Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

King County Rural Library District

For the period January 1, 2016 through December 31, 2016

Published December 28, 2017

Report No. 1020416

Office of the Washington State Auditor
Pat McCarthy

December 28, 2017

Board of Trustees
King County Rural Library District
Issaquah, Washington

Report on Financial Statements

Please find attached our report on the King County Rural Library District's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

King County Rural Library District
January 1, 2016 through December 31, 2016

Board of Trustees
King County Rural Library District
Issaquah, Washington

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the King County Rural Library District, King County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

December 11, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

King County Rural Library District
January 1, 2016 through December 31, 2016

Board of Trustees
King County Rural Library District
Issaquah, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the King County Rural Library District, King County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

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 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.

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 District'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 District'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the King County Rural Library District, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 on page 9 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 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of the District'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. 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 District's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

December 11, 2017

FINANCIAL SECTION

King County Rural Library District
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial activities of the King County Rural Library District for the fiscal year ended December 31, 2016.

Using This Report

The financial statements presented in this report have been prepared under the guidelines of GASB 34 in which two sets of financial statements are required to be presented. One set is prepared using the full accrual method of accounting (government–wide statements) and the second set is prepared using modified accrual accounting (fund financial statements). As a special-purpose government the District has chosen to present the two views in single, combined statements that include reconciliation information.

The statements also include information for one component unit, discretely presented: the King County Library System Foundation. This unit is legally separate from the District, but is considered significant to the District due to its purpose and relative size.

Overall Analysis of Financial Position and Results of Operations

The following tables include all funds of the District and are prepared using full accrual accounting. The first table summarizes the net position of the District as compared to the prior year:

Net Position
(in millions)

	2016	2015
Current and other assets	$ 71.4	$ 81.8
Capital assets	281.3	260.6
Deferred outflows	10.9	8.6
Total assets & deferred outflows	363.6	351.0
Long-term debt outstanding	163.9	170.2
Other liabilities	8.5	10.9
Deferred inflows	1.6	5.9
Total liabilities & deferred inflows	173.9	186.9
Net position:		
Net investment in capital assets	173.8	141.3
Restricted	5.0	3.2
Unrestricted	10.9	19.7
Total net position	$189.7	$164.1

Total net position for the District increased in 2016 by $25.6M (from $164.1M to $189.7M). Total current assets decreased by $10.4M. Capital assets increased by $20.7M in 2016 which contributed to the overall increase in net position. The addition of capital assets at White Center, Skyway, Kingsgate, Mercer Island, Renton and Renton Highlands drove this increase. Long term debt outstanding decreased $6.3M, primarily from a net $12.2M decrease of bond principal retirement combined with an increase of $5.4M from the GASB 68 pension liability. The change in net position is further detailed in the following table:

Changes in Net Position
(in millions)

	2016	2015
Revenues:		
Taxes	$124.8	$122.2
All other revenues	24.7	14.1
Total revenues	149.5	136.3
Expenses:		
Current:		
Payroll-related	67.6	66.7
Other current expenses	31.6	38.0
Depreciation	22.6	22.0
Interest and other debt-related	2.8	3.2
Total expenses	124.6	129.9
Excess (deficiency) before other sources or (uses) and special items	24.9	6.4
Disposition of capital assets	0.7	0.7
Change in Accounting Principle-GASB 68	-	(38.2)
Increase (decrease) in net position	$ 25.6	$ (31.1)

Total revenues increased by $13.2M in 2016. Revenues from taxes increased by 2.1% driven by an increase in the overall assessed value of property within the District. All other (non-tax) revenues increased by $10.6M. The 2016 other revenues of $24.7M includes an $18.5M capital contribution from the City of Renton for the two completed Renton libraries.

Total expenses in 2016 decreased by 4.1% or $5.3M. Payroll-related expenses increased by 1.3%. While other current expenses decreased by 16.8%, this was the result of significant construction expenditures in 2015 for the two Renton libraries. Expenses for 2016 library operations actually grew 7.2% due to new and expanded libraries. Total revenues in 2016 exceeded total expenses by $24.9M.

The net disposition of assets in 2016 of $0.7M is related to the sale of surplus real estate, vehicles and equipment.

Fund Analysis

District Fund balances are summarized as follows:

Fund Balances as of December 31
(in millions)

	2016	2015
General Fund	$ 55.6	$ 59.6
Capital Projects	4.4	8.5
Debt Service	1.2	1.0
Special Revenues	0.0	0.0
Total	$ 61.2	$ 69.2

At the end of 2016 the combined total balance of the District's funds was $61.2M, a decrease of $8.0M from the end of 2015. The District's general fund balance decreased by $4.0M. Increased expenses for payroll and library operations were greater than increases from property tax revenue, a trend that is expected to continue. The $4.1M decrease in fund balances for capital projects was primarily due to continued spending of construction funds on the Tukwila library, which will be completed in early 2017. The debt service funds maintained allowable working capital levels at year-end and the special revenue fund balance remained relatively flat.

Budget Variances in the General Fund

The District's general fund 2016 ending balance of $55.6M on the budgetary basis was $8.4M over the budgeted ending fund balance of $47.2M. The 2016 beginning fund balance was $2.6M higher than budget. Actual revenues of $115.8M exceeded budgeted revenues of $115.0M. Expenditures were under budget by $4.0M. Vacant positions plus salary and benefit costs slightly under budget drove $3.1M of the variance, with the remaining $0.9M variance due to below budget spending across various non-payroll expense categories.

There were no revisions to the 2016 budget during the course of the year.

Capital Asset and Long-Term Debt Activity

At the end of 2016 the District had $281.3M in capital assets, net of accumulated depreciation. Buildings and land accounted for $214.9M, library materials for $48.0M, construction-in-progress for $8.1M and the remaining $10.3M in furniture, equipment, artwork and intangibles. Capital assets increase of $20.7M in 2016 resulted from higher capital asset net additions (increases minus decreases) than prior year while depreciation did not change significantly. Construction-in-progress of $8.1M reflects work that has been performed on capital plan projects, including the construction of new and/or expanded libraries to keep pace with growth in library usage as part of the District's ten-year capital plan. The District has $1.2M in remaining commitments with contractors, most of this is the Tukwila library which is being paid from the Construction Bond Fund 1988. Further detail about the District's capital assets is presented in Note 6 to the financial statements.

