978	16,146	\$ (30,246)
<b>TOTAL NET POSITION</b>	\$ 32,973	\$ 19,491	\$ 111,425

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

## NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 1 OF 2)

**KING COUNTY  
INTERNATIONAL  
AIRPORT**

	TOTAL	I-NET	
<b>OPERATING REVENUES</b>			
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	—	—
Solid waste disposal charges	134,291	—	—
Passenger fares	2,621	—	—
Miscellaneous	8,873	1	44
Total operating revenues	174,706	3,004	20,630
<b>OPERATING EXPENSES</b>			
Personal services	56,883	1,095	6,024
Materials and supplies	9,501	13	572
Contract services and other charges	23,893	17	2,826
Utilities	3,567	—	2,158
Internal services	23,273	1,076	6,513
Depreciation and amortization	18,501	313	5,757
Total operating expenses	135,618	2,514	23,850
OPERATING INCOME (LOSS)	39,088	490	(3,220)
<b>NONOPERATING REVENUES</b>			
Property tax	5,743	—	—
Interest earnings	1,426	14	260
Other nonoperating revenues	1,695	—	336
Total nonoperating revenues	8,864	14	596
<b>NONOPERATING EXPENSES</b>			
Interest	2,765	—	82
(Gain) loss on disposal of capital assets	1,575	—	197
Landfill closure and post-closure care	5,112	—	—
Other nonoperating expenses	1,667	—	—
Total nonoperating expenses	11,119	—	279
Income (loss) before contributions and transfers	36,833	504	(2,903)
Capital grants and contributions	5,698	—	1,368
Transfers in	471	—	—
Transfers out	(1,235)	(356)	(118)
<b>CHANGE IN NET POSITION</b>	41,767	148	(1,653)
NET POSITION - JANUARY 1, 2017	232,871	3,230	109,024
NET POSITION - DECEMBER 31, 2017	\$ 274,638	\$ 3,378	\$ 107,371

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

## NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 2 OF 2)

	MARINE	RADIO COMMUNICATIONS SERVICES	SOLID WASTE
<b>OPERATING REVENUES</b>			
I-Net fees	\$ —	\$ —	\$ —
Airfield fees	—	—	—
Hangar, building, and site rentals and leases	—	—	—
Radio services	—	5,332	—
Solid waste disposal charges	—	—	134,291
Passenger fares	2,621	—	—
Miscellaneous	57	—	8,771
Total operating revenues	2,678	5,332	143,062
<b>OPERATING EXPENSES</b>			
Personal services	3,056	2,034	44,674
Materials and supplies	943	225	7,748
Contract services and other charges	660	225	20,165
Utilities	17	213	1,179
Internal services	2,087	1,064	12,533
Depreciation and amortization	1,059	706	10,666
Total operating expenses	7,822	4,467	96,965
OPERATING INCOME (LOSS)	(5,144)	865	46,097
<b>NONOPERATING REVENUES</b>			
Property tax	5,743	—	—
Interest earnings	38	125	989
Other nonoperating revenues	455	261	643
Total nonoperating revenues	6,236	386	1,632
<b>NONOPERATING EXPENSES</b>			
Interest	—	—	2,683
Loss on disposal of capital assets	278	—	1,100
Landfill closure and post-closure care	—	—	5,112
Other nonoperating expenses	—	—	1,667
Total nonoperating expenses	278	—	10,562
Loss before contributions and transfers	814	1,251	37,167
Capital grants and contributions	4,309	—	21
Transfers in	—	—	471
Transfers out	(35)	(31)	(695)
<b>CHANGE IN NET POSITION</b>	5,088	1,220	36,964
NET POSITION - JANUARY 1, 2017	27,885	18,271	74,461
NET POSITION - DECEMBER 31, 2017	\$ 32,973	\$ 19,491	\$ 111,425

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

(IN THOUSANDS)

(PAGE 1 OF 4)

	<b>KING COUNTY INTERNATIONAL AIRPORT</b>		
	<b>TOTAL</b>	<b>I-NET</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 171,571	\$ 2,618	\$ 20,735
Cash payments to suppliers for goods and services	(58,564)	(1,169)	(12,464)
Cash payments for employee services	(58,734)	(1,457)	(5,546)
Other receipts	750	—	—
Other payments	(1,667)	—	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>53,356</u>	<u>(8)</u>	<u>2,725</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants and other receipts	6,681	—	1
Transfers in	471	—	—
Transfers out	(1,235)	(356)	(118)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>5,917</u>	<u>(356)</u>	<u>(117)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(47,279)	—	(4,219)
Proceeds from capital debt	35,616	—	—
Principal paid on capital debt	(5,785)	—	(510)
Interest paid on capital debt	(7,424)	—	(99)
Principal paid on short-term interfund loan	(2,292)	—	—
Capital grants and contributions	2,505	—	1,422
Proceeds from disposal of capital assets	498	—	4
Landfill closure and post-closure care	(8,507)	—	—
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(32,668)</u>	<u>—</u>	<u>(3,402)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	1,426	14	260
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,426</u>	<u>14</u>	<u>260</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>28,031</u>	<u>(350)</u>	<u>(534)</u>
CASH AND CASH EQUIVALENTS - JANUARY 1, 2017	<u>160,852</u>	<u>1,256</u>	<u>27,622</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2017	<u>\$ 188,883</u>	<u>\$ 906</u>	<u>\$ 27,088</u>



**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

(IN THOUSANDS)

(PAGE 2 OF 4)

	<b>MARINE</b>	<b>RADIO COMMUNICATIONS SERVICES</b>	<b>SOLID WASTE</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,534	\$ 5,405	\$ 140,279
Cash payments to suppliers for goods and services	(277)	(1,852)	(42,802)
Cash payments for employee services	(3,063)	(1,995)	(46,673)
Other receipts	27	261	462
Other payments	—	—	(1,667)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(779)	1,819	49,599
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants and other receipts	6,236	—	444
Transfers in	—	—	471
Transfers out	(35)	(31)	(695)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	6,201	(31)	220
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(5,861)	—	(37,199)
Proceeds from capital debt	—	—	35,616
Principal paid on capital debt	—	—	(5,275)
Interest paid on capital debt	—	—	(7,325)
Principal paid on short-term interfund loan	—	—	(2,292)
Capital grants and contributions	1,083	—	—
Proceeds from disposal of capital assets	2	—	492
Landfill closure and post-closure care	—	—	(8,507)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,776)	—	(24,490)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	38	125	989
NET CASH PROVIDED BY INVESTING ACTIVITIES	38	125	989
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	684	1,913	26,318
CASH AND CASH EQUIVALENTS - JANUARY 1, 2017	5,008	15,988	110,978
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2017	\$ 5,692	\$ 17,901	\$ 137,296

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

(IN THOUSANDS)

(PAGE 3 OF 4)

	<b>TOTAL</b>	<b>I-NET</b>	<b>KING COUNTY INTERNATIONAL AIRPORT</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 39,088	\$ 490	\$ (3,220)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Depreciation and amortization	18,501	313	5,757
Other nonoperating revenues (expenses)	(917)	—	—
(Increases) decreases in assets:			
Accounts receivable, net	(3,003)	(70)	70
Due from other funds	83	(193)	(20)
Due from other governments, net	(376)	(123)	—
Inventory of supplies	226	—	14
Prepayments and other assets	(18)	—	—
(Increases) decreases in deferred outflows of resources	2,824	121	192
Increases (decreases) in liabilities:			
Accounts payable	1,715	92	(381)
Retainage payable	(77)	—	23
Due to other funds	(76)	(155)	1
Due to other governments	11	—	—
Wages payable	116	(35)	19
Taxes payable	(52)	—	7
Unearned revenues	38	—	36
Compensated absences	296	8	(23)
Other postemployment benefits	41	—	4
Net pension liability	(9,773)	(460)	(220)
Customer deposits and other liabilities	64	—	(40)
Increases (decreases) in deferred inflows of resources	4,645	4	506
<b>TOTAL ADJUSTMENTS</b>	<b>14,268</b>	<b>(498)</b>	<b>5,945</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 53,356</b>	<b>\$ (8)</b>	<b>\$ 2,725</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Contributions of capital assets from other funds	\$ 21	\$ —	\$ —
Contributions of capital assets to other funds	—	—	—

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 4 OF 4)

	<b>MARINE</b>	<b>RADIO COMMUNICATIONS SERVICES</b>	<b>SOLID WASTE</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (5,144)	\$ 865	\$ 46,097
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Depreciation and amortization	1,059	706	10,666
Other nonoperating revenues (expenses)	27	261	(1,205)
(Increases) decreases in assets:			
Accounts receivable, net	—	151	(3,154)
Due from other funds	(136)	39	393
Due from other governments, net	(8)	(221)	(24)
Inventory of supplies	(31)	(7)	250
Prepayments and other assets	18	(2)	(34)
(Increases) decreases in deferred outflows of resources	122	68	2,321
Increases (decreases) in liabilities:			
Accounts payable	3,432	5	(1,433)
Retainage payable	—	—	(100)
Due to other funds	—	(121)	199
Due to other governments	11	—	—
Wages payable	9	10	113
Taxes payable	—	—	(59)
Unearned revenues	—	—	2
Compensated absences	23	14	274
Other postemployment benefits	2	1	34
Net pension liability	(372)	(195)	(8,526)
Customer deposits and other liabilities	—	104	—
Increases (decreases) in deferred inflows of resources	209	141	3,785
<b>TOTAL ADJUSTMENTS</b>	<b>4,365</b>	<b>954</b>	<b>3,502</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (779)</b>	<b>\$ 1,819</b>	<b>\$ 49,599</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Contributions of capital assets from other funds	\$ —	\$ —	\$ 21
Contributions of capital assets to other funds	—	—	—

# CAFR

Comprehensive Annual Financial Report

January 1 - December 31, 2017 King County, WA

## INTERNAL SERVICE FUNDS

King County has established Internal Service Funds (ISFs) to report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The County must be the predominant participant, and the fund must function on an essentially break-even basis over time. The County's 12 ISFs in 2017:

Building Development and Management Corporation (CDP-King County III, Inc.) Fund - A component unit that consists of one nonprofit corporation that was individually and exclusively created to design, build and manage the King Street office building for lease to the County. The building is leased to the County by the nonprofit corporation over the term of the lease or until the bonds are fully retired. In June 2017 the County refinanced the remaining bond liability of the nonprofit corporation and assumed full ownership of the building.

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

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

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

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

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

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

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

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

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

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

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

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 1 OF 3)

	TOTAL	CDP-KING COUNTY III, INC.	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 361,020	\$ —	\$ 9,258	\$ 7,561
Restricted cash and cash equivalents	274	—	—	19
Accounts receivable, net	2,049	—	—	4
Due from other funds	4,378	—	145	385
Due from other governments, net	37	—	—	4
Interfund short-term loans receivable	15,144	—	—	—
Inventory	1,433	—	—	178
Prepayments	3,215	—	—	—
Total current assets	387,550	—	9,403	8,151
Noncurrent assets				
Capital assets:				
Nondepreciable assets	17,442	—	—	—
Depreciable assets, net	42,836	—	—	73
Total capital assets	60,278	—	—	73
Advances to other funds	13,679	—	—	—
Total noncurrent assets	73,957	—	—	73
<b>TOTAL ASSETS</b>	461,507	—	9,403	8,224
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on pensions	9,341	—	651	2,260
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	13,049	—	68	1,351
Retainage payable	19	—	—	19
Estimated claim settlements	52,638	—	—	—
Due to other funds	167	—	—	38
Interest payable	42	—	—	—
Wages payable	4,947	—	280	994
Compensated absences payable	894	—	50	166
Taxes payable	11	—	4	—
Unearned revenues	413	—	—	—
General obligation bonds payable	5,465	—	—	—
Custodial accounts	2,062	—	—	—
Total current liabilities	79,707	—	402	2,568
Noncurrent liabilities				
Compensated absences payable	16,002	—	864	2,744
Other postemployment benefits	2,645	—	65	900
Net pension liability	59,463	—	4,809	17,686
General obligation bonds payable	5,850	—	—	—
Estimated claim settlements	106,035	—	—	—
Total noncurrent liabilities	189,995	—	5,738	21,330
<b>TOTAL LIABILITIES</b>	269,702	—	6,140	23,898
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows on pensions	12,184	—	797	2,623
<b>NET POSITION</b>				
Net investment in capital assets	48,963	—	—	73
Restricted for:				
Capital projects	255	—	—	—
Unrestricted	139,744	—	3,117	(16,110)
<b>TOTAL NET POSITION</b>	\$ 188,962	\$ —	\$ 3,117	\$ (16,037)

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 2 OF 3)