In September of 2004 the voters of the District approved $172M in general obligation bonds to finance library capital projects needed over the next 10 years throughout the District. The third and final tranche of this debt ($26.8M) was issued in October of 2012. The District's previous credit rating of AA, assigned by Standard & Poor's, was most recently affirmed in January 2016.

At the end of 2016 the District had $98.7M in outstanding general obligation debt. Other long-term obligations include $44.2M in pension liability, $8.1M of accrued vacation and sick leave pay, $9.9M in accrued premium on bonds sold, and $1.4M in net OPEB obligation. Additional information about the District's long-term debt is presented in Note 11 to the financial statements.

Other Potentially Significant Matters

Six hundred and forty-seven employees (library workers) are represented by the Washington State Council of County and City Employees, AFL-CIO, Local 1857-Main bargaining unit. A new contract with this bargaining unit, to replace the one which expired December 31, 2015, was signed in early 2017 and will expire December 31, 2019.

Three hundred and sixty-four employees (page employees) are represented by the Washington State Council of County and City Employees, AFL-CIO, Local 1857 - Page Unit, and fourteen employees (maintenance workers) are represented by the Washington State Council of County and City Employees, AFL-CIO, Local 1857-Maintenance Unit. Contracts with each of these two bargaining units expired on December 31, 2015. KCLS and 1857-Page, and 1857-Maintenace are presently in contract negotiations.

One hundred and four employees (supervisory employees) are represented by the Washington State Council of County and City Employees, AFL-CIO, Local 1857-S. A new contract with this bargaining unit, to replace the one expiring December 31, 2016, was signed in early 2017 and will expire December 31, 2019.

Contact the Library District: If you have questions about this report or need additional information, contact the Director of Finance at the King County Library System, 960 Newport Way NW, Issaquah, WA, 98027.

KING COUNTY RURAL LIBRARY DISTRICT
Governmental Funds Balance Sheet/Statement of Net Position
For The Year Ended December 31, 2016

	General Fund	Capital Project Fund 2005	General Obligation Bond Fund 2005	Construction Fund 1988	Other Non-Major Funds	TOTAL	Adjustments (Note 2A)	Statement of Net Position	Component Unit KCLS Foundation
ASSETS									
Cash and Cash Equivalents	60,789,793	2,421,620	1,136,054	2,762,323	23,212	67,133,001	-	67,133,001	380,681
Investments	30,595	68,495	7,300	12,686	442	119,518	-	119,518	2,889,037
Receivables									
Taxes	2,018,415	-	252,056	-	-	2,270,471	-	2,270,471	-
Investment Interest	51,687	1,326	857	1,788	18	55,676	-	55,676	-
Other	434,311	-	-	357,142	-	791,453	-	791,453	108,984
Due From Other Governments	4,876	-	543	-	-	5,419	-	5,419	-
Prepaid Expenses	1,026,716	-	-	-	-	1,026,716	-	1,026,716	11,250
Investment in Joint Venture	-	-	-	-	-	-	10,000	10,000	-
Capital Assets Not Being Depreciated	-	-	-	-	-	-	39,381,565	39,381,565	-
Capital Assets Net of Accumulated Depreciation	-	-	-	-	-	-	241,914,971	241,914,971	-
TOTAL ASSETS	64,356,392	2,491,441	1,396,809	3,133,939	23,671	71,402,253	281,306,536	352,708,789	3,389,952
DEFERRED OUTFLOWS OF RESOURCES									
Deferred Outflows Related to Pensions	-	-	-	-	-	-	8,304,823	8,304,823	-
Deferred Amount on Refunding	-	-	-	-	-	-	2,634,231	2,634,231	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	10,939,054	10,939,054	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	64,356,392	2,491,441	1,396,809	3,133,939	23,671	71,402,253	292,245,591	363,647,843	3,389,952
LIABILITIES									
Vouchers Payable	4,490,822	545,820	-	696,766	-	5,733,408	-	5,733,408	151,364
Salaries, Taxes, and Benefits Payable	2,776,172	-	-	-	-	2,776,172	-	2,776,172	-
Due To Other Governments	1,588	-	-	-	-	1,588	-	1,588	-
Long Term Liabilities									
Due within One Year	-	-	-	-	-	-	11,441,004	11,441,004	-
Due After One Year	-	-	-	-	-	-	108,211,778	108,211,778	-
Net Pension Liability	-	-	-	-	-	-	44,216,538	44,216,538	-
TOTAL LIABILITIES	7,268,581	545,820	-	696,766	-	8,511,167	163,869,321	172,380,488	151,364
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue	1,470,126	-	187,281	-	-	1,657,407	(1,657,407)	-	-
Deferred Inflows Related to Pensions	-	-	-	-	-	-	1,578,504	1,578,504	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,470,126	-	187,281	-	-	1,657,407	(78,903)	1,578,504	-
FUND EQUITY									
Fund Balances:									
Nonspendable	1,026,716	-	-	-	-	1,026,716	(1,026,716)	-	
Restricted	-	-	1,209,528		23,671	1,233,200	(1,233,200)	-	
Committed	-	-	-	-	-	-	-	-	
Assigned	660,859	1,945,621	-	2,437,174	-	5,043,654	(5,043,654)	-	
Unassigned	53,930,109	-	-	-	-	53,930,109	(53,930,109)	-	
TOTAL FUND EQUITY	55,617,684	1,945,621	1,209,528	2,437,174	23,671	61,233,679	(61,233,679)	-	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND EQUITY	64,356,392	2,491,441	1,396,809	3,133,939	23,671	71,402,253			
NET POSITION									
Net Investment In Capital Assets							173,774,354	173,774,354	
Restricted for Capital Projects							3,798,124	3,798,124	
Restricted for Debt Service							1,201,754	1,201,754	
Restricted for Special Purposes							25,340	25,340	1,313,436
Unrestricted							10,889,280	10,889,280	1,925,149
TOTAL NET POSITION							189,688,851	189,688,851	3,238,585

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

KING COUNTY RURAL LIBRARY DISTRICT
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities
For The Year Ending December 31, 2016

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	General Fund	Capital Project Fund 2005	General Obligation Bond Fund 2005	Construction Fund 1988	Other Non-Major Funds	TOTAL	Adjustments (Note 2B)	Statement of Activities	Component Unit KCLS Foundation
REVENUES									
Taxes	111,620,032	-	13,165,857	-	-	124,785,889	(23,942)	124,761,947	-
Intergovernmental Revenues	988,171	-	18,381	-	-	1,006,551	-	1,006,551	-
Charges for Goods and Services	96,605	-	-	-	-	96,605	-	96,605	-
Fines and Forfeits	1,355,121	-	-	-	-	1,355,121	-	1,355,121	-
Grants	5,388	-	-	-	-	5,388	-	5,388	-
Other - Capital Contributions	-	-	-	-	-	-	18,527,291	18,527,291	-
Other Revenues	1,743,432	126,240	40,241	1,799,799	314	3,710,025	10,460	3,720,485	2,095,040
TOTAL REVENUES	115,808,749	126,240	13,224,478	1,799,799	314	130,959,580	18,513,809	149,473,389	2,095,040
EXPENDITURES									
Current:									
Payroll Related	68,636,512	-	-	-	-	68,636,512	(1,061,587)	67,574,925	122,256
Other Library Operations	29,626,696	206,341	27,039	1,760,043	7,888	31,628,007	-	31,628,007	2,044,997
Depreciation							22,564,637	22,564,637	-
Capital Outlay	12,411,348	7,317,942	-	5,195,052	120	24,924,463	(24,924,463)	-	-
Debt Service:									
Principal Retirement	-	-	8,850,000	-	1,635,000	10,485,000	(10,485,000)	-	-
Interest & Related Costs & Bond Premium Amortization	-	-	4,148,800	-	40,875	4,189,675	(1,365,046)	2,824,629	-
TOTAL EXPENDITURES	110,674,556	7,524,284	13,025,839	6,955,095	1,683,883	139,863,657	(15,271,458)	124,592,199	2,167,253
Excess of Revenue Over (Under) Expenditures	5,134,193	(7,398,044)	198,640	(5,155,296)	(1,683,569)	(8,904,076)	33,785,267	24,881,191	(72,213)
OTHER FINANCING SOURCES (USES)									
Transfers-In	-	7,400,000	-	1,000,000	1,676,209	10,076,209	(10,076,209)	-	-
Transfers-Out	(10,076,209)	-	-	-	-	(10,076,209)	10,076,209	-	-
Disposition of Capital Assets	913,349	-	-	-	-	913,349	(224,628)	688,721	-
TOTAL OTHER FINANCING SOURCES (USES)	(9,162,860)	7,400,000	-	1,000,000	1,676,209	913,349	(224,628)	688,721	-
Excess of Rev and Other Sources/Special Items Over (Under) Expenditures & Other Uses	(4,028,667)	1,956	198,640	(4,155,296)	(7,360)	(7,990,727)	7,990,727	-	(72,213)
Changes in Net Position	-	-	-	-	-	-	25,569,911	25,569,911	-
FUND BALANCE/NET POSITION									
Fund Balances, January 1	59,646,351	1,943,665	1,010,888	6,592,470	31,031	69,224,406		164,118,940	3,310,801
FUND BALANCES/NET POSITION, DECEMBER 31	55,617,684	1,945,621	1,209,528	2,437,174	23,671	61,233,678		189,688,851	3,238,588

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

KING COUNTY RURAL LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

JANUARY 1, 2016 TO DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

In June of 1999 GASB issued Statement 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This statement includes significant financial reporting changes. The District elected to implement financial reporting under GASB 34 in the fiscal year ended December 31, 2002. Significant changes in the District's financial reports as a result of GASB 34 are:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall position and results of operations.
- Financial statements prepared for the District as a whole under the full accrual basis of accounting.
- A change in the fund financial statements to focus on major funds.

The District has also implemented GASB statements 37, 38, 39, 40, 45, 51, 54, 63, 65, 68, 71 and 72.

A. Reporting Entity

The King County Rural Library District (dba King County Library System) was established on January 4, 1943 and operates under the laws of the State of Washington applicable to rural library districts. The District is a special purpose government that provides library services. The District's basic financial statements include the financial position and results of operations of all funds and account groups that are controlled by the District. The statements also include information on one component unit. The component unit is discretely presented in a separate column in the District's financial statements to emphasize that it is legally separate from the District.

Discretely Presented Component Unit

The King County Library System Foundation (KCLSF) is a legally separate, tax-exempt component unit of the District. KCLSF acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. The approximately twenty-five member board of KCLSF is self-perpetuating. Although the District does not control the timing or amount of receipts from KCLSF, the majority of resources, or income thereon, that KCLSF holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by KCLSF can only be used by, or for the benefit of, the District, KCLSF is considered a component unit of the District and is discretely presented in the Districts' financial statements.

KCLSF is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to KCLSF's financial information in the District's financial reporting entity for these differences. The KCLSF is an organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Complete financial statements for the component unit may be obtained at the District's administrative offices at 960 Newport Way NW, Issaquah, WA 98027; Attn: Director of Finance.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all financial activities of the District. For the most part, the effect of interfund activities has been removed from the statements. Fiduciary funds are not included within the financial statements; the District holds no fiduciary funds in trust.

Fund financial statements are also provided. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a special purpose government the District has chosen to present the two views in single, combined statements that include reconciliation information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days 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, claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives payment.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The District reports the following major governmental funds:

General Fund

This fund is the District's operating fund. It accounts for all financial resources of the District except those required or elected to be accounted for in another fund.

Capital Project Fund 2005

This fund accounts for financial resources that are designated for the acquisition or construction of government capital projects as part of the District's ten year capital plan approved by the District's voters in 2004. Resources in this fund are comprised of general obligation bond proceeds and investment earnings of same.