	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	KING COUNTY INFORMATION TECHNOLOGY SERVICES
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 103,409	\$ 7,524	\$ 58,550	\$ 1,190	\$ 10,077
Restricted cash and cash equivalents	—	—	—	—	255
Accounts receivable, net	1,623	66	—	4	337
Due from other funds	3,667	7	1	—	127
Due from other governments, net	—	—	—	25	8
Interfund short-term loans receivable	—	—	15,144	—	—
Inventory	—	—	—	—	—
Prepayments	—	—	2,858	—	354
Total current assets	108,699	7,597	76,553	1,219	11,158
Noncurrent assets					
Capital assets:					
Nondepreciable assets	—	—	—	—	17,442
Depreciable assets, net	—	118	—	—	9,036
Total capital assets	—	118	—	—	26,478
Advances to other funds	—	—	13,679	—	—
Total noncurrent assets	—	118	13,679	—	26,478
TOTAL ASSETS	108,699	7,715	90,232	1,219	37,636
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows on pensions	134	1,748	212	270	3,437
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	7,006	243	247	16	1,839
Retainage payable	—	—	—	—	—
Estimated claim settlements	18,085	—	21,060	—	—
Due to other funds	—	—	—	60	8
Interest payable	—	—	—	—	42
Wages payable	312	745	130	165	1,957
Compensated absences payable	18	129	23	35	390
Taxes payable	—	3	—	—	—
Unearned revenues	413	—	—	—	—
General obligation bonds payable	—	—	—	—	5,465
Custodial accounts	741	—	584	—	731
Total current liabilities	26,575	1,120	22,044	276	10,432
Noncurrent liabilities					
Compensated absences payable	357	2,255	443	685	7,266
Other postemployment benefits	33	532	58	78	686
Net pension liability	599	13,897	951	1,238	17,465
General obligation bonds payable	—	—	—	—	5,850
Estimated claim settlements	—	—	53,861	—	—
Total noncurrent liabilities	989	16,684	55,313	2,001	31,267
TOTAL LIABILITIES	27,564	17,804	77,357	2,277	41,699
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows on pensions	203	2,041	323	408	4,833
<b>NET POSITION</b>					
Net investment in capital assets	—	118	—	—	15,163
Restricted for:					
Capital projects	—	—	—	—	255
Unrestricted	81,066	(10,500)	12,764	(1,196)	(20,877)
TOTAL NET POSITION	\$ 81,066	\$ (10,382)	\$ 12,764	\$ (1,196)	\$ (5,459)

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 3 OF 3)

	<b>MOTOR POOL EQUIPMENT RENTAL</b>	<b>PUBLIC WORKS EQUIPMENT RENTAL</b>	<b>SAFETY &amp; WORKERS' COMPENSATION</b>	<b>WASTEWATER EQUIPMENT RENTAL</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 17,446	\$ 13,074	\$ 118,517	\$ 14,414
Restricted cash and cash equivalents	—	—	—	—
Accounts receivable, net	—	15	—	—
Due from other funds	18	13	—	15
Due from other governments, net	—	—	—	—
Interfund short-term loans receivable	—	—	—	—
Inventory	103	1,147	—	5
Prepayments	3	—	—	—
Total current assets	17,570	14,249	118,517	14,434
Noncurrent assets				
Capital assets:				
Nondepreciable assets	—	—	—	—
Depreciable assets, net	16,040	7,775	—	9,794
Total capital assets	16,040	7,775	—	9,794
Advances to other funds	—	—	—	—
Total noncurrent assets	16,040	7,775	—	9,794
<b>TOTAL ASSETS</b>	<b>33,610</b>	<b>22,024</b>	<b>118,517</b>	<b>24,228</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on pensions	102	315	212	—
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	325	274	1,342	338
Retainage payable	—	—	—	—
Estimated claim settlements	—	—	13,493	—
Due to other funds	57	—	4	—
Interest payable	—	—	—	—
Wages payable	72	166	120	6
Compensated absences payable	10	45	28	—
Taxes payable	4	—	—	—
Unearned revenues	—	—	—	—
General obligation bonds payable	—	—	—	—
Custodial accounts	—	6	—	—
Total current liabilities	468	491	14,987	344
Noncurrent liabilities				
Compensated absences payable	194	652	542	—
Other postemployment benefits	57	155	81	—
Net pension liability	458	1,409	951	—
General obligation bonds payable	—	—	—	—
Estimated claim settlements	—	—	52,174	—
Total noncurrent liabilities	709	2,216	53,748	—
<b>TOTAL LIABILITIES</b>	<b>1,177</b>	<b>2,707</b>	<b>68,735</b>	<b>344</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows on pensions	155	478	323	—
<b>NET POSITION</b>				
Net investment in capital assets	16,040	7,775	—	9,794
Restricted for:				
Capital projects	—	—	—	—
Unrestricted	16,340	11,379	49,671	14,090
<b>TOTAL NET POSITION</b>	<b>\$ 32,380</b>	<b>\$ 19,154</b>	<b>\$ 49,671</b>	<b>\$ 23,884</b>



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

## INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 1 OF 3)

	TOTAL	CDP-KING COUNTY III, INC	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
<b>OPERATING REVENUES</b>				
Profit (loss) on inventory sales				
Sales of inventory	\$ 9,727	\$ —	\$ —	\$ —
Cost of goods sold	(9,577)	—	—	—
Gross profit (loss) on inventory	150	—	—	—
Information resources management fees	96,191	—	—	—
Geographic information systems fees	6,377	—	—	—
Building management fees	4,152	4,152	—	—
Building operation and maintenance service fees	54,775	—	—	54,775
Architect/engineering/renovation service fees	6,587	—	—	6,587
Benefit program contributions & fees	263,880	—	—	—
Business resources management fees	20,109	—	20,109	—
Financial services	31,667	—	—	—
Insurance services	21,756	—	—	—
Equipment rental fees	25,935	—	—	—
Garage shop services	1,134	—	—	—
Printing and duplication	1,158	—	—	1,144
Workers' compensation employer contributions	25,743	—	—	—
Miscellaneous operating revenue	5,042	7	—	137
Total operating revenues	564,656	4,159	20,109	62,643
<b>OPERATING EXPENSES</b>				
Personal services	135,083	—	8,563	29,262
Materials and supplies	11,961	—	20	2,768
Contract services and other charges	299,727	2,256	4,445	8,726
Lease and maintenance of equipment	13,840	—	9	1,755
Internal services	28,674	—	1,490	6,161
Depreciation and amortization	11,058	663	—	29
Total operating expenses	500,343	2,919	14,527	48,701
OPERATING INCOME (LOSS)	64,313	1,240	5,582	13,942
<b>NONOPERATING REVENUES</b>				
Interest earnings	1,536	2	8	16
Miscellaneous nonoperating revenue	3	—	—	—
Total nonoperating revenues	1,539	2	8	16
<b>NONOPERATING EXPENSES</b>				
Interest	949	201	—	—
(Gain) loss on disposal of capital assets	(439)	—	—	3
Miscellaneous	87	—	—	66
Total nonoperating expenses	597	201	—	69
Income (loss) before contributions and transfers	65,255	1,041	5,590	13,889
Capital grants and contributions	2,852	—	—	—
Transfers in	1,514	—	—	358
Transfers out	(16,062)	—	(747)	(11,895)
Special item	(6,621)	(6,621)	—	—
<b>CHANGE IN NET POSITION</b>	46,938	(5,580)	4,843	2,352
NET POSITION - JANUARY 1, 2017 (RESTATED)	142,024	5,580	(1,726)	(18,389)
NET POSITION - DECEMBER 31, 2017	\$ 188,962	\$ —	\$ 3,117	\$ (16,037)

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

## INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 2 OF 3)

	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	KING COUNTY INFORMATION TECHNOLOGY SERVICES
<b>OPERATING REVENUES</b>					
Profit (loss) on inventory sales					
Sales of inventory	\$ —	\$ —	\$ —	\$ —	\$ —
Cost of goods sold	—	—	—	—	—
Gross profit (loss) on inventory	—	—	—	—	—
Information resources management fees	—	—	—	—	96,191
Geographic information systems fees	—	—	—	6,377	—
Building management fees	—	—	—	—	—
Building operation and maintenance service fees	—	—	—	—	—
Architect/engineering/renovation service fees	—	—	—	—	—
Benefit program contributions & fees	263,880	—	—	—	—
Business resources management fees	—	—	—	—	—
Financial services	—	31,667	—	—	—
Insurance services	—	—	21,756	—	—
Equipment rental fees	—	—	—	—	—
Garage shop services	—	—	—	—	—
Printing and duplication	—	—	—	—	14
Workers' compensation employer contributions	—	—	—	—	—
Miscellaneous operating revenue	1	306	—	841	2,926
Total operating revenues	263,881	31,973	21,756	7,218	99,131
<b>OPERATING EXPENSES</b>					
Personal services	2,268	21,860	4,002	3,840	53,929
Materials and supplies	60	265	29	47	2,920
Contract services and other charges	239,231	2,121	20,254	453	7,139
Lease and maintenance of equipment	28	90	7	—	10,623
Internal services	388	5,497	2,581	1,230	6,700
Depreciation and amortization	—	38	—	—	1,016
Total operating expenses	241,975	29,871	26,873	5,570	82,327
OPERATING INCOME (LOSS)	21,906	2,102	(5,117)	1,648	16,804
<b>NONOPERATING REVENUES</b>					
Interest earnings	694	1	225	—	—
Miscellaneous nonoperating revenue	—	3	—	—	—
Total nonoperating revenues	694	4	225	—	—
<b>NONOPERATING EXPENSES</b>					
Interest	—	9	—	—	739
(Gain) loss on disposal of capital assets	—	3	—	—	—
Miscellaneous	—	—	—	—	—
Total nonoperating expenses	—	12	—	—	739
Income (loss) before contributions and transfers	22,600	2,094	(4,892)	1,648	16,065
Capital grants and contributions	—	—	—	—	461
Transfers in	—	—	—	—	1,008
Transfers out	(72)	(94)	(26)	(27)	(2,754)
Special item	—	—	—	—	—
<b>CHANGE IN NET POSITION</b>	22,528	2,000	(4,918)	1,621	14,780
NET POSITION - JANUARY 1, 2017 (RESTATED)	58,538	(12,382)	17,682	(2,817)	(20,239)
NET POSITION - DECEMBER 31, 2017	\$ 81,066	\$ (10,382)	\$ 12,764	\$ (1,196)	\$ (5,459)

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

## INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

(IN THOUSANDS)

(PAGE 3 OF 3)

	MOTOR POOL EQUIPMENT RENTAL	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
<b>OPERATING REVENUES</b>				
Profit (loss) on inventory sales				
Sales of inventory	\$ 2,833	\$ 6,637	\$ —	\$ 257
Cost of goods sold	(2,901)	(6,444)	—	(232)
Gross profit (loss) on inventory	(68)	193	—	25
Information resources management fees	—	—	—	—
Geographic information systems fees	—	—	—	—
Building management fees	—	—	—	—
Building operation and maintenance service fees	—	—	—	—
Architect/engineering/renovation service fees	—	—	—	—
Benefit program contributions & fees	—	—	—	—
Business resources management fees	—	—	—	—
Financial services	—	—	—	—
Insurance services	—	—	—	—
Equipment rental fees	13,652	8,126	—	4,157
Garage shop services	397	737	—	—
Printing and duplication	—	—	—	—
Workers' compensation employer contributions	—	—	25,743	—
Miscellaneous operating revenue	78	737	9	—
Total operating revenues	14,059	9,793	25,752	4,182
<b>OPERATING EXPENSES</b>				
Personal services	2,120	4,667	4,206	366
Materials and supplies	3,261	2,185	59	347
Contract services and other charges	102	281	14,710	9
Lease and maintenance of equipment	890	217	21	200
Internal services	1,017	887	2,489	234
Depreciation and amortization	5,165	2,018	—	2,129
Total operating expenses	12,555	10,255	21,485	3,285
OPERATING INCOME (LOSS)	1,504	(462)	4,267	897
<b>NONOPERATING REVENUES</b>				
Interest earnings	121	97	273	99
Miscellaneous nonoperating revenue	—	—	—	—
Total nonoperating revenues	121	97	273	99
<b>NONOPERATING EXPENSES</b>				
Interest	—	—	—	—
(Gain) loss on disposal of capital assets	(288)	(182)	—	25
Miscellaneous	—	21	—	—
Total nonoperating expenses	(288)	(161)	—	25
Income (loss) before contributions and transfers	1,913	(204)	4,540	971
Capital grants and contributions	1,150	624	—	617
Transfers in	56	92	—	—
Transfers out	(142)	(101)	(103)	(101)
Special item	—	—	—	—
<b>CHANGE IN NET POSITION</b>	2,977	411	4,437	1,487
NET POSITION - JANUARY 1, 2017 (RESTATED)	29,403	18,743	45,234	22,397
NET POSITION - DECEMBER 31, 2017	\$ 32,380	\$ 19,154	\$ 49,671	\$ 23,884

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 1 OF 3)