Construction Bond Fund 1988

This fund accounts for financial resources that are designated for the acquisition or construction of general government capital projects. Proceeds of the 1988 bonds have been fully depleted. Resources in this fund are composed of operating fund transfers and other sources.

G.O. Bond Fund 2005

This fund accounts for the accumulation of resources to pay principal, interest and related costs for general long-term bonded debt approved by the District's constituency in 2004.

Additionally, the District Reports the following non-major funds:

Special Revenue Fund

This fund accounts for donated funds received by the District that are restricted in nature.

D. Budgetary Information

Scope of Budgets

Annual appropriated budgets are adopted for the General Fund, the Capital Project Fund 2005, and the Construction Bond Fund 1988 on the modified accrual basis of accounting. Appropriations lapse at year-end.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as an assignment of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Amending the Budgets

The Board of Trustees must approve any revisions that alter the total expenditures of the District.

When the Board of Trustees determines that it is in the best interest of the District to increase or decrease the appropriation for a particular fund, it may do so by resolution.

The budget amounts shown in the financial statement notes are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all legally authorized changes applicable for the fiscal year.

E. Assets, Liabilities, Deferred Inflows of Resources and Equities

Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. The King County Treasurer, as of December 31, 2016, was holding $67,133,001 in short-term residual investments of surplus cash for the District. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to each fund.

Investments

This category is being used to reflect the District's portion of the impaired investments balance held by the King County Investment Pool. (See Note 4)

Receivables

Taxes receivable consists of property taxes (see Property Tax-Note 5). Investment interest receivable consists of amounts earned on investments as of the end of the year.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Amounts Due to and from Other Funds and Governmental Units, and Interfund Loans

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "interfund loans receivable/payable." All other outstanding balances between funds are reported as "due to/from other funds." A separate schedule of interfund balances receivable and payable is furnished in Note 15.

Capital Assets (See Note 6)

The District defines capital assets as those assets with an initial, individual cost of more than $5,000; such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repair that does not add value to an asset or materially extend an asset's life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Buildings	40 years
Other Improvements	20 years
Machinery & Equipment	10 years
Library Materials	7-10 years
Vehicles	5 years
Software/Intangibles	5 years
Furniture, Computer & Office Equipment	5 years
Artwork	Not Depreciated

Deferred Outflows

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (e.g., cash) until that time.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide financial statements.

Vacation pay, which may be accumulated up to forty-four days, is payable upon resignation, retirement or death. Sick leave may accumulate indefinitely. Fifty percent of the outstanding sick leave is payable upon termination, if the employee has worked continuously for the District for at least 10,440 hours or for 10 years (with no minimum number of hours).

Pensions

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.

Long-Term Debt

See Long-Term Debt (Note 11).

Unavailable Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds due to the revenue recognition criteria having not been met.

Deferred Inflows

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balance Classification

The difference between assets and liabilities is reported as "Fund Balance" on the fund financial statements and as "Net Position" on the government-wide financial statements.

In governmental funds, fund balance is reported in five components: (1) nonspendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned.

Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts) or they are legally or contractually required to be maintained intact.

Restricted fund balances result from constraints imposed by law through constitutional provisions or enabling legislation or by third parties such as creditors, grantors, contributors, or laws or regulations of other governments.

Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal resolution of the Board of Trustees, the District's highest level of decision-making authority.

Assigned fund balance represents amounts that are constrained by the District's intent to be used for a specific purpose, but which are neither restricted nor committed. The Library Director and Director of Finance are authorized to assign fund balances for specific purposes.

Unassigned fund balance is the residual amount in the General Fund not included in the previous categories. Deficit fund balances in other governmental funds are reported as unassigned. See Note 19 for additional information on fund balance.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

Fund Balance - Governmental Funds	$ 61,233,678
Investment In Joint Venture.	10,000
Addition of non-depreciable capital assets that are expensed under the modified accrual basis of accounting.	39,381,565
Addition of depreciable capital assets (net of accumulated depreciation) that are expensed under the modified accrual basis of accounting.	241,914,971
Deferred Outflows Related to Pensions.	8,304,823
Deferred Amount on Refunding.	2,634,231
Long Term Liabilities (Due Within One Year).	(11,441,004)
Long Term Liabilities (Due After One Year).	(108,211,778)
Net Pension Liability.	(44,216,538)
Elimination of unavailable revenues that are recognized as revenue under full accrual accounting.	1,657,407
Deferred Inflows Related to Pensions.	(1,578,504)
Total Net Position - Governmental Funds	$ 189,688,851

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Net Change in Fund Balance - Governmental Funds	$	(7,990,727)
Adjustment to Taxes for recognition of current year portion of unavailable revenue.		(23,942)
Other capital contributions.		18,527,291
Amortization of lease incentives.		10,460
Adjustment to Payroll Expenditures for increase in estimated vacation and sick leave accrued, net OPEB obligation and net pension liability.		1,061,587
Adjustment for depreciation which is not recorded under the modified accrual basis in which purchases of capital assets are considered an expenditure.		(22,564,637)
Adjustment for capital outlay expended which is recorded under the modified accrual basis as an expenditure.		24,924,463
Retirement of long term debt.		10,485,000
Amortization of bond premium.		1,694,324
Amortization of deferred amount on refunding.		(329,279)
Book value of assets disposed of during 2016.		(224,628)
Changes in Net Position - Governmental Activities	$	25,569,911

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations and carry-over in any of the funds of the District.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. DEPOSITS

The Public Deposit Protection Commission of the State of Washington (PDPC) covers all of the District's deposits and certificates of deposit that are not covered by the Federal Deposit Insurance Corporation (FDIC). The PDPC is a statutory authority established under the Revised Code of Washington (RCW) Chapter 39.58. It constitutes a multiple financial institution collateral pool. There is no current provision for PDPC to make additional pro rata assessments if needed to cover a loss. Therefore, PDPC protection is collateral, not insurance, pursuant to Governmental Accounting and Financial Reporting Standards Section I50-110.

B. INVESTMENTS

In accordance with state law, the district's governing body has entered into a formal interlocal agreement with the district's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (the Pool).