	TOTAL	CDP-KING COUNTY III, INC	BUSINESS RESOURCE CENTER	CONSTRUCTION & FACILITIES MANAGEMENT
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from users	\$ 566,226	\$ 4,807	\$ 20,624	\$ 62,279
Cash payments to suppliers for goods and services	(374,785)	(6,029)	(6,016)	(18,955)
Cash payments for employee services	(139,344)	—	(8,363)	(30,581)
Other receipts	5,042	7	—	137
Net cash provided (used) by operating activities	57,139	(1,215)	6,245	12,880
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund short-term loan principal amounts loaned to other funds	(15,144)	—	—	—
Interfund short-term loan principal repayments from other funds	38,567	—	—	—
Interfund advance principal amounts loaned to other funds	(13,679)	—	—	—
Interfund advance principal repayments from other funds	13,880	—	—	—
Transfers in	1,514	—	—	358
Transfers out	(16,062)	—	(747)	(11,895)
Net cash provided (used) by noncapital financing activities	9,076	—	(747)	(11,537)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(8,557)	—	—	—
Principal paid on general obligation bonds	(6,180)	—	—	—
Interest paid on general obligation bonds	(789)	—	—	—
Principal paid on revenue bonds	(3,635)	(3,635)	—	—
Interest paid on revenue bonds	(91)	(91)	—	—
Proceeds from disposal of capital assets	758	—	—	—
Net cash used by capital and related financing activities	(18,494)	(3,726)	—	—
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	1,527	2	8	16
Net cash provided by investing activities	1,527	2	8	16
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,248	(4,939)	5,506	1,359
CASH AND CASH EQUIVALENTS - JANUARY 1, 2017	312,046	4,939	3,752	6,221
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2017	\$ 361,294	\$ —	\$ 9,258	\$ 7,580
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 64,313	\$ 1,240	\$ 5,582	\$ 13,942
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	11,058	663	—	29
(Increase) decrease in accounts receivable, net	(590)	655	—	—
(Increase) decrease in due from other funds	(2,963)	—	515	(329)
(Increase) in due from other governments, net	245	—	—	102
(Increase) decrease in inventory	195	—	—	128
Decrease in prepayments	678	19	—	—
Decrease in deferred outflows of resources	5,727	—	326	1,313
Increase (decrease) in accounts payable	(359)	(3,792)	(56)	369
Increase in retainage payable	10	—	—	10
(Decrease) in estimated claim settlements	(10,687)	—	—	—
Increase (decrease) in due to other funds	(850)	—	—	(52)
Increase (decrease) in wages payable	336	—	21	63
Increase (decrease) in taxes payable	7	—	4	—
(Decrease) in custodial accounts and other liabilities	343	—	—	—
Increase (decrease) in compensated absences payable	227	—	43	(153)
Increase in other postemployment benefits	85	—	4	25
(Decrease) in net pension liability	(20,990)	—	(880)	(4,811)
Increase in deferred inflows of resources	10,354	—	686	2,244
Total adjustments	(7,174)	(2,455)	663	(1,062)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 57,139	\$ (1,215)	\$ 6,245	\$ 12,880
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributions of capital assets from government	\$ 2,852	\$ —	\$ —	\$ —
Contributions of capital assets to government	(87)	—	—	(66)

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 2 OF 3)

	EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	KING COUNTY INFORMATION TECHNOLOGY SERVICES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from users	\$ 259,481	\$ 31,869	\$ 21,834	\$ 6,372	\$ 96,322
Cash payments to suppliers for goods and services	(241,288)	(8,797)	(22,990)	(1,981)	(27,529)
Cash payments for employee services	(2,229)	(21,707)	(3,754)	(4,732)	(56,352)
Other receipts	1	306	—	841	2,926
Net cash provided (used) by operating activities	15,965	1,671	(4,910)	500	15,367
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund short-term loan principal amounts loaned to other funds	—	—	(15,144)	—	—
Interfund short-term loan principal repayments from other funds	—	—	—	—	—
Interfund advance principal amounts loaned to other funds	—	—	(13,679)	—	—
Interfund advance principal repayments from other funds	—	—	—	—	—
Transfers in	—	—	—	—	1,008
Transfers out	(72)	(94)	(26)	(27)	(2,754)
Net cash provided (used) by noncapital financing activities	(72)	(94)	(28,849)	(27)	(1,746)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	—	1	—	—	(1,461)
Principal paid on general obligation bonds	—	—	—	—	(6,180)
Interest paid on general obligation bonds	—	—	—	—	(789)
Principal paid on revenue bonds	—	—	—	—	—
Interest paid on revenue bonds	—	—	—	—	—
Proceeds from disposal of capital assets	—	—	—	—	—
Net cash used by capital and related financing activities	—	1	—	—	(8,430)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	694	(8)	225	—	—
Net cash provided by investing activities	694	(8)	225	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,587	1,570	(33,534)	473	5,191
CASH AND CASH EQUIVALENTS - JANUARY 1, 2017	86,822	5,954	92,084	717	5,141
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2017	\$ 103,409	\$ 7,524	\$ 58,550	\$ 1,190	\$ 10,332
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 21,906	\$ 2,102	\$ (5,117)	\$ 1,648	\$ 16,804
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	—	38	—	—	1,016
(Increase) decrease in accounts receivable, net	(1,141)	186	—	(2)	(286)
(Increase) decrease in due from other funds	(3,596)	16	73	1	257
(Increase) in due from other governments, net	—	—	—	(4)	146
(Increase) decrease in inventory	—	—	—	—	—
Decrease in prepayments	—	—	516	—	143
Decrease in deferred outflows of resources	85	903	102	240	2,266
Increase (decrease) in accounts payable	3,955	(225)	(1)	16	(298)
Increase in retainage payable	—	—	—	—	—
(Decrease) in estimated claim settlements	(5,536)	—	(634)	—	—
Increase (decrease) in due to other funds	—	(601)	—	(266)	8
Increase (decrease) in wages payable	6	22	17	31	180
Increase (decrease) in taxes payable	—	2	—	(1)	—
(Decrease) in custodial accounts and other liabilities	338	—	5	—	—
Increase (decrease) in compensated absences payable	24	114	117	127	(13)
Increase in other postemployment benefits	1	14	2	3	27
(Decrease) in net pension liability	(248)	(2,657)	(267)	(1,641)	(8,961)
Increase in deferred inflows of resources	171	1,757	277	348	4,078
Total adjustments	(5,941)	(431)	207	(1,148)	(1,437)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 15,965	\$ 1,671	\$ (4,910)	\$ 500	\$ 15,367
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>					
Contributions of capital assets from government	\$ —	\$ —	\$ —	\$ —	\$ 461
Contributions of capital assets to government	—	—	—	—	—

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 3 OF 3)

	<b>MOTOR POOL EQUIPMENT RENTAL</b>	<b>PUBLIC WORKS EQUIPMENT RENTAL</b>	<b>SAFETY &amp; WORKERS' COMPENSATION</b>	<b>WASTEWATER EQUIPMENT RENTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from users	\$ 16,883	\$ 15,498	\$ 25,848	\$ 4,409
Cash payments to suppliers for goods and services	(8,244)	(10,004)	(22,254)	(698)
Cash payments for employee services	(2,167)	(4,880)	(4,213)	(366)
Other receipts	78	737	9	—
Net cash provided (used) by operating activities	6,550	1,351	(610)	3,345
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund short-term loan principal amounts loaned to other funds	—	—	—	—
Interfund short-term loan principal repayments from other funds	—	—	38,567	—
Interfund advance principal amounts loaned to other funds	—	—	—	—
Interfund advance principal repayments from other funds	—	—	13,880	—
Transfers in	56	92	—	—
Transfers out	(142)	(101)	(103)	(101)
Net cash provided (used) by noncapital financing activities	(86)	(9)	52,344	(101)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(4,906)	(985)	—	(1,206)
Principal paid on general obligation bonds	—	—	—	—
Interest paid on general obligation bonds	—	—	—	—
Principal paid on revenue bonds	—	—	—	—
Interest paid on revenue bonds	—	—	—	—
Proceeds from disposal of capital assets	480	182	—	96
Net cash used by capital and related financing activities	(4,426)	(803)	—	(1,110)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	121	97	273	99
Net cash provided by investing activities	121	97	273	99
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,159</b>	<b>636</b>	<b>52,007</b>	<b>2,233</b>
<b>CASH AND CASH EQUIVALENTS - JANUARY 1, 2017</b>	<b>15,287</b>	<b>12,438</b>	<b>66,510</b>	<b>12,181</b>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31, 2017</b>	<b>\$ 17,446</b>	<b>\$ 13,074</b>	<b>\$ 118,517</b>	<b>\$ 14,414</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 1,504	\$ (462)	\$ 4,267	\$ 897
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	5,165	2,018	—	2,129
(Increase) decrease in accounts receivable, net	—	(2)	—	—
(Increase) decrease in due from other funds	1	(1)	105	(5)
(Increase) in due from other governments, net	—	1	—	—
(Increase) decrease in inventory	33	36	—	(2)
Decrease in prepayments	—	—	—	—
Decrease in deferred outflows of resources	76	259	157	—
Increase (decrease) in accounts payable	(166)	(25)	(462)	326
Increase in retainage payable	—	—	—	—
(Decrease) in estimated claim settlements	—	—	(4,517)	—
Increase (decrease) in due to other funds	57	—	4	—
Increase (decrease) in wages payable	(1)	(2)	(1)	—
Increase (decrease) in taxes payable	3	(1)	—	—
(Decrease) in custodial accounts and other liabilities	—	—	—	—
Increase (decrease) in compensated absences payable	(21)	(54)	43	—
Increase in other postemployment benefits	1	4	4	—
(Decrease) in net pension liability	(231)	(815)	(479)	—
Increase in deferred inflows of resources	129	395	269	—
Total adjustments	5,046	1,813	(4,877)	2,448
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 6,550</b>	<b>\$ 1,351</b>	<b>\$ (610)</b>	<b>\$ 3,345</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributions of capital assets from government	\$ 1,150	\$ 624	\$ —	\$ 617
Contributions of capital assets to government	—	(21)	—	—

**Fiduciary Funds**

**CAFR**

**Comprehensive Annual Financial Report**





## INVESTMENT TRUST FUNDS

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

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

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

**INVESTMENT TRUST FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**  
(IN THOUSANDS)

		EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL
ASSETS	TOTAL		
Investments at fair value			
Commercial paper	\$ 198,375	195,262	\$ 3,113
Repurchase agreements	149,352	149,352	—
U.S. Treasury notes	1,255,172	1,255,172	—
Corporate notes	514,530	514,530	—
U.S. Agency notes	715,748	715,748	—
U.S. Agency discount notes	241,662	241,662	—
U.S. Agency collateralized mortgage obligations	2,483	2,483	—
Supranational Coupon Notes	190,577	190,577	—
State Treasurer's investment pool	209,715	209,715	—
Total investments	3,477,614	3,474,501	3,113
Interest receivable	3,545	3,545	—
TOTAL ASSETS	\$ 3,481,159	\$ 3,478,046	\$ 3,113
NET POSITION			
Held in trust for pool participants	\$ 3,478,046	\$ 3,478,046	\$ —
Held in trust for pool participants - impaired	3,113	—	3,113
TOTAL NET POSITION	\$ 3,481,159	\$ 3,478,046	\$ 3,113

**INVESTMENT TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)

		EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL
ADDITIONS	TOTAL		
Contributions	\$ 7,925,383	\$ 7,925,383	\$ —
Net investment earnings:			
Interest	37,011	37,011	—
Increase (decrease) in the fair value of investments	(10,309)	(10,868)	559
TOTAL ADDITIONS	7,952,085	7,951,526	559
DEDUCTIONS			
Distributions	7,521,975	7,521,147	828
TOTAL DEDUCTIONS	7,521,975	7,521,147	828
Change in net position	430,110	430,379	(269)
Net position - January 1, 2017	3,051,049	3,047,667	3,382
Net position - December 31, 2017	\$ 3,481,159	\$ 3,478,046	\$ 3,113

## AGENCY FUNDS

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

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

### AGENCY FUNDS - COUNTY GOVERNMENT

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

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

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

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

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

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

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

School District Impact Fee Fund - Utilized to account for receipt and disbursement of fees authorized by the State of Washington Growth Management Act of 1990. In 1992, King County adopted Ordinance 10122 for the purpose of implementing the school impact fee program, allowing the County to enter into interlocal agreements with school districts. Thirteen school districts qualify to receive Impact Fees in 2017.

### AGENCY FUNDS - SPECIAL DISTRICTS/OTHER GOVERNMENTS

King County utilized approximately 740 active funds in 2017 to account for the resources of 161 special districts/other governments and related liabilities of King County.

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

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

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

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

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

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

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

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

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

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

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

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

School Districts - Public education in King County from pre-kindergarten through grade 12 is provided by 21 school districts, each governed by an elected Board of Directors and administered by a superintendent. In 2017, enrollments showed approximately 296,500 students attending 514 elementary, middle, junior high, senior high, special, and alternative schools. Puget Sound Educational Service District (PSESD), whose financial reporting is included in the School District Combining Statement of Fiduciary Assets and Liabilities, serves 35 school districts and more than 200 private schools in King and Pierce Counties plus Bainbridge Island in Kitsap County. The PSESD is governed by a nine-member Board of Directors and administered by a superintendent. The PSESD assists public and private schools in its region through program and staff development, early childhood programs, administrative and instructional support, technical assistance, business, financial and state reporting services, and direct service to children and families. A complete list of services and programs can be found online at [www.psesd.org](http://www.psesd.org).

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

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

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

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

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

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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	<b>TOTAL AGENCY FUNDS</b>			
	BALANCE 01/01/17	INCREASES	DECREASES	BALANCE 12/31/17
<b>ASSETS*</b>				
Cash and cash equivalents	\$ 176,180	\$ 28,608,418	\$ 28,593,600	\$ 190,998
Investments	6,885	2,198	—	9,083
Taxes receivable - delinquent	66,684	4,136,054	4,133,657	69,081
Accounts receivable	12,997	1,867,651	1,867,868	12,780
Assessments receivable	4,256	1,039	1,955	3,340
Notes and contracts receivable	51	—	—	51
<b>TOTAL ASSETS</b>	<b>\$ 267,053</b>	<b>\$ 34,615,360</b>	<b>\$ 34,597,080</b>	<b>\$ 285,333</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 46,107	\$ 3,000,747	\$ 3,003,008	\$ 43,846
Accounts payable	1,809	530,510	529,608	2,711
Wages payable	15,125	1,752,274	1,750,132	17,267
Custodial accounts - County agencies	93,960	7,141,804	7,127,754	108,010
Due to special districts/other governments	110,052	21,118,590	21,115,143	113,499
<b>TOTAL LIABILITIES</b>	<b>\$ 267,053</b>	<b>\$ 33,543,925</b>	<b>\$ 33,525,645</b>	<b>\$ 285,333</b>

\*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 Investments Trust Funds.

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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<b>ENHANCED 911 PSAP ESCROW</b>				
	BALANCE 01/01/17	INCREASES	DECREASES	BALANCE 12/31/17
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,877	\$ 11,620	\$ 9,985	\$ 15,512
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 13,877</b>	<b>\$ 11,620</b>	<b>\$ 9,985</b>	<b>\$ 15,512</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	9,771	9,771	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	13,877	14,187	12,552	15,512
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ 13,877</b>	<b>\$ 23,958</b>	<b>\$ 22,323</b>	<b>\$ 15,512</b>

<b>JUDICIAL ADMINISTRATION AGENCY</b>				
	BALANCE 01/01/17	INCREASES	DECREASES	BALANCE 12/31/17
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,011	\$ 196,387	\$ 194,682	\$ 41,716
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 40,011</b>	<b>\$ 196,387</b>	<b>\$ 194,682</b>	<b>\$ 41,716</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	40,011	196,387	194,682	41,716
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ 40,011</b>	<b>\$ 196,387</b>	<b>\$ 194,682</b>	<b>\$ 41,716</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
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**KING COUNTY FISCAL AGENT / DEBT SERVICE**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 883,634	\$ 883,634	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ —</b>	<b>\$ 883,634</b>	<b>\$ 883,634</b>	<b>\$ —</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	883,634	883,634	—
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ —</b>	<b>\$ 883,634</b>	<b>\$ 883,634</b>	<b>\$ —</b>

**MISCELLANEOUS AGENCY FUNDS**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,254	\$ 116,637	\$ 112,386	\$ 17,505
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	3,743	3,233	3,743	3,233
Assessments receivable	—	—	—	—
Notes and contracts receivable	51	—	—	51
<b>TOTAL ASSETS</b>	<b>\$ 17,048</b>	<b>\$ 119,870</b>	<b>\$ 116,129</b>	<b>\$ 20,789</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	6	1,975	1,975	6
Wages payable	—	—	—	—
Custodial accounts - County agencies	13,299	119,876	112,392	20,783
Due to special districts/other governments	3,743	—	3,743	—
<b>TOTAL LIABILITIES</b>	<b>\$ 17,048</b>	<b>\$ 121,851</b>	<b>\$ 118,110</b>	<b>\$ 20,789</b>



**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
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**MISCELLANEOUS PROPERTY TAX FUNDS**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,833	\$ 5,158,807	\$ 5,157,486	\$ 17,154
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	1	1	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 15,833</b>	<b>\$ 5,158,808</b>	<b>\$ 5,157,487</b>	<b>\$ 17,154</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	2	24,764	24,766	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	15,831	5,163,089	5,161,766	17,154
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ 15,833</b>	<b>\$ 5,187,853</b>	<b>\$ 5,186,532</b>	<b>\$ 17,154</b>

**MISCELLANEOUS TAX DISTRIBUTION**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,118	\$ 756,708	\$ 756,236	\$ 8,590
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 8,118</b>	<b>\$ 756,708</b>	<b>\$ 756,236</b>	<b>\$ 8,590</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	1	1	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	8,118	759,709	759,237	8,590
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>\$ 8,118</b>	<b>\$ 759,710</b>	<b>\$ 759,238</b>	<b>\$ 8,590</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
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**PAYROLL AND ACCOUNTS PAYABLE CLEARING**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 62,679	\$ 4,654,532	\$ 4,653,626	\$ 63,585
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	379	1,690,795	1,690,800	374
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<u>\$ 63,058</u>	<u>\$ 6,345,327</u>	<u>\$ 6,344,426</u>	<u>\$ 63,959</u>
<b>LIABILITIES</b>				
Warrants payable	\$ 46,107	\$ 3,000,747	\$ 3,003,008	\$ 43,846
Accounts payable	1,801	493,849	492,947	2,703
Wages payable	15,125	1,752,274	1,750,132	17,267
Custodial accounts - County agencies	25	2,609	2,491	143
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<u>\$ 63,058</u>	<u>\$ 5,249,479</u>	<u>\$ 5,248,578</u>	<u>\$ 63,959</u>

**SCHOOL DISTRICT IMPACT FEE**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,799	\$ 2,244	\$ 931	\$ 4,112
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<u>\$ 2,799</u>	<u>\$ 2,244</u>	<u>\$ 931</u>	<u>\$ 4,112</u>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	2,799	2,313	1,000	4,112
Due to special districts/other governments	—	—	—	—
<b>TOTAL LIABILITIES</b>	<u>\$ 2,799</u>	<u>\$ 2,313</u>	<u>\$ 1,000</u>	<u>\$ 4,112</u>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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**CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25	\$ 348,017	\$ 347,754	\$ 288
Investments	—	—	—	—
Taxes receivable - delinquent	—	109,008	107,761	1,247
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 25</b>	<b>\$ 457,025</b>	<b>\$ 455,515</b>	<b>\$ 1,535</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	25	457,025	455,515	1,535
<b>TOTAL LIABILITIES</b>	<b>\$ 25</b>	<b>\$ 457,025</b>	<b>\$ 455,515</b>	<b>\$ 1,535</b>

**CITIES AND TOWNS**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,758	\$ 1,336,179	\$ 1,339,342	\$ 14,595
Investments	—	—	—	—
Taxes receivable - delinquent	13,951	913,615	913,048	14,518
Accounts receivable	4,048	169,234	168,497	4,785
Assessments receivable	14	84	86	12
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 35,771</b>	<b>\$ 2,419,112</b>	<b>\$ 2,420,973</b>	<b>\$ 33,910</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	35,771	2,409,292	2,411,153	33,910
<b>TOTAL LIABILITIES</b>	<b>\$ 35,771</b>	<b>\$ 2,409,292</b>	<b>\$ 2,411,153</b>	<b>\$ 33,910</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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	<b>FIRE DISTRICTS</b>			
	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 574,859	\$ 574,859	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	4,136	223,428	222,967	4,597
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<u>\$ 4,136</u>	<u>\$ 798,287</u>	<u>\$ 797,826</u>	<u>\$ 4,597</u>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	4,136	798,287	797,826	4,597
<b>TOTAL LIABILITIES</b>	<u>\$ 4,136</u>	<u>\$ 798,287</u>	<u>\$ 797,826</u>	<u>\$ 4,597</u>

	<b>HOSPITAL DISTRICTS</b>			
	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 120,136	\$ 120,136	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	812	52,818	52,866	764
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<u>\$ 812</u>	<u>\$ 172,954</u>	<u>\$ 173,002</u>	<u>\$ 764</u>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	812	172,954	173,002	764
<b>TOTAL LIABILITIES</b>	<u>\$ 812</u>	<u>\$ 172,954</u>	<u>\$ 173,002</u>	<u>\$ 764</u>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
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**KING COUNTY DIRECTORS' ASSOCIATION**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 196,672	\$ 196,672	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ —</b>	<b>\$ 196,672</b>	<b>\$ 196,672</b>	<b>\$ —</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	—	196,672	196,672	—
<b>TOTAL LIABILITIES</b>	<b>\$ —</b>	<b>\$ 196,672</b>	<b>\$ 196,672</b>	<b>\$ —</b>

**KING COUNTY LIBRARY SYSTEM**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 202,989	\$ 202,989	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	2,242	128,916	129,110	2,048
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 2,242</b>	<b>\$ 331,905</b>	<b>\$ 332,099</b>	<b>\$ 2,048</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	2,242	331,905	332,099	2,048
<b>TOTAL LIABILITIES</b>	<b>\$ 2,242</b>	<b>\$ 331,905</b>	<b>\$ 332,099</b>	<b>\$ 2,048</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
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**LIBRARY CAPITAL FACILITY DISTRICTS**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 1,519	\$ 1,519	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	21	1,406	1,408	19
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 21</b>	<b>\$ 2,925</b>	<b>\$ 2,927</b>	<b>\$ 19</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	21	2,925	2,927	19
<b>TOTAL LIABILITIES</b>	<b>\$ 21</b>	<b>\$ 2,925</b>	<b>\$ 2,927</b>	<b>\$ 19</b>

**MISCELLANEOUS SPECIAL DISTRICTS**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 370	\$ 112,843	\$ 112,543	\$ 670
Investments	—	—	—	—
Taxes receivable - delinquent	968	66,020	65,818	1,170
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 1,338</b>	<b>\$ 178,863</b>	<b>\$ 178,361</b>	<b>\$ 1,840</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	1,338	178,863	178,361	1,840
<b>TOTAL LIABILITIES</b>	<b>\$ 1,338</b>	<b>\$ 178,863</b>	<b>\$ 178,361</b>	<b>\$ 1,840</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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**NORTHSHORE PARK AND RECREATION SERVICE AREA**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 467	\$ 467	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	2	193	193	2
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 2</b>	<b>\$ 660</b>	<b>\$ 660</b>	<b>\$ 2</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	2	660	660	2
<b>TOTAL LIABILITIES</b>	<b>\$ 2</b>	<b>\$ 660</b>	<b>\$ 660</b>	<b>\$ 2</b>

**PORT OF SEATTLE**

	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 728	\$ 78,333	\$ 78,342	\$ 719
Investments	—	—	—	—
Taxes receivable - delinquent	1,316	73,796	73,889	1,223
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 2,044</b>	<b>\$ 152,129</b>	<b>\$ 152,231</b>	<b>\$ 1,942</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	2,044	151,262	151,364	1,942
<b>TOTAL LIABILITIES</b>	<b>\$ 2,044</b>	<b>\$ 151,262</b>	<b>\$ 151,364</b>	<b>\$ 1,942</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
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	<b>SCHOOL DISTRICTS</b>			
	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 11,208,785	\$ 11,208,779	\$ 6
Investments	6,885	2,198	—	9,083
Taxes receivable - delinquent	26,841	1,589,069	1,588,278	27,632
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 33,726</b>	<b>\$ 12,800,052</b>	<b>\$ 12,797,057</b>	<b>\$ 36,721</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	33,726	12,800,052	12,797,057	36,721
<b>TOTAL LIABILITIES</b>	<b>\$ 33,726</b>	<b>\$ 12,800,052</b>	<b>\$ 12,797,057</b>	<b>\$ 36,721</b>

	<b>SEWER AND WATER DISTRICTS</b>			
	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 465,867	\$ 465,867	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	1,860	13	425	1,448
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 1,860</b>	<b>\$ 465,880</b>	<b>\$ 466,292</b>	<b>\$ 1,448</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	1,860	465,880	466,292	1,448
<b>TOTAL LIABILITIES</b>	<b>\$ 1,860</b>	<b>\$ 465,880</b>	<b>\$ 466,292</b>	<b>\$ 1,448</b>



**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
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	STATE OF WASHINGTON			
	BALANCE	INCREASES	DECREASES	BALANCE
	1/1/2017			12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 728	\$ 1,577,477	\$ 1,571,659	\$ 6,546
Investments	—	—	—	—
Taxes receivable - delinquent	16,395	977,785	978,319	15,861
Accounts receivable	4,827	4,388	4,827	4,388
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ 21,950</b>	<b>\$ 2,559,650</b>	<b>\$ 2,554,805</b>	<b>\$ 26,795</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	150	148	2
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	21,950	2,548,165	2,543,322	26,793
<b>TOTAL LIABILITIES</b>	<b>\$ 21,950</b>	<b>\$ 2,548,315</b>	<b>\$ 2,543,470</b>	<b>\$ 26,795</b>

	WA STATE PUBLIC STADIUM AUTHORITY			
	BALANCE	INCREASES	DECREASES	BALANCE
	1/1/2017			12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 14,756	\$ 14,756	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<b>\$ —</b>	<b>\$ 14,756</b>	<b>\$ 14,756</b>	<b>\$ —</b>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	—	14,756	14,756	—
<b>TOTAL LIABILITIES</b>	<b>\$ —</b>	<b>\$ 14,756</b>	<b>\$ 14,756</b>	<b>\$ —</b>

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(IN THOUSANDS)  
(PAGE 13 OF 13)

	<b>WATER DISTRICTS</b>			
	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 570,594	\$ 570,594	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	2,382	942	1,444	1,880
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<u>\$ 2,382</u>	<u>\$ 571,536</u>	<u>\$ 572,038</u>	<u>\$ 1,880</u>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	2,382	571,536	572,038	1,880
<b>TOTAL LIABILITIES</b>	<u>\$ 2,382</u>	<u>\$ 571,536</u>	<u>\$ 572,038</u>	<u>\$ 1,880</u>