As of December 31, 2016, the district had the following investments in the pool measured at fair value:

Investment Type – Level 1	Quoted price in active Markets for Identical Assets	Effective Duration
King County Investment Pool	$67,133,001	1.10 Years

The district reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;

Level 3: Unobservable inputs for asset or liability.

Impaired Investments. As of Dec. 31, 2016, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in one commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal is $192,491 and fair value of these investments is $119,602.

Interest Rate Risk. As of Dec. 31, 2016, the Pool's average duration was 1.10 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of Dec. 31, 2016, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, bank corporate note (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of “A-1” by two NRSROs), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer’s office.

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in possession of the District.

With respect to investments, custodial credit risk generally applies only to direct investments of marketable securities. The District does not have custodial credit risk for cash because as noted above, King County is ex officio treasurer. Custodial credit risk does not apply to the District’s indirect investments in securities through the use of mutual funds or governmental investment pools (such as the Pool). Thus no formal policy is needed.

NOTE 5 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities.

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 is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment due.

Property taxes are recorded as a receivable when levied, offset by deferred revenue. During the year, property tax revenues are recognized when cash is collected. Taxes collected by the intermediary collection entity as of year-end, but not yet remitted, are recognized as revenue. The amount of taxes receivable at year-end that would be collected soon enough to be available to pay liabilities of the current period is immaterial. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The District may levy up to $0.50 per $1,000 of assessed valuation for general governmental services, subject to three limitations:

a. *101% Limitation*. The maximum total dollar amount of regular property taxes that may be levied annually by a taxing district (including the District) without a vote of its electors is the lesser of (i) 101% of the highest levy in the three previous years (excluding new construction, improvements, and State-assessed property) or (ii) inflation as measured by the implicit price deflator.
b. *1% Aggregate Regular Levy Limitation*. Article VII, Section 2, of the State Constitution, as amended in 1973 and RCW 84.52.050, limit aggregate regular property tax levies by the State and all taxing districts, except port districts and public utility districts, to 1% of the true and fair value of property.
c. *$5.90 Per $1,000 Aggregate Non-Voted Levy Limitation*. RCW 84.52.043, as amended, imposes an aggregate limitation on non-voted tax levies by all taxing districts, except the State, port districts, and public utility districts, of $5.90 per $1,000 of assessed valuation. This statute also gives certain “senior” taxing districts a priority on the permissible aggregate levy up to their maximum authorized levy.

The District's regular levy for 2016 was $0.42 per $1,000 on an assessed valuation of $263,867,164,867 for a total regular levy of $111,983,549.

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

A. Capital Assets

Capital assets activity for the year ended December 31, 2016 was as follows:

Primary Government

Governmental Activities	Beginning Balance 01/01/16	Increases	Decreases	Ending Balance 12/31/16
Capital assets, not being depreciated:				
Land	$ 27,277,216	$ 1,831,016	$ 64,159	$ 29,044,072
Artwork	2,036,101	152,290	-	2,188,392
Construction in progress	22,701,874	12,624,221	27,176,994	8,149,101
Total capital assets, not being depreciated	52,015,191	14,607,527	27,241,153	39,381,565
Capital assets, being depreciated:				
Buildings	203,825,811	39,274,825	651,944	242,448,693
Library materials	91,404,033	11,696,376	14,000,598	89,099,810
Furniture & equipment	43,771,738	5,050,019	2,914,397	45,907,361
Intangibles	4,070,059	-	1,750,663	2,319,396
Total capital assets being depreciated	343,071,641	56,021,220	19,317,601	379,775,260
Total Capital Assets	395,086,832	70,628,747	46,558,754	419,156,825
Less accumulated depreciation for:				
Buildings	50,038,672	7,023,015	496,067	56,565,620
Library materials	43,097,774	12,023,984	13,999,410	41,122,348
Furniture & equipment	37,913,512	3,237,613	2,910,992	38,240,132
Intangibles	3,402,825	280,026	1,750,663	1,932,189
Total accumulated depreciation	134,452,784	22,564,637	19,157,132	137,860,289
Total capital assets, being depreciated, net	208,618,857	33,456,583	160,469	241,914,971
Governmental activities capital assets, net	**$ 260,634,048**	**$ 48,064,110**	**$ 27,401,622**	**$ 281,296,536**

NOTE 7 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The District has active construction projects as of December 31, 2016. Upon completion, the projects will be capitalized in the Government-wide statements in their appropriate categories. At year-end, the District's commitments with contractors are as follows:

Governmental Activities Project	Construction in Progress	Remaining Commitment
New Library Construction:		
Boulevard Park	$ 408,444	$ -
Kent East Hill	3,307	
Skyway	-	15,493
Tukwila	7,557,645	1,200,807
Renovation Projects:		
Kingsgate	-	4,190
Mercer Island	-	15,000
Southcenter	179,705	
White Center	-	6,124
Total Governmental Activities	**$ 8,149,101**	**$ 1,241,614**

-

B. Other Commitments

The District does not have other commitments in the year ended December 31, 2016.

NOTE 8 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 44,216,538
Deferred outflows of resources	$ 8,304,823
Deferred inflows of resources	$ 1,578,504
Pension expense/expenditures	$ 3,421,016

State Sponsored Pension Plans

Substantially all the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems 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 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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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 plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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 and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1

Actual Contribution Rates:	**Employer**	**Employee**
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**12.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 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 2 members are vested after completing five years of eligible service. 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, 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

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL 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 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3

Actual Contribution Rates:	Employer	Employee
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**

The District's actual PERS plan contributions were $2,192,787 to PERS Plan 1 and $2,730,815 to PERS Plan 2/3 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation

- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all systems, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

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. 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 2/3 employers, whose rates include a component for the PERS 1 liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 24,839,390	$ 20,598,227	$ 16,948,445
PERS 2/3	$ 43,485,558	$ 23,618,311	$ (12,294,694)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

At June 30, 2016, the District) reported a total pension liability of $44,216,538 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 20,598,227
PERS 2/3	$ 23,618,311

At June 30, the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.404100%	0.383546%	-0.020554%
PERS 2/3	0.494407%	0.469090%	-0.025317%