	<b>WA STATE MLB STADIUM - PUBLIC FACILITIES DISTRICT</b>			
	BALANCE 1/1/2017	INCREASES	DECREASES	BALANCE 12/31/2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ —	\$ 18,356	\$ 18,356	\$ —
Investments	—	—	—	—
Taxes receivable - delinquent	—	—	—	—
Accounts receivable	—	—	—	—
Assessments receivable	—	—	—	—
Notes and contracts receivable	—	—	—	—
<b>TOTAL ASSETS</b>	<u>\$ —</u>	<u>\$ 18,356</u>	<u>\$ 18,356</u>	<u>\$ —</u>
<b>LIABILITIES</b>				
Warrants payable	\$ —	\$ —	\$ —	\$ —
Accounts payable	—	—	—	—
Wages payable	—	—	—	—
Custodial accounts - County agencies	—	—	—	—
Due to special districts/other governments	—	18,356	18,356	—
<b>TOTAL LIABILITIES</b>	<u>\$ —</u>	<u>\$ 18,356</u>	<u>\$ 18,356</u>	<u>\$ —</u>

# Statistical Section

# CAFR

Comprehensive Annual Financial Report



## STATISTICAL SECTION

### CONTENTS

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

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Information to help the reader assess the County's most significant local revenue source - the property tax.	
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Information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	
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Services and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs	
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Demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 1,814,117	\$ 1,889,721	\$ 1,922,455	\$ 1,920,793	\$ 1,905,722	\$ 2,109,711	\$ 2,204,046	\$ 2,130,800	\$ 2,233,273	\$ 2,404,324
Restricted	437,707	443,686	441,052	440,959	452,529	499,601	576,224	401,317	701,966	767,889
Unrestricted	(334,815)	(276,188)	(228,572)	(116,673)	13,174	(65,063)	(577,479)	(197,963)	(335,182)	(238,009)
Total governmental activities net position	<u>\$ 1,917,009</u>	<u>\$ 2,057,219</u>	<u>\$ 2,134,935</u>	<u>\$ 2,245,079</u>	<u>\$ 2,371,425</u>	<u>\$ 2,544,249</u>	<u>\$ 2,202,791</u>	<u>\$ 2,334,154</u>	<u>\$ 2,600,057</u>	<u>\$ 2,934,204</u>
Business-type activities:										
Net investment in capital assets	\$ 1,698,018	\$ 1,604,179	\$ 1,580,093	\$ 1,622,274	\$ 1,627,435	\$ 1,612,685	\$ 1,616,435	\$ 1,649,976	\$ 1,788,355	\$ 1,903,034
Restricted	564,854	649,948	259,357	311,596	267,262	214,515	216,803	243,658	244,689	278,438
Unrestricted	(94,361)	(4,060)	443,285	515,775	641,235	777,194	442,513	578,342	817,249	939,812
Total business-type activities net position	<u>\$ 2,168,511</u>	<u>\$ 2,250,067</u>	<u>\$ 2,282,735</u>	<u>\$ 2,449,645</u>	<u>\$ 2,535,932</u>	<u>\$ 2,604,394</u>	<u>\$ 2,275,751</u>	<u>\$ 2,471,976</u>	<u>\$ 2,850,293</u>	<u>\$ 3,121,284</u>
Primary government:										
Net investment in capital assets	\$ 3,512,135	\$ 3,493,900	\$ 3,502,548	\$ 3,543,067	\$ 3,533,157	\$ 3,722,396	\$ 3,820,481	\$ 3,780,776	\$ 4,021,628	\$ 4,307,358
Restricted	1,002,561	1,093,634	700,409	752,555	719,791	714,116	793,027	644,975	946,655	1,046,327
Unrestricted	(429,176)	(280,248)	214,713	399,102	654,409	712,131	(134,966)	380,379	482,067	701,803
Total primary government net position	<u>\$ 4,085,520</u>	<u>\$ 4,307,286</u>	<u>\$ 4,417,670</u>	<u>\$ 4,694,724</u>	<u>\$ 4,907,357</u>	<u>\$ 5,148,643</u>	<u>\$ 4,478,542</u>	<u>\$ 4,806,130</u>	<u>\$ 5,450,350</u>	<u>\$ 6,055,488</u>

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 168,271	\$ 106,076	\$ 193,521	\$ 153,910	\$ 147,395	\$ 189,712	\$ 215,569	\$ 251,147	\$ 214,328	\$ 229,651
Law, safety and justice	580,105	607,191	605,396	594,366	629,924	588,794	866,983	667,361	572,925	574,938
Physical environment	67,498	76,404	79,897	78,823	77,111	94,138	162,969	110,864	21,046	20,784
Transportation	112,666	111,562	101,338	100,724	78,937	68,363	112,928	84,139	88,394	103,509
Economic environment	99,839	105,515	103,153	112,081	104,707	98,219	118,868	101,942	226,291	187,712
Health and human services	421,355	458,184	456,678	457,507	469,234	480,482	607,407	508,706	602,843	632,257
Culture and recreation	56,285	53,313	54,071	56,917	60,273	48,748	64,876	50,699	93,599	59,726
Interest and other debt service costs	51,455	54,010	49,979	51,670	38,509	41,790	36,098	34,207	29,714	25,987
Total governmental activities expenses	<u>1,557,474</u>	<u>1,572,255</u>	<u>1,644,033</u>	<u>1,605,998</u>	<u>1,606,090</u>	<u>1,610,246</u>	<u>2,185,698</u>	<u>1,809,065</u>	<u>1,849,140</u>	<u>1,834,564</u>
Business-type activities:										
Airport	15,842	24,725	22,296	28,101	29,909	28,339	32,786	21,392	26,304	23,830
Public Transportation	667,651	673,436	697,611	716,949	740,384	764,580	1,020,577	777,883	848,622	883,804
Solid Waste	110,348	91,347	101,210	96,871	108,837	102,030	149,906	113,751	132,386	105,597
Water Quality	257,249	287,792	290,873	321,057	396,260	433,210	571,966	448,832	467,987	466,564
Other	10,660	12,649	13,262	13,183	13,912	15,432	19,075	14,136	14,773	15,029
Total business-type activities expenses	<u>1,061,750</u>	<u>1,089,949</u>	<u>1,125,252</u>	<u>1,176,161</u>	<u>1,289,302</u>	<u>1,343,591</u>	<u>1,794,310</u>	<u>1,375,994</u>	<u>1,490,072</u>	<u>1,494,824</u>
Total primary government expenses	<u>\$ 2,619,224</u>	<u>\$ 2,662,204</u>	<u>\$ 2,769,285</u>	<u>\$ 2,782,159</u>	<u>\$ 2,895,392</u>	<u>\$ 2,953,837</u>	<u>\$ 3,980,008</u>	<u>\$ 3,185,059</u>	<u>\$ 3,339,212</u>	<u>\$ 3,329,388</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 57,139	\$ 66,962	\$ 54,187	\$ 65,478	\$ 72,711	\$ 75,750	\$ 27,391	\$ 94,077	\$ 193,326	\$ 140,081
Law, safety and justice	128,424	148,236	155,182	155,857	143,737	150,358	160,874	169,829	105,833	158,375
Physical environment	48,286	42,878	47,598	43,607	55,526	53,825	75,191	65,445	49,120	37,316
Transportation	18,716	15,976	13,814	16,571	13,656	28,093	49,311	12,233	8,946	3,123
Economic environment	29,148	26,955	27,836	35,276	29,958	20,854	28,440	35,963	34,628	71,750
Health and human services	248,617	262,928	266,270	266,583	300,604	294,291	335,188	357,367	393,430	391,338
Culture and recreation	7,710	6,688	6,799	6,487	8,163	8,908	457	8,684	8,897	9,079
Interest and other debt service costs	911	881	706	1,695	1,783	8,924	14,995	15,744	—	—
Operating grants and contributions	188,469	206,431	197,586	205,813	205,235	175,862	182,500	189,325	218,760	234,877
Capital grants and contributions	78,259	75,592	112,530	73,182	67,113	99,812	30,274	18,113	29,709	17,169
Total governmental activities	<u>805,679</u>	<u>853,527</u>	<u>882,508</u>	<u>870,549</u>	<u>898,486</u>	<u>916,677</u>	<u>904,621</u>	<u>966,780</u>	<u>1,042,649</u>	<u>1,063,108</u>

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

2016 expenses were adjusted for the effects of prior period adjustments due to corrections of errors and a redefinition of activities included within functional categories.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Airport	\$ 18,075	\$ 20,774	\$ 20,766	\$ 19,204	\$ 17,812	\$ 20,440	\$ 17,457	\$ 19,081	\$ 20,289	\$ 20,965
Public Transportation	173,011	205,170	223,278	244,511	278,143	299,382	289,943	301,030	342,737	355,548
Solid Waste	98,821	92,343	109,949	88,961	98,827	109,131	114,270	121,858	131,234	143,524
Water Quality	284,995	307,556	305,738	338,226	390,705	431,743	440,720	438,440	605,887	524,439
Other	7,535	7,418	7,639	7,664	8,746	9,222	8,964	9,067	10,735	11,275
Operating grants and contributions	72,458	90,570	57,514	61,374	58,537	35,824	37,816	30,643	58,374	36,387
Capital grants and contributions	43,155	38,291	27,191	152,999	81,712	57,919	40,204	92,242	89,336	46,741
Total business-type activities	<u>698,050</u>	<u>762,122</u>	<u>752,075</u>	<u>912,939</u>	<u>934,482</u>	<u>963,661</u>	<u>949,374</u>	<u>1,012,361</u>	<u>1,258,592</u>	<u>1,138,879</u>
Total primary government	<u>\$ 1,503,729</u>	<u>\$ 1,615,649</u>	<u>\$ 1,634,583</u>	<u>\$ 1,783,488</u>	<u>\$ 1,832,968</u>	<u>\$ 1,880,338</u>	<u>\$ 1,853,995</u>	<u>\$ 1,979,141</u>	<u>\$ 2,301,241</u>	<u>\$ 2,201,987</u>
<b>Net (Expenses) Revenues</b>										
Governmental activities	\$ (751,795)	\$ (718,728)	\$ (761,525)	\$ (735,449)	\$ (707,604)	\$ (693,569)	\$ (1,281,077)	\$ (842,285)	\$ (806,491)	\$ (771,456)
Business-type activities	<u>(363,700)</u>	<u>(327,827)</u>	<u>(373,177)</u>	<u>(263,222)</u>	<u>(354,820)</u>	<u>(379,930)</u>	<u>(844,936)</u>	<u>(363,633)</u>	<u>(231,480)</u>	<u>(355,945)</u>
Total primary government	<u>\$ (1,115,495)</u>	<u>\$ (1,046,555)</u>	<u>\$ (1,134,702)</u>	<u>\$ (998,671)</u>	<u>\$ (1,062,424)</u>	<u>\$ (1,073,499)</u>	<u>\$ (2,126,013)</u>	<u>\$ (1,205,918)</u>	<u>\$ (1,037,971)</u>	<u>\$ (1,127,401)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities	\$ 869,654	\$ 858,938	\$ 839,241	\$ 846,020	\$ 833,950	\$ 860,255	\$ 948,923	\$ 973,648	\$ 1,080,886	\$ 1,105,603
Business-type activities	<u>471,773</u>	<u>409,383</u>	<u>405,845</u>	<u>430,132</u>	<u>441,107</u>	<u>469,065</u>	<u>516,293</u>	<u>559,858</u>	<u>609,797</u>	<u>626,936</u>
Total primary government	<u>\$ 1,341,427</u>	<u>\$ 1,268,321</u>	<u>\$ 1,245,086</u>	<u>\$ 1,276,152</u>	<u>\$ 1,275,057</u>	<u>\$ 1,329,320</u>	<u>\$ 1,465,216</u>	<u>\$ 1,533,506</u>	<u>\$ 1,690,683</u>	<u>\$ 1,732,539</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 117,859	\$ 140,210	\$ 77,716	\$ 110,571	\$ 126,346	\$ 166,686	\$ (332,154)	\$ 131,363	\$ 274,395	\$ 334,147
Business-type activities	<u>108,073</u>	<u>81,556</u>	<u>32,668</u>	<u>166,910</u>	<u>86,287</u>	<u>89,135</u>	<u>(328,643)</u>	<u>196,225</u>	<u>378,317</u>	<u>270,991</u>
Total primary government	<u>\$ 225,932</u>	<u>\$ 221,766</u>	<u>\$ 110,384</u>	<u>\$ 277,481</u>	<u>\$ 212,633</u>	<u>\$ 255,821</u>	<u>\$ (660,797)</u>	<u>\$ 327,588</u>	<u>\$ 652,712</u>	<u>\$ 605,138</u>

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



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Nonspendable	N/A	N/A	N/A	\$ 3,800	\$ 3,800	\$ 300	\$ 300	\$ 300	\$ —	\$ —
Restricted	N/A	N/A	N/A	3,309	2,702	2,506	2,803	1,781	1,659	2,016
Committed	N/A	N/A	N/A	23,694	21,761	24,982	20,212	20,310	20,497	25,161
Assigned	N/A	N/A	N/A	7,420	8,827	8,264	8,151	12,125	35,128	19,181
Unassigned	N/A	N/A	N/A	96,545	102,554	78,318	71,742	68,113	68,195	98,412
Reserved	\$ 16,064	\$ 14,915	\$ 16,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unreserved:										
Designated	7,396	3,207	4,001	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Undesignated	73,765	64,304	67,610	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total General Fund	<u>\$ 97,225</u>	<u>\$ 82,426</u>	<u>\$ 88,243</u>	<u>\$ 134,768</u>	<u>\$ 139,644</u>	<u>\$ 114,370</u>	<u>\$ 103,208</u>	<u>\$ 102,629</u>	<u>\$ 125,479</u>	<u>\$ 144,770</u>
<b>All Other Governmental Funds</b>										
Nonspendable	N/A	N/A	N/A	\$ 12,333	\$14,648	\$ 14,241	\$ 12,678	\$ 14,441	\$ 9,211	\$ 11,367
Restricted	N/A	N/A	N/A	392,138	406,890	392,824	191,893	446,210	698,693	783,389
Committed	N/A	N/A	N/A	77,227	86,439	80,368	88,996	38,373	37	43
Assigned	N/A	N/A	N/A	16,105	33,157	45,224	286,300	117,729	33,468	45,905
Unassigned	N/A	N/A	N/A	(10,460)	(8,917)	(6,571)	(7,462)	(14,674)	(20,232)	(18,414)
Reserved	\$ 93,564	\$ 120,349	\$ 94,384	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unreserved										
Designated:										
Special revenue funds	43,682	42,170	71,036	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt service funds	—	—	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital project funds	—	—	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Undesignated:										
Special revenue funds	138,512	183,034	165,317	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt service funds	32,762	36,704	42,694	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital project funds	94,692	26,694	77,148	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total all other governmental funds	<u>\$ 403,212</u>	<u>\$ 408,951</u>	<u>\$ 450,579</u>	<u>\$ 487,343</u>	<u>\$ 532,217</u>	<u>\$ 526,086</u>	<u>\$ 572,405</u>	<u>\$ 602,079</u>	<u>\$ 721,177</u>	<u>\$ 822,290</u>

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

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

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 831,135	\$ 836,073	\$ 826,408	\$ 837,350	\$ 818,822	\$ 861,622	\$ 932,756	\$ 973,078	\$ 1,066,173	\$ 1,082,113
Licenses and permits	19,601	19,628	20,936	20,576	21,652	22,155	23,633	24,564	23,525	28,253
Intergovernmental revenues	493,554	543,951	560,068	570,794	597,549	572,424	656,830	617,162	230,123	234,074
Charges for services	234,883	247,083	232,227	249,612	249,755	269,853	270,977	302,681	775,813	757,617
Fines and forfeits	9,536	10,142	9,001	8,635	8,499	7,376	6,357	7,334	8,989	26,369
Interest earnings	27,794	15,219	7,340	6,005	6,550	3,456	5,008	4,837	9,099	14,729
Miscellaneous revenues	56,071	55,496	60,202	58,373	88,590	79,705	75,419	75,123	68,129	48,197
Total revenues	1,672,574	1,727,592	1,716,182	1,751,345	1,791,417	1,816,591	1,970,980	2,004,779	2,181,851	2,191,352
<b>Expenditures</b>										
General government	147,633	163,615	145,108	157,215	191,558	203,740	196,721	266,934	281,447	254,165
Law, safety and justice	534,238	560,059	556,471	553,127	570,926	590,701	619,161	642,723	592,779	604,713
Physical environment	91,301	107,804	107,297	101,516	98,962	123,241	190,979	165,260	59,074	24,470
Transportation	113,898	118,817	107,388	106,888	90,737	77,468	99,991	83,810	89,075	107,082
Economic environment	99,465	105,145	102,804	111,682	104,787	98,656	102,208	102,918	116,746	189,389
Health and human services	420,053	460,206	460,584	467,409	481,747	490,932	521,960	522,650	677,657	646,839
Culture and recreation	53,194	49,168	51,069	53,260	57,067	44,188	46,665	48,003	81,317	57,508
Debt service:										
Redemption of long-term debt	79,071	117,736	62,901	50,772	56,913	70,686	71,998	64,407	57,641	63,702
Interest	40,614	36,227	30,805	29,835	25,186	33,000	31,504	28,822	35,665	33,143
Other debt service costs	15,096	22,261	15,990	42,791	2,720	608	260	20,445	8,417	419
Capital outlay	105,673	85,161	115,399	122,310	138,279	119,746	78,595	92,895	80,681	155,195
Total expenditures	1,700,236	1,826,199	1,755,816	1,796,805	1,818,882	1,852,966	1,960,042	2,038,867	2,080,499	2,136,625
Excess (deficiency) of revenues over (under) expenditures	(27,662)	(98,607)	(39,634)	(45,460)	(27,465)	(36,375)	10,938	(34,088)	101,352	54,727
<b>Other Financing Sources (Uses)</b>										
Transfers in	218,146	171,100	142,569	157,027	142,955	187,571	175,619	218,212	301,289	368,617
Transfers out	(213,003)	(171,715)	(139,773)	(155,565)	(137,706)	(188,847)	(167,519)	(204,986)	(294,109)	(348,857)
General government debt issued	48,755	84,810	82,465	109,085	51,980	—	15,395	27,355	25,025	33,325
Premium on bonds sold	170	5,831	6,521	5,793	59,146	7,261	6,370	33,799	3,764	5,037
Refunding bonds issued	—	42,869	41,250	25,700	256,615	92,940	34,815	198,290	—	—
Insurance recoveries	—	—	—	—	—	—	—	—	—	3,538
Sale of capital assets	2,080	2,719	(392)	17,141	547	5,638	1,157	4,323	—	—
Payment to refunded bonds escrow agent	—	(46,067)	(45,561)	(28,242)	(296,322)	(99,593)	(38,958)	(227,200)	4,627	5,009
Total other financing sources (uses)	56,148	89,547	87,079	130,939	77,215	4,970	26,879	49,793	40,596	66,669
Special item	—	—	—	—	—	—	—	—	(12,756)	—
Net change in fund balances	\$ 28,486	\$ (9,060)	\$ 47,445	\$ 85,479	\$ 49,750	\$ (31,405)	\$ 37,817	\$ 15,705	\$ 129,192	\$ 121,396
Debt service as a percentage of noncapital expenditures	7.51%	8.84%	5.71%	4.81%	4.89%	5.98%	5.50%	4.79%	4.67%	4.89%

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

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

## ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

## LAST TEN FISCAL YEARS

(DOLLARS IN THOUSANDS)

YEAR	TAXABLE REAL PROPERTY				TAXABLE PERSONAL PROPERTY		TOTAL TAXABLE PROPERTY		PERCENTAGE OF ASSESSED VALUE TO ESTIMATED ACTUAL VALUE	TOTAL DIRECT TAX RATE
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	MANUFACTURING PROPERTY	OTHER	MACHINERY & EQUIPMENT	OTHER	ASSESSED VALUE	ESTIMATED ACTUAL VALUE		
2008	\$ 249,962,370	\$ 50,972,853	\$ 8,673,833	\$ 14,267,768	\$ 7,808,288	\$ 9,310,328	\$ 340,995,440	\$ 405,511,641	84.1%	1.64
2009	286,099,396	60,331,491	9,792,547	13,072,328	8,205,353	9,388,613	386,889,728	431,461,548	89.7%	1.5
2010	243,764,953	58,386,704	10,417,510	11,506,856	8,704,135	9,191,359	341,971,517	403,965,414	84.7%	1.72
2011	238,365,326	54,362,043	9,249,529	10,797,670	8,950,510	8,689,920	330,414,998	365,786,645	90.3%	1.68
2012	227,449,614	54,172,019	8,712,532	11,044,709	8,601,970	9,480,094	319,460,938	346,131,439	92.3%	1.84
2013	222,163,087	56,215,135	8,654,663	10,009,341	8,600,412	9,103,568	314,746,206	350,086,008	89.9%	1.95
2014	243,285,020	59,878,692	8,817,579	10,443,602	9,768,484	8,450,240	340,643,617	373,068,501	91.3%	1.94
2015	285,252,943	63,574,962	9,211,109	11,760,682	9,544,869	8,774,291	388,118,856	413,683,277	93.8%	1.74
2016	315,624,341	69,742,685	9,636,149	12,349,296	9,616,099	9,367,036	426,335,606	459,811,075	92.7%	1.69
2017	340,810,182	78,150,750	9,864,864	22,874,016	10,346,738	9,409,738	471,456,288	507,652,528	92.9%	1.71

Source: King County Department of Assessments.

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
County Direct Rates										
General	\$ 1.21	\$ 1.1	\$ 1.28	\$ 1.34	\$ 1.42	\$ 1.54	\$ 1.52	\$ 1.34	\$ 1.33	\$ 1.37
Emergency Medical Services	0.19	0.18	0.19	0.19	0.19	0.19	0.21	0.19	0.17	0.15
Road District	0.24	0.22	0.25	0.15	0.23	0.22	0.21	0.21	0.19	0.19
Total County Direct Rates	\$ 1.64	\$ 1.5	\$ 1.72	\$ 1.68	\$ 1.84	\$ 1.95	\$ 1.94	\$ 1.74	\$ 1.69	\$ 1.71
State School Fund Rate	2.13	1.96	2.22	2.28	2.42	2.57	2.47	2.29	2.17	2.03
Port of Seattle Rate	0.22	0.2	0.22	0.22	0.23	0.23	0.22	0.19	0.17	0.15
Ferry District Rate	0.06	0.05	—	0.004	0.004	0.004	0.003	0.003	0.003	0.012
King County Library System Rate	0.45	0.42	0.49	0.57	0.57	0.57	0.56	0.5	0.48	0.45
Cities and Towns Rate	.33-2.77	.30-2.58	.33-2.92	.39-3.06	.39-3.28	.40-3.29	.36-3.15	.32-3.16	.30-3.00	.28-3.06
School Districts Rate	1.39-4.73	1.18-4.54	1.74-5.28	1.80-6.00	1.81-6.14	1.83-7.55	1.94-7.28	1.83-6.42	1.86-6.75	1.94-6.74
Fire Districts Rate	.77-1.68	.74-1.65	.83-1.90	.88-1.90	.14-1.94	.15-2.41	.14-2.42	.11-2.17	.10-2.09	.10-2.01
Hospital Districts Rate	.43-.59	.40-.53	.46-.63	.48-.56	.31-.50	.50-.52	.47-.50	.40-.50	.38-.50	.36-.50
Flood Control Zone Districts Rate	0.1	0.09	0.10	0.11	0.12	0.13	0.15	0.14	0.13	0.12
Park and Recreation Districts Rate	.03-.49	.01-.44	.01-.52	.02-.80	.02-.74	.02-.50	.02-.53	.01-.40	.15-.50	.09-.58
Miscellaneous Districts Rate	.04-.44	.04-.44	.04-.47	.04-.50	.05-.50	.10-.50	.04-.50	.04-.50	.03-.50	.03-.47

Source: King County Department of Assessments

## Notes:

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

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

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

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

TAXES LEVIED				COLLECTED WITHIN THE			TOTAL COLLECTIONS			TOTAL	
FOR THE			TOTAL	YEAR OF THE LEVY		COLLECTIONS	TO DATE		UNCOLLECTED TAXES		
YEAR			ADJUSTED	PERCENTAGE OF		SUBSEQUENT	PERCENTAGE OF		PERCENTAGE OF		
YEAR	(ORIGINAL LEVY)	ADJUSTMENTS	TAX LEVY	AMOUNT	ORIGINAL LEVY	YEARS	AMOUNT	ADJUSTED LEVY	AMOUNT	ADJUSTED LEVY	
2008	\$ 586,746	\$ (172)	\$ 586,574	\$ 575,431	98.07%	\$ 11,092	\$ 586,523	99.99%	\$ 51	0.01%	
2009	607,030	(824)	606,206	594,263	97.90%	11,878	606,141	99.99%	65	0.01%	
2010	616,316	(199)	616,117	604,359	98.06%	11,683	616,042	99.99%	75	0.01%	
2011	617,426	(288)	617,138	606,573	98.24%	10,595	617,168	100.00%	—	0.00%	
2012	618,371	(171)	618,200	607,960	98.32%	9,849	617,809	99.94%	391	0.06%	
2013	648,586	(53)	648,533	638,073	98.38%	9,853	647,926	99.91%	607	0.09%	
2014	706,912	(147)	706,765	696,423	98.52%	9,581	706,004	99.89%	761	0.11%	
2015	726,319	(164)	726,155	716,418	98.64%	8,386	724,804	99.81%	1,351	0.19%	
2016	837,123	(102)	837,021	825,870	98.66%	8,458	834,328	99.68%	2,693	0.32%	
2017	864,070	—	864,070	852,835	98.70%	—	852,835	98.70%	11,235	1.30%	

Source: King County Treasury Property Tax Year End Reports for 2008-2017

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

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

TAXPAYER	2017			2008		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
Microsoft	\$ 3,611,189	1	0.68%	\$ 2,428,674	2	0.71%
Boeing	3,169,975	2	0.60	3,006,599	1	0.88
Puget Sound Energy/Gas/Electric	2,545,356	3	0.48	1,498,832	3	0.44
Amazon.com	2,163,076	4	0.41	—		—
Essex Property Trust	1,782,318	5	0.33	—		—
Alaska Airlines	1,275,107	6	0.24	623,721	6	0.18
Union Square LLC	1,031,082	7	0.19	522,001	9	0.15
Prologis - RE Tax	1,029,156	8	0.19	—		—
Altus Group US Inc.	986,718	9	0.19	—		—
AvalonBay Communities Inc.	839,670	10	0.16	—		—
Qwest Corporation Inc.	411,487		0.08	964,730	4	0.28
T-Mobile	—		—	655,591	5	0.19
Archon Group LP	—		—	617,531	7	0.18
AT&T Mobility LLC	630,407		0.12	564,689	8	0.17
Wright Runstad & Company	—		—	432,948	10	0.13
Total	19,475,541		3.656299719	11,315,316		3.318318861
Total assessed valuation of other taxpayers	513,181,585		96.34	329,680,124		96.68168114
Total 2017 assessed valuation for taxes due in 2018	<u>\$ 532,657,126</u>		<u>100.00%</u>			
Total 2008 assessed valuation for taxes due in 2009				<u>\$ 340,995,440</u>		<u>100.00%</u>