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*.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ (26,651)
PERS 2/3	3,447,667
TOTAL	**$ 3,421,016**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ 518,631	$ -
Contributions subsequent to the measurement date	1,093,871	-
PERS 2/3		
Differences between expected and actual experience	1,257,658	779,679
Net difference between projected and actual investment earnings on pension plan investments	2,890,200	-
Changes of assumptions	244,114	-
Changes in proportion and differences between contributions and proportionate share of contributions	936,383	798,825
Contributions subsequent to the measurement date	1,363,966	-
TOTAL	**$ 8,304,823**	**$ 1,578,504**

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

Year ended December 31:	PERS 1	PERS 2/3
2017	$ (127,698)	$ 156,842
2018	$ (127,698)	$ 156,842
2019	$ 476,307	$ 2,116,314
2020	$ 297,720	$ 1,319,854

NOTE 9 – RISK MANAGEMENT

The District's risks are typical for libraries, and include such areas as theft, destruction of property, automobiles, accidents/injuries by staff and customers, legal, liability, safety and hazards, water damage, and earthquakes.

The District maintains insurance against most normal hazards. However, the District has elected to be self-insured for unemployment. Actual expenditures for unemployment claims for the year ended December 31, 2016 were $46,222. Over the last four years, total annual claims ranged from $6,839 to $46,222.

The District has a Safety Committee in place that monitors and reviews safety-related concerns and reports, and makes recommendations for safety improvements.

Liability claims settlements and loss expenses are covered by insurance less applicable deductibles. Liability insurance of a $2.0 million aggregate limit is maintained, plus $20 million umbrella coverage. There have been no claims against the District in the past three years that have exceeded insurance coverage.

NOTE 10 – SHORT-TERM DEBT

The District issued no short-term debt in the year ended December 31, 2016.

NOTE 11 – LONG-TERM DEBT

Primary Government

C. Long-Term Debt

The District issues general obligation bonds to finance the construction of libraries, as well as associated furniture, fixtures, and library collections. General obligation bonds have been issued for general government activities and are being repaid from applicable resources.
General obligation bonds currently outstanding are as follows:

Issue Name	Amount Issued	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
Rural Library UTGO 2009	71,560,000	2,760,000 - 7,295,000	12/1/2021	3.0% - 4.0%	$30,365,000
Rural Library UTGO 2010	9,085,000	1,500,000 - 1,635,000	6/1/2016	5.0%	-
Rural Library UTOGO 2012	26,825,000	1,750,000 - 4,450,000	12/1/2021	2.0% - 4.0%	18,690,000
Rural Library UTGO 2012-Refunding	49,665,000	5,330,000 - 15,670,000	12/1/2024	4.0%	49,665,000
Total General Obligation Bonds					**$98,720,000**

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Principal	Interest
2017	$ 9,490,000	$ 3,883,300
2018	10,055,000	3,569,200
2019	10,755,000	3,167,000
2020	11,545,000	2,736,800
2021	12,540,000	2,275,000
2022	13,920,000	1,773,400
2023-2024	30,415,000	1,843,400
Total	**$98,720,000**	**$19,248,100**

As of December 31, 2016, the District has $1,136,054 available in debt service funds to service general obligation bonded debt.

NOTE 12 – LEASES

Operating Leases

The District leases building space to use as library facilities and storage facilities; and photocopiers for branch and administrative departments under non-cancelable operating leases. The total cost for such leases was $1,866,683 for the year ended December 31, 2016. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2017	$ 1,926,305
2018	2,031,928
2019	1,828,103
2020	1,486,186
2021	1,069,978
2022-2026	3,598,536
Total	**$ 11,941,035**

NOTE 13 – CHANGES IN LONG TERM LIABILITIES

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance Jan. 1, 2016	Additions	Reductions	Ending Balance Dec. 31, 2016	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	$ 109,205,000	$ -	$ 10,485,000	$ 98,720,000	$ 9,490,000
Bond issuance premium	11,608,239	-	1,694,324	9,913,914	1,520,111
Total bonds payable	**120,813,239**	**-**	**12,179,324**	**108,633,914**	**11,010,111**
Real estate purchase option	262,500	-	-	262,500	-
Lease Incentives	10,460	-	10,460	-	-
Due to other governments	1,260,000	-	-	1,260,000	-
OPEB obligation	1,361,404	197,414	118,517	1,440,301	-
Net Pension Liability	38,803,632	44,216,538	38,803,632	44,216,538	-
Compensated absences	7,693,966	6,247,774	5,885,672	8,056,068	430,894
Governmental activity long-term liabilities:	**$170,205,200**	**$50,661,726**	**$56,997,605**	**$163,869,321**	**$11,441,004**

In 2011, the District sold a real estate purchase option to the City of Auburn. The City has the right to purchase a parcel of land that provides parking space in the event that the District ceases to operate a library on the site.

In 2013, the District purchased three parcels of land from the Washington State Housing Finance Commission for $1,260,000. The term of the loan is 30 years with one 20 year extension.

NOTE 14 – CONTINGENCIES AND LITIGATIONS

The District has recorded in its financial statements all material liabilities, including an estimate for situations that are not yet resolved but where, based on available information, management believes it is probable that the District will have to make payment. In the opinion of management, the District's insurance and self-insurance reserves are adequate to pay all known or pending claims.

The District participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grants. Other than the instances described above, District management believes that such disallowances, if any, will be immaterial.

NOTE 15 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

There were no interfund balances as of December 31, 2016.

B. Interfund Transfers

Interfund transfers for the fiscal year ending December 31, 2016 were as follows:

Transfer To/From Other Funds:

Transfer From	Transfer To	
General Fund	GO Bond Fund 2010	$ 1,676,209
General Fund	Construction Bond Fund 1988	1,000,000
General Fund	Capital Projects Fund 2005	7,400,000
	Total	**$ 10,076,209**

A transfer of $1,676,209 from the General Fund to the GO Bond Fund 2010 was made to provide funds necessary for debt service on the 2010 Limited Tax GO bonds.