Source: King County Department of Assessments

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

		GENERAL OBLIGATION	GENERAL OBLIGATION	GENERAL OBLIGATION				PERCENTAGE OF ESTIMATED ACTUAL TAX- ABLE VALUE <sup>(b)</sup>	PER CAPITA <sup>(c)</sup>
FISCAL YEAR	GENERAL OBLIGATION BONDS <sup>(a)</sup>	UNAMORTIZED BONDS PREMIUM/ DISCOUNTS	BOND ANTICIPATON NOTES	LEASE REVENUE BONDS	GENERAL BONDED DEBT OUTSTANDING	GENERAL OBLIGATION CAPITAL LEASES	TOTAL	OF PROPERTY	
2008	\$ 1,363,764	\$ 44,233	\$ 48,755	\$ 408,640	\$ 1,865,392	\$ 4,000	\$ 1,869,392	0.46%	997
2009	1,643,976	52,839	27,095	402,455	2,126,365	—	2,126,365	0.49%	1,112
2010	1,759,620	52,686	84,290	395,990	2,292,586	—	2,292,586	0.57%	1,187
2011	1,698,189	50,171	82,295	385,525	2,216,180	—	2,216,180	0.61%	1,141
2012	1,763,614	121,622	73,395	321,780	2,280,411	—	2,280,411	0.66%	1,165
2013	1,763,383	118,097	—	265,325	2,146,805	—	2,146,805	0.61%	1,083
2014	1,731,255	116,425	—	217,900	2,065,580	—	2,065,580	0.55%	1,024
2015	1,844,253	178,986	—	20,965	2,044,204	—	2,044,204	0.49%	996
2016	1,771,677	160,189	—	12,765	1,944,631	—	1,944,631	0.42%	924
2017	1,699,077	161,084	—	—	1,860,161	8,843	1,869,004	0.37%	868

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

(a) This is the general bonded debt of both governmental and business-type activities.

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

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

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of DECEMBER 31, 2017

(IN THOUSANDS)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED <sup>(a)</sup>	ESTIMATED
		PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT	SHARE OF OVERLAPPING DEBT
DEBT REPAYED WITH PROPERTY TAXES			
King County – net overlapping debt:			
Port of Seattle	\$ 388,360	100.00%	\$ 388,360
School districts:			
Bellevue School District	710,675	100.00%	710,675
Lake Washington School District	630,672	100.00%	630,672
Issaquah School District	577,463	100.00%	577,463
Highline School District	420,028	100.00%	420,028
Northshore School District	357,626	63.23%	226,135
Renton School District	251,919	100.00%	251,919
Snoqualmie School District	240,630	100.00%	240,630
Shoreline School District	223,196	100.00%	223,196
Auburn School District	214,654	92.07%	197,626
Kent School District	175,265	100.00%	175,265
Other school districts	660,911	98.34%	649,938
Total school districts	4,463,039		4,303,547
Cities and towns <sup>(b)</sup> :			
Ciy of Seattle	1,002,158	100.00%	1,002,158
City of Bellevue	272,756	100.00%	272,756
City of Kent	90,645	100.00%	90,645
City of Bothell	88,740	58.00%	51,472
City of Tukwila	68,110	100.00%	68,110
City of Redmond	56,190	100.00%	56,190
City of Renton	54,000	100.00%	54,000
City of Auburn	55,462	100.00%	55,462
City of Kirkland	39,633	100.00%	39,633
Other cities and towns	170,329	100.00%	170,329
Total cities and towns	1,898,023		1,860,755
Hospital districts	242,642	100.00%	242,642
King County Library System	87,870	98.22%	86,304
Fire districts	88,571	100.00%	88,571
Library capital facility districts	686	100.00%	686
Parks and recreation service area district	928	63.25%	587
Park districts	5,674	100.00%	5,674
TOTAL KING COUNTY – NET OVERLAPPING DEBT	7,175,793		6,977,126
KING COUNTY – DIRECT DEBT <sup>(c)</sup>	805,702	100%	805,702
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 7,981,495		\$ 7,782,828

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

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

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

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

(c) Direct debt calculation:

742,455	General long-term debt
63,247	Unamortized premium/discounts
<u>805,702</u>	DIRECT DEBT



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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES				
	GENERAL OBLIGATION BONDS	GENERAL OBLIGATION LEASE REVENUE BONDS	PREMIUMS, DISCOUNTS AND OTHER ADJUSTMENTS	NET GENERAL OBLIGATION AND LEASE REVENUE BONDS	GENERAL OBLIGATION CAPITAL LEASES
2008	\$ 725,698	\$ 408,640	\$ 21,548	\$ 1,155,886	\$ 4,000
2009	724,295	402,455	22,557	1,149,307	—
2010	728,409	395,990	24,233	1,148,632	—
2011	748,482	385,525	23,947	1,157,954	—
2012	772,439	321,780	66,786	1,161,005	—
2013	741,373	265,325	61,793	1,068,491	—
2014	717,640	217,900	63,326	998,866	—
2015	825,298	20,965	85,768	932,031	—
2016	779,012	12,765	75,940	867,717	—
2017	742,455	—	63,247	805,702	8,843

FISCAL YEAR	BUSINESS-TYPE ACTIVITIES					
	GENERAL OBLIGATION BONDS	SEWER REVENUE BONDS	PREMIUMS, DISCOUNTS AND OTHER ADJUSTMENTS	NET GENERAL OBLIGATION BONDS AND REVENUE BONDS	CAPITAL LEASES	STATE OF WASHINGTON REVOLVING LOANS
2008	\$ 638,066	\$ 1,947,905	\$ 51,412	\$ 2,637,383	\$ 3,453	\$ 129,186
2009	919,681	2,167,365	52,927	3,139,973	3,368	141,165
2010	1,031,211	2,433,350	71,075	3,535,636	3,279	135,995
2011	1,015,642	2,709,715	128,024	3,853,381	3,186	129,276
2012	1,064,570	2,841,755	176,348	4,082,673	3,087	136,002
2013	1,022,010	2,866,085	194,273	4,082,368	2,983	146,672
2014	1,013,615	2,813,805	207,705	4,035,125	2,874	159,053
2015	1,018,955	2,830,165	295,087	4,144,207	2,760	179,388
2016	992,665	2,884,890	369,807	4,247,362	2,640	205,989
2017	956,595	2,875,310	378,377	4,210,282	2,514	218,044

FISCAL YEAR	PRIMARY GOVERNMENT		
	TOTAL	PERCENTAGE OF PERSONAL INCOME	DEBT PER CAPITA
2008	\$ 3,929,908	3.36%	\$ 2,096
2009	4,433,813	4.17%	2,319
2010	4,823,542	4.48%	2,498
2011	5,143,797	4.78%	2,648
2012	5,382,767	4.10%	2,751
2013	5,300,514	3.92%	2,674
2014	5,195,918	3.48%	2,576
2015	5,258,386	3.29%	2,562
2016	5,323,708	3.21%	2,529
2017	5,245,385	3.16%	2,436

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

Because personal income data is not available for 2017, the percentages use the personal income amount for 2016.

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

	2008	2009	2010	2011	2012
Assessed Valuation <sup>(a)</sup>	\$ 386,889,728	\$ 341,971,517	\$ 330,414,999	\$ 319,460,937	\$ 314,746,207
<b>Limited Tax General Obligations (LTGO) for Metropolitan Functions</b>					
Debt Limit - 0.75% of Assessed Value	\$ 2,901,673	\$ 2,564,786	\$ 2,478,112	\$ 2,395,957	\$ 2,360,597
Debt applicable to limit	699,144	985,702	1,099,943	1,059,464	1,132,185
Less: Amounts set aside to repay LTGO debts	(16,541)	(21,904)	(20,829)	(19,310)	(20,128)
Total net debt applicable to the limit	682,603	963,798	1,079,114	1,040,154	1,112,057
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 2,219,070	\$ 1,600,988	\$ 1,398,998	\$ 1,355,803	\$ 1,248,540
Total net debt applicable to the limit as a percentage of the debt limit	23.52%	37.58%	43.55%	43.41%	47.11%
<b>LTGOs for General County Purposes and Metropolitan Functions</b>					
Debt Limit - 1.5% of Assessed Value	\$ 5,803,346	\$ 5,129,573	\$ 4,956,225	\$ 4,791,914	\$ 4,721,193
Debt applicable to limit	1,734,629	1,998,947	2,106,580	2,211,173	2,181,468
Less: Amounts set aside to repay LTGO debts	(46,110)	(53,730)	(64,177)	(64,943)	(62,179)
Total net debt applicable to the limit	1,688,519	1,945,217	2,042,403	2,146,230	2,119,289
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 4,114,827	\$ 3,184,356	\$ 2,913,822	\$ 2,645,684	\$ 2,601,904
Total net debt applicable to the limit as a percentage of the debt limit	29.10%	37.92%	41.21%	44.79%	44.89%
<b>Total General Obligations (GO) for Metropolitan Functions</b>					
Debt Limit - 2.5% of Assessed Value	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523	\$ 7,868,655
Debt applicable to limit	699,144	985,702	1,099,943	1,059,464	1,132,185
Less: Amounts set aside to repay GO debts	(16,541)	(21,904)	(20,829)	(19,310)	(20,128)
Total net debt applicable to the limit	682,603	963,798	1,079,114	1,040,154	1,112,057
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 8,989,640	\$ 7,585,490	\$ 7,181,261	\$ 6,946,369	\$ 6,756,598
Total net debt applicable to the limit as a percentage of the debt limit	7.06%	11.27%	13.06%	13.02%	14.13%
<b>Total GO for County Purposes</b>					
Debt Limit - 2.5% of Assessed Value	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375	\$ 7,986,523	\$ 7,868,655
Debt applicable to limit	1,270,260	1,217,955	1,193,132	1,303,129	1,190,973
Less: Amounts set aside to repay GO debts	(39,206)	(41,554)	(53,891)	(52,267)	(48,774)
Total net debt applicable to the limit	1,231,054	1,176,401	1,139,241	1,250,862	1,142,199
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 8,441,189	\$ 7,372,887	\$ 7,121,134	\$ 6,735,661	\$ 6,726,456
Total net debt applicable to the limit as a percentage of the debt limit	12.73%	13.76%	13.79%	15.66%	14.52%

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

Notes:

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

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

	2013	2014	2015	2016	2017
Assessed Valuation <sup>(a)</sup>	\$ 340,643,616	\$ 388,118,856	\$ 426,335,606	\$ 471,456,288	\$ 534,662,435
<b>LTGOs for Metropolitan Functions</b>					
Debt Limit - 0.75% of Assessed Value	\$ 2,554,827	\$ 2,910,891	\$ 3,197,517	\$ 3,535,922	\$ 4,009,968
Debt applicable to limit	1,092,797	1,126,570	1,030,577	981,943	931,848
Less: Amounts set aside to repay LTGO debts	(25,148)	(42,336)	(42,062)	(53,429)	(51,768)
Total net debt applicable to the limit	1,067,649	1,084,234	988,515	928,514	880,080
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 1,487,178	\$ 1,826,657	\$ 2,209,002	\$ 2,607,408	\$ 3,129,888
Total net debt applicable to the limit as a percentage of the debt limit	41.79%	37.25%	30.92%	26.26%	21.95%
<b>LTGOs for General County Purposes and Metropolitan Functions</b>					
Debt Limit - 1.5% of Assessed Value	\$ 5,109,654	\$ 5,821,783	\$ 6,395,034	\$ 7,071,844	\$ 8,019,937
Debt applicable to limit	2,070,328	2,110,601	1,768,043	1,667,527	1,588,678
Less: Amounts set aside to repay LTGO debts	(57,509)	(54,910)	(53,491)	(62,968)	(64,825)
Total net debt applicable to the limit	2,012,819	2,055,691	1,714,552	1,604,559	1,523,853
Legal Debt Margin <sup>(b)</sup> of LTGO	\$ 3,096,835	\$ 3,766,092	\$ 4,680,482	\$ 5,467,285	\$ 6,496,084
Total net debt applicable to the limit as a percentage of the debt limit	39.39%	35.31%	26.81%	22.69%	19.00%
<b>Total GOs for Metropolitan Functions</b>					
Debt Limit - 2.5% of Assessed Value	\$ 8,516,090	\$ 9,702,971	\$ 10,658,390	\$ 11,786,407	\$ 13,366,561
Debt applicable to limit	1,092,797	1,126,570	1,030,577	981,943	931,848
Less: Amounts set aside to repay GO debts	(25,148)	(42,336)	(42,062)	(53,429)	(51,768)
Total net debt applicable to the limit	1,067,649	1,084,234	988,515	928,514	880,080
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 7,448,441	\$ 8,618,737	\$ 9,669,875	\$ 10,857,893	\$ 12,486,481
Total net debt applicable to the limit as a percentage of the debt limit	12.54%	11.17%	9.27%	7.88%	6.58%
<b>Total GOs for County Purposes</b>					
Debt Limit - 2.5% of Assessed Value	\$ 8,516,090	\$ 9,702,971	\$ 10,658,390	\$ 11,786,407	\$ 13,366,561
Debt applicable to limit	1,104,336	1,097,286	839,316	775,719	734,620
Less: Amounts set aside to repay GO debts	(39,292)	(19,723)	(13,377)	(11,582)	(15,164)
Total net debt applicable to the limit	1,065,044	1,077,563	825,939	764,137	719,456
Legal Debt Margin <sup>(b)</sup> of total GO	\$ 7,451,046	\$ 8,625,408	\$ 9,832,451	\$ 11,022,270	\$ 12,647,105
Total net debt applicable to the limit as a percentage of the debt limit	12.51%	11.11%	7.75%	6.48%	5.38%