A transfer of $1,000,000 was made from the General Fund to the Construction Bond Fund 1988 for the completion of the Tukwila Library.

A transfer of $7,400,000 was made from the General Fund to the Capital Library Projects Fund 2005 for library renovations. This funding is intended for capital renovations included in the District's ten-year capital plan.

NOTE 16 - LIBRARY CAPITAL FACILITIES AREAS

Capital Facility Areas are separate municipal governments under chapter 27.15, Revised Code of Washington (the "Act"), which permitted the creation of Library Capital Facility Areas for the purpose of financing the construction of library capital facilities. Defined as an independent taxing district under the Act, a Library Capital Facility Area is formed when a library district, city, or town requests a county legislative authority to both establish an Area and submits a ballot proposition to create a Library Capital Facility Area, and the ballot proposition is passed by a majority vote in a general election.

Once formed, a Library Capital Facility Area may construct, acquire, maintain, and remodel library capital facilities and it may contract with a county, city, town, or library district to design, administer the construction of, operate or maintain library capital facilities financed under this legislation. Both the Redmond Library Capital Facility Area and the Issaquah Library Capital Facility Area have contracts with the District to perform these functions.

NOTE 17 – JOINT VENTURE

The District and the City of Burien jointly began operating the King County Library System and City of Burien Condominium Association (the Association) in July 2009. The Association provides property management services for the jointly-owned building housing the City of Burien City Hall and the Burien Library (a branch of the District). The Association is governed by a three-member board composed of two appointees from the District and one from the City.

The District is obligated to remit funds to cover two-thirds of the annual operating costs for the shared facility, based on its proportionate share of the square footage, and the City is obligated to remit one-third of the annual operating costs. The Association has designated the District as its Manager, responsible for handling administrative and accounting functions, for which the City pays an annual fee to the District of $10,000.

The District's equity interest in the Association was $10,000 on December 31, 2016. Financial statements for the Association can be obtained from the Director of Finance, King County Library System, 960 Newport Way NW, Issaquah, WA 98027.

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Plan Description

The District administers a healthcare plan for its eligible employees, retirees, and their dependents - the King County Rural Library District Healthcare Plan, which is a single-employer defined benefit healthcare plan. The administration of the District is the authority under which benefit provisions are established or amended. The District makes contributions into the plan for its eligible employees. Dependent and retiree coverage is funded by contributions from plan members. While retiree (and retiree spouse) coverage is at the cost of the retiree, the pre- age 65 contribution rates are a blended rate with covered employees. This creates an implicit rate subsidy which subjects the District to the reporting requirements of GASB 45. The plan does not issue a stand-alone financial report. Further details regarding the plan may be obtained by contacting the District.

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements.

Retirees paid the following monthly rates for pre- age 65 medical coverage for 2016:

	Premera HD	Premera Heritage	Group Health Cooperative
Retiree Only	$ 515.97	$ 971.36	$ 583.61
Retiree & Spouse	$ 848.54	$1,594.23	$ 959.48
Retiree & Child(ren)	$ 695.14	$1,308.55	$ 785.15
Family	$1,027.68	$1,931.45	$1,161.02

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2009. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB.

Determination of Annual Required Contribution	**December 31, 2016**
Normal Cost at year end	$ 115,613
Amortization of UAAL	102,545
Annual Required Contribution (ARC)	$ 218,158
Determination of Net OPEB Obligation	
Annual Required Contribution	$ 218,158
Interest on prior year Net OPEB Obligation	47,649
Adjustment to ARC	(68,393)
Annual OPEB Cost	197,414
Contribution made*	118,517
Increase in Net OPEB Obligation	$ 78,897
Net OPEB Obligation -Beginning of the Year	$1,361,404
Net OPEB Obligation -End of Year	$1,440,301

**Estimated based on retiree benefit amounts.*

The District's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	$ 197,414	60.03%	$1,440,301
12/31/2015	$ 320,450	36.64%	$1,361,404
12/31/2014	$ 324,462	48.16%	$1,158,369
12/31/2013	$ 317,255	47.76%	$ 990,164
12/31/2012	$ 320,167	37.79%	$ 824,421
12/31/2011	$ 250,069	36.15%	$ 625,250
12/31/2010	$ 250,942	42.91%	$ 465,584
12/31/2009	$ 249,853	36.87%	$ 322,308
12/31/2008	$ 248,314	33.72%	$ 164,572

Funded Status and Funding Progress

As of December 31, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $2.04 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $2.04 million. The covered payroll (annual payroll of active employees covered by the plan) was $44.15 million, and the ratio of the UAAL to the covered payroll was 4.62%.

Actuarial valuations 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the December 31, 2016 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions used included an inflation rate of 2.5%, a 3.5% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits, and a projected salary increase of 2.5% per year. Healthcare costs were assumed to increase by 8.9% in the initial year, with a downward trend thereafter to an ultimate rate of 3.9%.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at December 31, 2016 was 22 years.

NOTE 19 – FUND BALANCE CLASSIFICATION

The following table displays in detail the December 31, 2016 fund balances that are reported in the aggregate on the governmental funds' balance sheet:

Fund Balances:	General	Capital Project Fund 2005	GO Bond Fund 2005	Construction Fund 1988	Other Non-major Funds
Nonspendable:					
Prepaid Items	$ 1,026,716	$ -	$ -	$ -	$ -
Restricted:					
Debt Service	-	-	1,209,528	-	-
Library Construction Projects	-	-	-	-	-
Other Purposes	-	-	-	-	23,671
Assigned:					
Debt Service	-	-	-	-	-
Library Operations	660,859	-	-	-	-
Library Construction Projects	-	1,945,621	-	2,437,174	-
Unassigned:	53,930,109	-	-	-	-
Total Fund Balance	**$55,617,684**	**$ 1,945,621**	**$1,209,528**	**$ 2,437,174**	**$ 23,671**

NOTE 20 – SUBSEQUENT EVENTS

On April 26, 2017, the King County Library Board of Trustees approved a contract with the Local 1857 Main Unit which represents approximately 610 district employees. It was executed by the Interim Library Director on April 27, 2017. Part of the agreement included retroactive pay for certain library employees for calendar year 2016 equal to 1.75% of 2016 compensable wages, less required and authorized deductions. The financial impact to the District will be $364,258 on May 26, 2017 when the payroll payments are made. A four year contract was negotiated with the union and will expire on December 31, 2019.