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Average residential customer and residential customer equivalents (RCEs)	706,800	703,800	704,400	707,300	708,900	719,160	725,844	736,090	756,430	756,916
Percentage annual change	0.55%	(0.43)%	0.09%	0.41%	0.23%	1.31%	1.07%	1.41%	2.76%	0.06%
Operating revenues										
Sewage disposal fees	\$237,001	\$271,558	\$269,498	\$306,430	\$307,143	\$342,850	\$346,591	\$371,253	\$381,513	\$401,650
Rate stabilization	3,000	(15,398)	(15,814)	(25,523)	13,923	10,350	18,000	(12,000)	—	—
Capacity charge revenues	35,002	40,827	41,363	48,693	51,411	58,660	59,522	62,479	71,200	82,615
Other operating revenues	9,170	9,869	9,778	7,830	9,398	10,126	11,675	11,674	11,828	18,308
Total operating revenues	284,173	306,856	304,825	337,430	381,875	421,986	435,788	433,406	464,541	502,573
Operating and Maintenance Expenses	98,370	103,118	103,682	103,995	114,939	117,183	122,014	127,211	138,698	142,263
Add: GAAP adjustments	—	—	—	—	—	—	2,187	1,715	(2,377)	5,936
Net operating and maintenance expenses	98,370	103,118	103,682	103,995	114,939	117,183	124,201	128,926	136,321	148,199
Net operating revenue	185,803	203,738	201,143	233,435	266,936	304,803	311,587	304,480	328,220	354,374
Interest income	4,087	5,613	3,426	2,725	1,697	2,682	2,822	2,863	4,549	6,055
Net revenue available for debt service	189,890	209,351	204,569	236,160	268,633	307,485	314,409	307,343	332,769	360,429
Debt service										
Parity bonds	110,237	118,925	118,817	132,664	157,117	172,959	175,463	167,694	160,957	159,761
Parity lien obligations	24,178	26,042	26,838	32,910	38,626	43,064	42,876	40,348	53,164	52,650
Subordinate debt service	18,581	12,150	12,182	12,769	14,087	15,039	17,477	18,318	21,316	26,277
Total debt service	\$152,996	\$157,117	\$157,837	\$178,343	\$209,830	\$231,062	\$235,816	\$226,360	\$235,437	\$238,688
Debt service coverage										
On parity bonds	1.72	1.76	1.72	1.78	1.71	1.78	1.79	1.83	2.07	2.26
On parity bonds and parity lien obligations	1.41	1.44	1.40	1.42	1.36	1.42	1.44	1.48	1.55	1.70
On all sewer system obligations	1.24	1.33	1.29	1.32	1.28	1.33	1.33	1.36	1.41	1.51

2014 operating and maintenance expenses were restated as part of GASB Statements 68 and 71 implementation.

Non-cash GAAP adjustments consist of pension, other post-employment benefits and compensated absence accruals.

Interest Income excludes unrealized gains in the GASB Statement 31 fair market value adjustment.

**WATER QUALITY ENTERPRISE  
ADDITIONAL COVERAGE RATIOS  
DECEMBER 31, 2017**

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

Coverage (1.15 required by covenant, adopted policy 1.25)	1.70
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In 2001, the County adopted a new debt service coverage target of 1.15 times the annual debt service for bonds, obligations, notes and loans of the Enterprise.

Coverage (1.15 adopted target)	1.51
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The Enterprise is required to generate revenues sufficient to pay all costs of operation of the sewage treatment system and debt service on obligations of the Enterprise.

Coverage (1.00 required by covenant)	1.38
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In 2001, Water Quality issued an additional tier of revenue bonds. The bond covenants of the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, require that sewage disposal rates provide net revenue equal to at least 1.10 times the annual debt service requirements for all Junior Lien obligations after payment of senior lien requirements. All of Water Quality's Junior Lien Variable Rate Sewer Revenue Bonds and Multi-Modal Limited Tax General Obligation Sewer Revenue Bonds incorporate the identical requirement stated in the 2001 bond covenant requirements.

Coverage (1.10 required by covenant)	25.29
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**OPERATING AND CAPITAL INDICATORS BY FUNCTION  
LAST TEN YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Works</b>										
Miles of paved roads	1,710	1,694	1,581	1,479	1,451	1,441	1,442	1,418	1,418	1,415
Miles of unpaved roads	51	51	51	51	53	51	51	51	51	51
Bridges	183	182	180	181	182	181	181	181	182	182
<b>Building Permits</b>										
Permits	1,867	1,324	1,341	1,123	1,318	1,303	1,309	1,459	1,316	1,186
Value of buildings (in thousands)	\$ 327,942	\$ 233,635	\$ 245,912	\$ 235,562	\$ 182,200	\$ 257,261	\$ 292,863	\$ 276,607	\$ 224,735	\$ 220,033
<b>Justice and Law Enforcement - Sheriff's Office</b>										
Number of employees - commissioned	743	729	683	645	637	650	671	679	721	724
Number of employees - civilian	313	290	346	376	287	385	378	340	412	411
Motor Pool fleet - vehicles	662	638	642	632	632	629	602	640	646	646
Motor Pool fleet - boats	8	8	8	8	8	8	8	8	10	12
Motor Pool fleet - helicopters	7	7	7	5	4	4	4	5	5	5
<b>Adult Detention</b>										
Average daily adult custodial population	2,575	2,402	2,352	2,201	1,946	1,960	2,076	2,027	2,011	2,186
Average stay (in days)	20	21	20	21	22	21	22	22	22	22
Bookings	48,234	44,797	43,018	38,089	33,506	34,282	34,724	34,939	36,135	37,125
<b>Parks and Land Use</b>										
Number of parks	228	223	218	215	219	220	221	220	223	229
Acres of parks	164,676	168,842	169,719	170,273	170,574	171,196	171,659	172,281	172,615	173,203
<b>Public Transportation</b>										
Size of fleet - buses	1,508	1,560	1,465	1,505	1,503	1,462	1,423	1,472	1,396	1,429
Size of fleet - active commuter vans	1,207	1,088	1,075	1,228	1,283	1,365	1,421	1,476	1,791	1,817
Annual bus trips (in thousands)	126,516	119,485	117,002	119,840	123,127	126,682	129,081	130,648	130,800	131,322
Annual commuter van trips (in thousands)	3,149	3,187	2,851	3,118	3,451	3,524	3,416	3,560	3,555	3,626
<b>Wastewater Treatment</b>										
Total sewer customers (residences and residential customer equivalents)	706,800	703,800	704,400	707,300	708,900	718,160	725,844	736,090	756,430	756,916
New sewer connections equivalents	11,331	8,949	6,974	5,855	7,915	8,467	10,767	11,676	10,743	12,484
Monthly sewer rate	\$ 27.95	\$ 31.9	\$ 31.90	\$ 36.10	\$ 36.10	\$ 39.79	\$ 39.79	\$ 42.03	\$ 42.03	\$ 44.22
Residential connection charge (monthly for 15 years)	\$ 46.25	\$ 47.64	\$ 49.07	\$ 50.45	\$ 53.5	\$ 53.50	\$ 55.35	\$ 57	\$ 58.70	\$ 60.80
Total sewer revenues (in thousands)	\$ 237,001	\$ 271,558	\$ 269,498	\$ 306,430	\$ 387,143	\$ 342,850	\$ 364,591	\$ 371,253	\$ 381,513	\$ 401,650
Number of treatment plants	4	4	4	5	5	5	5	5	5	5
Total treatment capacity (MGD*)	767	767	767	767	895	895	895	895	862	862
Average daily flow (MGD)	162	169	178	173	188	167	186	178	188	194
Peak daily flow (MGD)	444	525	639	472	523	500	541	556	505	605

Source: Various King County agencies

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

Year <sup>(1)</sup>	FUNCTION/PROGRAM							Total
	General Government	Law, Safety & Justice <sup>(2)</sup>	Physical Environment	Transportation	Economic Environment	Health & Human Services <sup>(3)</sup>	Culture and Recreation	
2008	1,585	3,857	1,692	4,931	303	1,455	176	13,999
2009	1,657	3,905	1,394	4,918	376	1,461	210	13,921
2010	1,597	3,801	1,363	4,851	294	1,474	207	13,587
2011	1,558	3,619	1,345	4,850	288	1,416	209	13,285
2012	1,497	3,871	1,275	4,554	186	1,406	204	12,993
2013	1,687	3,643	1,069	4,581	463	1,284	211	12,976
2014	1,704	3,993	1,069	4,581	464	1,311	221	13,343
2015-16	1,680	3,995	1,121	4,472	464	1,198	230	13,160
2017-18	1,759	4,060	1,153	5,137	483	1,279	256	14,127

Source: 2017-2018 King County Biennial Budget

**Notes:**

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

(1) 2013-2016 FTE numbers are restated to represent the King County Council adopted budget ordinances and the current year function classifications.

(2) In 2016, the Law, Safety and Justice function which includes legal- and judicial-related expenses had been classified as Public Safety.

(3) Prior to 2017, the Health and Human Services function had been classified as Mental and Physical Health.

**DEMOGRAPHIC AND ECONOMIC INDICATORS  
LAST TEN FISCAL YEARS**

CALENDAR YEAR	POPULATION	PERSONAL INCOME (IN THOUSANDS)	PER CAPITA PERSONAL INCOME	AVERAGE EARNINGS PER JOB	UNEMPLOYMENT RATE		POPULATION 65 YEARS OLD AND OVER	MEDIAN HOUSEHOLD INCOME ESTIMATES	BIRTHS	DEATHS	STUDENTS ENROLLED IN PUBLIC SCHOOLS	STUDENTS ENROLLED IN PRIVATE SCHOOLS
					COUNTY	STATE						
2008	1,875,020	\$ 116,867,546	\$ 62,329	\$ 65,742	3.9%	5.4%	195,715	\$ 67,027	25,051	11,960	259,269	40,957
2009	1,912,012	106,247,964	55,569	66,204	8.0%	9.2%	198,679	65,877	25,108	11,647	259,298	40,136
2010	1,931,249	107,552,067	55,503	68,569	9.0%	10.0%	210,679	65,383	25,002	11,421	259,827	39,429
2011	1,942,600	115,758,427	58,688	63,806	7.9%	9.3%	216,344	66,294	24,400	11,924	262,963	40,276
2012	2,007,455	131,263,349	65,345	66,773	6.3%	8.1%	227,291	69,047	24,702	12,045	267,655	40,428
2013	2,046,956	135,176,058	66,073	67,276	5.0%	7.0%	243,588	69,900	25,098	12,131	271,130	40,464
2014	2,079,967	149,434,812	71,882	70,484	4.7%	6.1%	247,516	71,500	26,343	13,784	278,409	41,047
2015	2,117,125	159,665,109	75,518	75,302	4.3%	5.6%	258,289	73,035	26,063	13,795	287,145	41,199
2016	2,149,970	166,006,277	77,213	81,484	3.9%	5.4%	266,596	75,302	30,508	16,162	292,066	42,256
2017	2,188,649	N/A	N/A	N/A	3.7%	4.8%	277,958	78,800	N/A	N/A	296,519	41,771

N/A = Not yet available

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

\*Estimate for 2016 and 2017 population from the United States Census Bureau, State and County QuickFacts.

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

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



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

TYPE OF INDUSTRY	2017			2008		
	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Trade, transportation and utilities	269,508	1	19.23%	224,767	1	18.30%
Professional and business services	228,183	2	16.28	194,242	2	15.82
Government	181,883	3	12.98	166,408	3	13.55
Educational and health services	179,092	4	12.78	142,275	4	11.59
Leisure and hospitality	141,392	5	10.09	113,358	5	9.23
Information	102,983	6	7.35	79,767	7	6.50
Manufacturing	102,892	7	7.34	112,000	6	9.12
Construction	75,108	8	5.36	73,883	9	6.02
Financial activities	71,208	9	5.08	78,925	8	6.43
Total	<u>1,352,249</u>		<u>96.50%</u>	<u>1,185,625</u>		<u>96.54274182%</u>
Total employment	<u>1,401,333</u>			<u>1,228,083</u>		

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

**Notes:**

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

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

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**TEN LARGEST CUSTOMERS OF THE WATER QUALITY ENTERPRISE  
DECEMBER 31, 2017**

	<b>PERCENT OF REVENUE</b>
	<hr/>
City of Seattle	40.0%
City of Bellevue	8.4
Alderwood Water & Wastewater District	6.3
City of Kent	4.9
Soos Creek Water & Sewer District	4.8
City of Redmond	4.2
City of Renton	4.2
City of Auburn	4.1
Northshore Utility District	4.0
Ronald Wastewater District	2.6
Total	<hr/> <hr/> 83.5%