NOTE 21 – UNUSUAL TRANSACTION

Per the terms of an interlocal agreement with the City of Renton in 2011, the District was deeded the ownership of two newly constructed libraries (Renton Downtown and Renton Highlands) in 2016. The City retains the ownership of the land beneath the libraries and leases it to the District per the terms of a 50 year ground lease, renewable for two additional 50 year terms, as long as the buildings are owned and operated as public libraries. Therefore, the District recorded an adjustment in 2016 for the amount of approximately $18.5 million as “Other – Capital Contributions” on the Statement of Activities. The District is responsible for the operation, staffing and maintenance of the libraries.

KING COUNTY RURAL LIBRARY DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Budgetary Fund Balance, January 1	$56,997,705	$56,997,705	$59,646,351	$2,648,646
Resources (inflows):				
Taxes	111,745,955	111,745,955	111,620,032	(125,923)
Intergovernmental Revenues	516,000	516,000	988,171	472,171
Charges for Services	380,000	380,000	96,605	(283,395)
Fines and Forfeits	1,250,000	1,250,000	1,355,121	105,121
Sale of General Fixed Assets	15,000	15,000	913,349	898,349
Other Revenues	1,090,000	1,090,000	1,689,655	599,655
Amounts available for appropriation	171,994,660	171,994,660	176,309,284	4,314,624
Charges to appropriations (outflows)				
Library Operations	102,557,031	102,557,031	98,263,208	4,293,823
Capital Outlay	12,174,335	12,174,335	12,411,348	(237,013)
Transfer to/from other funds	10,075,875	10,075,875	10,076,209	(334)
Total charges to appropriations	124,807,241	124,807,241	120,750,765	4,056,476
Budgetary Fund Balance, December 31	$47,187,419	$47,187,419	$55,558,519	$8,371,100

BUDGET TO GAAP RECONCILIATION FOR BUDGETARY COMPARISON SCHEDULE

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$176,309,284
Differences -- budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(59,646,351)
The proceeds from the sale of fixed assets are a budgetary resource but are regarded as an other financing source, rather than revenue, for financial reporting purposes.	(913,349)
GAAP requires investments to be reported at fair value with changes in fair value reported as investment income. Budgetary basis reflects investments reported at net asset value.	59,165
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds.	**$115,808,749**
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	$120,750,765
Differences -- budget to GAAP:	
Transfers to/from other funds are outflows/inflows of budgetary resources but are not expenditures for financial reporting purposes.	(10,076,209)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	**$110,674,556**

Schedule of Funding Progress - Post Employment Benefits other than Pension

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered payroll	UAAL As a Percentage of Covered Payroll
12/31/2008	$ -	$ 2,890,492	$ 2,890,492	0%	$ 33,999,115	8.50%
12/31/2010	$ -	$ 2,808,273	$ 2,808,273	0%	$ 37,680,694	7.45%
12/31/2012	$ -	$ 3,391,731	$ 3,391,731	0%	$ 38,534,472	8.80%
12/31/2014	$ -	$ 3,327,427	$ 3,327,427	0%	$ 40,867,709	8.14%
12/31/2016	$ -	$ 2,041,215	$ 2,041,215	0%	$ 44,150,560	4.62%

Annual OPEB Costs - Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	$ 248,314	33.72%	$ 164,572
12/31/2009	$ 249,853	36.87%	$ 322,308
12/31/2010	$ 250,942	42.91%	$ 465,584
12/31/2011	$ 250,069	36.15%	$ 625,250
12/31/2012	$ 320,167	37.79%	$ 824,421
12/31/2013	$ 317,255	47.76%	$ 990,164
12/31/2014	$ 324,462	48.16%	$ 1,158,369
12/31/2015	$ 320,450	36.64%	$ 1,361,404
12/31/2016	$ 197,414	60.03%	$ 1,440,301

King County Rural Library District

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

	2014	2015	2016
Employer's proportion of the net pension liability (asset)	0.375854%	0.404100%	0.383546%
Employer's proportionate share of the net pension liability	$18,933,822	$21,138,188	$20,598,227
Employer's covered employee payroll	$41,744,628	$43,420,907	$44,705,932
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.36%	48.68%	46.07%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%

Note:
This schedule will be built prospectively until it contains ten years of data.

King County Rural Library District

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30

	2014	2015	2016
Employer's proportion of the net pension liability (asset)	0.453180%	0.494407%	0.469090%
Employer's proportionate share of the net pension liability	$ 9,160,404	$17,665,444	$23,618,311
Employer's covered employee payroll	$40,547,255	$42,394,115	$43,738,585
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	22.59%	41.67%	54.00%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%

Note:
This schedule will be built prospectively until it contains ten years of data.

King County Rural Library District
Schedule of Employer Contributions
PERS 1
As of December 31

	2014	2015	2016
Statutorily or contractually required contributions	$ 1,773,622	$ 1,995,718	$ 2,192,787
Contributions in relation to the statutorily or contractually required contributions	$ (1,773,622)	$ (1,995,718)	$ (2,192,787)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employer payroll	$ 42,597,951	$ 44,320,532	$ 44,764,491
Contributions as a percentage of covered employee payroll	4.16%	4.50%	4.90%

Note:
This schedule will be built prospectively until it contains ten years of data.

King County Rural Library District
Schedule of Employer Contributions
PERS 2/3
As of December 31

	2014	2015	2016
Statutorily or contractually required contributions	$ 2,072,949	$ 2,443,832	$ 2,730,815
Contributions in relation to the statutorily or contractually required contributions	$ (2,072,949)	$ (2,443,832)	$ (2,730,815)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employer payroll	$ 41,512,339	$ 43,347,677	$ 43,803,742
Contributions as a percentage of covered employee payroll	4.99%	5.64%	6.23%

Note:
This schedule will be built prospectively until it contains ten years of data.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov