



**Office of the Washington State Auditor**  
**Pat McCarthy**

# **Financial Statements and Federal Single Audit Report**

## **King County**

**For the period January 1, 2019 through December 31, 2019**

**Published December 21, 2020**

**Report No. 1027490**





**Office of the Washington State Auditor  
Pat McCarthy**

December 21, 2020

Council and Executive  
King County  
Seattle, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on King County's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	7
Schedule of Federal Award Findings and Questioned Costs.....	10
Summary Schedule of Prior Audit Findings .....	15
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.....	18
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	21
Independent Auditor's Report on Financial Statements.....	25
Financial Section.....	29
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	31
About the State Auditor's Office.....	33

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## King County January 1, 2019 through December 31, 2019

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of King County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the County.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County's compliance with requirements applicable to each of its major federal programs.

We reported a finding that is required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.239	Home Investment Partnerships Program
14.267	Continuum of Care Program
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.525	Federal Transit Cluster – State of Good Repair Grants Program
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs
66.123	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program
93.778	Medicaid Cluster – Medical Assistance Program
93.914	HIV Emergency Relief Project Grants
97.067	Homeland Security Grant Program
97.075	Rail and Transit Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$3,000,000.

The County did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2019-001.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See Finding 2019-002.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### King County

January 1, 2019 through December 31, 2019

**2019-001    The County did not report the External Investment Pool as a separate column on the Fiduciary Statements in accordance with governmental accounting standards.**

#### *Background*

County councilmembers, state and federal agencies, and the public rely on the information included in the financial statements and report to make decisions. County management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified a significant deficiency in internal controls over financial reporting that affected the County's ability to produce accurate financial statements.

The County is the ex-officio treasurer for special-purpose districts in King County and invests funds of special-purpose districts in the County's Investment Pool Fund. Custodial Funds are used to report cash received and disbursed in the County's capacity as ex-officio treasurer or collection agent for special districts and other governments and investment activity conducted by King County on behalf of legally separate entities. The County uses Investment Funds to report investment activity engaged in on behalf of legally separate entities.

#### *Description of Condition*

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* during fiscal year 2019. GASB 84 requires the external portion of investment pools that are not held in a trust to be reported in a separate external investment pool fund column, under the custodial funds classification. The County reported the external investment pool under the custodial fund column and not as a separate column.

The County receipted cash received in the County's capacity as ex-officio treasurer in a Custodial Fund and then transferred the cash to the Investment Pool. The County reported this as an addition in the Investment Pool but did not show the corresponding deduction in the Custodial Fund. Similarly, the County transferred cash from the investment pool to the

Custodial Fund when a special-purpose District requested a disbursement. The County reported this as a deduction in the Investment Pool but did not show the corresponding addition to the Custodial Fund.

### ***Cause of Condition***

Although the County dedicated time and resources to research and implement the new GASB statement, it misinterpreted the accounting standard and applicable accounting treatment for these items.

### ***Effect of Condition***

The County did not report Investment Pool assets of \$3.9 billion, additions of \$9.6 billion, and deductions of \$9.8 billion as a separate column on the Fiduciary Funds statements. Additionally, the County reported pool participant contributions and deductions of \$9.5 billion and \$9.8 billion in the Investment Pool Custodial Fund but did not report the corresponding additions and deductions in the Custodial Funds. The County corrected this on the final version of the financial statements.

### ***Recommendation***

We recommend the County strengthen internal controls to ensure it has considered all relevant information regarding implementation of complex new GASB standards.

### ***County's Response***

*The County thanks the Washington State Auditor's Office for its review of the County's 2019 financial statements, and for the exceptional skill the audit team brought to this issue. The state of Washington has a unique regulation that mandates counties serve as the ex-officio treasurer of all special purpose districts located within the government's political boundaries. For effective cash management, the County pools resources from these governments for investment purposes. The presentation issue identified by the Auditor impacted only the reporting of these funds held by the County on behalf of other governments, and did not impact the total balances reported or how the County managed those resources.*

*The County concurs with the Auditor that it misinterpreted the Governmental Accounting Standard Board's (GASB) intent to display external investment pools in the basic financial statements. This misunderstanding about where in the CAFR package to present the external investment pool led to the Auditor's secondary presentation*



*concern regarding the display of transfers between participant governments and the external pool. The County contacted GASB after learning of the Auditor's concern and changed the presentation to match guidance from GASB staff.*

*The County spent over 350 hours on its GASB 84 implementation activities, including attendance at numerous training sessions offered by governmental accounting professional organizations, none of which addressed the presentation issue raised by the Auditor. Similarly, the GASB did not provide any examples in GASB 84 which showed external investment pools legally structured like the County's.*

### ***Auditor's Remarks***

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next audit.

### ***Applicable Laws and Regulations***

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*

The *Budgeting, Accounting and Reporting System* (BARS) manual, 4.3.5, Fiduciary Funds Financial Statements

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### King County

January 1, 2019 through December 31, 2019

**2019-002** The County improperly charged the program for expenditures incurred outside the period of performance. In addition, the County did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.

<b>CFDA Number and Title:</b>	14.267 Continuum of Care Program
<b>Federal Grantor Name:</b>	Department of Housing and Urban Development
<b>Federal Award/Contract Number:</b>	Too numerous to list
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$27,416

### *Background*

During the fiscal year 2019, the County spent \$18.8 million in Continuum of Care Program (Program) funds.

The Program is designed to: (1) promote community-wide commitment to the goal of ending homelessness; (2) provide funding for efforts by non-profit providers, states and local governments to quickly re-house homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families and communities by homelessness; (3) promote access to and effective use of mainstream programs by homeless individuals and families; and (4) optimize self-sufficiency among individuals and families experiencing homelessness.

Federal regulations require recipients to establish and maintain internal controls to ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

### *Performance period*

During 2019, the Department of Housing and Urban Development awarded 32 contracts to the County. Each award specifies a performance period during which program costs may be obligated or liquidated. Federal requirements prohibit grant recipients from charging costs incurred outside of the award period without prior approval from the grantor.

### *Suspension and debarment*

Federal requirements prohibit grant recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the County contracts for goods and services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, or makes a subaward regardless of award amount, it must verify the contractor or subrecipient is not suspended or debarred or otherwise excluded. The County can obtain a written certification from the contractor or subrecipient or insert a clause into the contract where the contractor or subrecipient states it is not suspended or debarred. Alternatively, the County may review the federal Excluded Parties List (EPLS) issued by the U.S. General Services Administration. This verification must be performed before entering a contract or making a subaward.

## ***Description of Condition***

### *Performance period*

The County had adequate internal controls to ensure it materially complied with the period of performance requirement. However, we found it charged the program \$27,416 for subrecipients' payroll costs and other expenses incurred before the award period without prior approval.

This issue was not reported as a finding in the prior audit.

### *Suspension and debarment*

The County has established procedures to include a suspension and debarment clause in its contract templates for contractors and subrecipients. However, for one of 11 contractors and subrecipients tested, it did not follow its established procedures. The County did not obtain a written certification, insert a clause into a contract or review EPLS to verify one subrecipient, a local government, was not suspended or debarred from participating in federal programs.

We consider this deficiency in internal controls to be a significant deficiency.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

#### ***Performance period***

The County staff did not perform an adequate review of expenditures to ensure all costs charged to the program were incurred within the performance period. Additionally, the County did not require any detailed supporting documentation from one subrecipient for some costs because it considered the subrecipient low risk.

#### ***Suspension and debarment***

The County is aware of the suspension and debarment requirements. However, the County did not consider the local government to be a subrecipient or a contractor because they were joint applicants for the program. The County was not aware the grantor considered the local government to be a subrecipient of the County's program and did not verify the subrecipient's status.

### ***Effect of Condition and Questioned Costs***

#### ***Performance period***

We tested \$1,158,862 out of \$1,176,882 in expenditures charged to the program that the County incurred close to the start date of the award period. We are questioning costs of \$27,416 charged to the program before the start of the performance period.

Federal regulations require us to report known questioned costs that are greater than \$25,000 for each type of compliance requirement. We question costs when we find the County has not complied with grant regulations and/or when it does not have adequate documentation to support expenditures.

#### ***Suspension and debarment***

Without adequate internal controls over suspension and debarment requirements, the County cannot guarantee it pays federal funds only to eligible subrecipients. Any payments made to an ineligible party would be subject to recovery by the grantor.

We verified that the subrecipient was not suspended or debarred. Therefore, we are not questioning the related costs.

### ***Recommendations***

We recommend the County:

- Monitor costs charged to the program to ensure they are obligated during the performance period
- Follow its established internal controls to comply with suspension and debarment requirements and verify the suspension and debarment status for all subrecipients before it makes subawards

### ***County's Response***

*The County would like to thank the Washington State Auditor's Office for its conclusions, communications and collaboration during the audit. We agree with the finding and recommendations and have taken the following actions:*

#### **Period of Performance**

*Effective October 1, 2020, the County required all Continuum of Care subrecipients to clearly provide the pay periods included in their request for payment. Additionally, the County will be amending subrecipient contracts to clearly state that all charges, including payroll, must fall within the grant period of performance. Lastly, the County staff who manage and administer this grant, will review all invoice service and/or purchase dates against the grant start and end dates. This will ensure that charges from another grant period are not included. The process was implemented in the fourth quarter of 2020.*

#### **Suspension and debarment**

*The County would like to emphasize that there was only one contract in the audit selection that did not include a suspension and debarment clause and did not follow established procedures. This was an isolated incident. In this particular case, the local government acting as a subrecipient was the City of Seattle. The verification process to confirm that the City of Seattle was not suspended or debarred was completed in the fourth quarter of 2020. The County has trained all divisional grants administrators to follow federal requirements for suspension and debarment.*

### ***Auditor's Remarks***

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### ***Applicable Laws and Regulations***

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, establishes requirements for management of Federal awards to non-Federal entities.

#### ***Period of performance***

Title 2 CFR Part 200, Uniform Guidance, section 309 Period of Performance, establishes requirements for period of performance.

#### ***Suspension and debarment***

Title 2 CFR Part 200, Uniform Guidance, section 213 – Suspension and Debarment, establishes suspension and debarment requirements

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Government wide Department and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### King County January 1, 2019 through December 31, 2019

This schedule presents the status of federal findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2018 through December 31, 2018	<b>Report Ref. No.:</b> 1024651	<b>Finding Ref. No.:</b> 2018-001	<b>CFDA Number(s):</b> 93.898
<b>Federal Program Name and Granting Agency:</b> Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations Department of Health and Human Services		<b>Pass-Through Agency Name:</b> Washington State Department of Health	
<b>Finding Caption:</b> The County did not have adequate internal controls to ensure compliance with federal procurement requirements.			
<b>Background:</b> In 2018, the County paid over \$576,000 for 37 service contracts to provide breast and cervical health screening and other related services, which were subject to federal procurement requirements. Of the 37 contracts, we reviewed 12 contracts totaling \$432,000 and found: <ul style="list-style-type: none"><li>• For all 12 contracts, the County could not provide documentation to demonstrate it competitively procured the contracts.</li><li>• For five contracts exceeding \$50,000, the County did not have documentation to demonstrate that it performed a cost or price analysis, as required.</li></ul> In addition, the County had established general procurement policies that included applicable federal, state and local regulations; however, the policies did not include all of the federal procurement requirements specifically outlined in the Uniform Guidance. We considered this deficiency in internal controls to be a material weakness.			

<b>Status of Corrective Action: (check one)</b>			
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<b>Corrective Action Taken:</b>			
<i>Public Health-Seattle &amp; King County:</i>			
<ul style="list-style-type: none"> <li>• <i>Developed workarounds in the current version of the contract management system to ensure waiver options adhere to the requirements outlined in the Uniform Guidance.</i></li> <li>• <i>Maintains a contract repository system to retain proper documentation, in order to demonstrate compliance with federal procurement requirements.</i></li> <li>• <i>Continues to train staff and monitor compliance with the Uniform Guidance federal procurement requirements, including Request for Proposal (RFP), cost/price analysis, waivers and micro-purchase thresholds.</i></li> </ul>			
<p><i>The Finance and Business Operations Division (FBOD) revised the County's central procurement policy as of April 2020. FBOD also developed a Federal Procurement Requirements central portal providing agencies with guidance when procuring with federal funds. In addition, all of FBOD's procurement procedures covering the RFP process, cost/price analysis, procurement waivers, micro-purchase thresholds and Disadvantaged Business Enterprises (DBE) contract language were updated in the spring and summer of 2020.</i></p>			

<b>Audit Period:</b> January 1, 2018 through December 31, 2018	<b>Report Reference No.:</b> 1024651	<b>Finding Ref. No.:</b> 2018-002	<b>CFDA Number(s):</b> 93.914
<b>Federal Program Name and Granting Agency:</b> HIV Emergency Relief Project Grant Department of Health and Human Services		<b>Pass-Through Agency Name:</b> N/A	
<b>Finding Caption:</b> The County did not have adequate internal controls to ensure compliance with federal procurement requirements.			
<b>Background:</b> In 2018, County paid over \$1.34 million for 44 service contracts to provide dental services, which were subject to federal procurement requirements. Of the 44 contracts, we reviewed 13 contracts totaling \$990,650 and found: <ul style="list-style-type: none"><li>For all 13 contracts, the County could not provide documentation to demonstrate it competitively procured the contracts.</li></ul>			



- For six contracts exceeding \$50,000, the County did not have documentation to demonstrate that it performed a cost or price analysis, as required.

In addition, the County paid about \$3,800 throughout the year to one vendor for box lunches. The County did not obtain quotes for this service as required by policy.

Further, the County had established general procurement policies that included applicable federal, state and local regulations; however, the policies did not include all of the federal procurement requirements specifically outlined in the Uniform Guidance.

We considered this deficiency of internal controls to be a material weakness.

**Status of Corrective Action: (check one)**

☒ Fully Corrected      ☐ Partially Corrected      ☐ Not Corrected      ☐ Finding is considered no longer valid

**Corrective Action Taken:**

*Public Health-Seattle & King County:*

- *Developed workarounds in the current version of the contract management system to ensure waiver options adhere to the requirements outlined in the Uniform Guidance.*
- *Maintains a contract repository system to retain proper documentation, in order to demonstrate compliance with federal procurement requirements.*
- *Continues to train staff and monitor compliance with the Uniform Guidance federal procurement requirements, including RFP, cost/price analysis, waivers and micro purchase thresholds.*

*The Finance and Business Operations Division (FBOD) revised the County's central procurement policy as of April 2020. FBOD also developed a Federal Procurement Requirements central portal providing agencies with guidance when procuring with federal funds. In addition, all of FBOD's procurement procedures covering the RFP process, cost/price analysis, procurement waivers, micro-purchase thresholds and Disadvantaged Business Enterprises (DBE) contract language were updated in the spring and summer of 2020.*

**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  
January 1, 2019 through December 31, 2019**

Council and Executive  
King County  
Seattle, 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of King County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 27, 2020.

Our report includes a reference to other auditors who audited the financial statements of the Public Transportation, Water Quality Enterprise, and Solid Waste funds, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2019, the County implemented Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 84, *Fiduciary Activities*.

As discussed in Note 20 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the County. Management's plans in response to this matter are also described in Note 20.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 County'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 that we consider to be significant deficiencies.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County'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 and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## COUNTY'S RESPONSE TO FINDINGS

The County's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 County'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 County'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  
State Auditor  
Olympia, WA

July 27, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**King County  
January 1, 2019 through December 31, 2019**

Council and Executive  
King County  
Seattle, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of King County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of the Harborview Medical Center, which expended \$6,590,792 in federal awards, which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2019. Our audit, described below, did not include the operations of the Harborview Medical Center because it has arranged for a separate audit of its federal awards in accordance with the Uniform Guidance.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the

United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

### **County's Response to Findings**

The County's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2019-002, that we consider to be significant deficiencies.

### County's Response to Findings

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.

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

December 10, 2020



# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **King County** **January 1, 2019 through December 31, 2019**

Council and Executive  
King County  
Seattle, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of King County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 29.

### **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 Public Transportation, Water Quality, or Solid Waste funds, which in aggregate represent 97 percent, 94 percent, and 96 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Transportation, Water Quality, and Solid Waste 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.

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.

## **Opinions**

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, 2019, 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 2019, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 20 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the County. Management's plans in response to this matter are also described in Note 20. 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 on page 29 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.

### *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 as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule 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 basic financial statements. The information has been subjected to the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2020 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. 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.

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

July 27, 2020

## FINANCIAL SECTION

### **King County** **January 1, 2019 through December 31, 2019**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2019

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet - Governmental Funds– 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2019

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of  
Governmental Funds to the Statement of Activities – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2019

Statement of Cash Flows – Proprietary Funds – 2019

Statement of Fiduciary Net Position – Fiduciary Funds – 2019

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2019

Statement of Net Position –Component Units – 2019

Statement of Activities –Component Units - 2019

Notes to Financial Statements – 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
– General Fund – 2019

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
– Behavioral Health Fund – 2019

Schedules of the County's Proportionate Share of the Net Pension Liability – PERS

Plan 1, PERS Plan 2/3, PSERS Plan 2, LEOFF Plan 1, LEOFF Plan 2, SCERS – 2019

Schedules of Contributions – PERS Plan 1, PERS Plan 2/3, PSERS Plan 2, LEOFF  
Plan 2, SCERS – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – King County Retiree  
Health Plan – 2019  
Condition Assessments and Preservation of Infrastructure Eligible for Modified  
Approach – 2019

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2019  
Notes to the Schedule of Expenditures of Federal Awards – 2019

## 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, 2019. 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, 2019, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$7.24 billion (referred to as *net position* of the primary government). Of this amount, \$982 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 6 percent or \$434 million over last year mainly because of capital asset acquisitions and construction that did not utilize borrowing. The Puget Sound Emergency Radio Network levy collections have been sufficient to support its capital construction activities, avoiding previously anticipated borrowing. The county also decided to fund the Patricia H. Clark Child and Family Justice Center construction through current revenues.
- The governmental activities component of net position grew by 8 percent or \$258 million over last year while the business-type activities component gained 5 percent or \$176 million.
- The County's governmental funds reported combined fund balances of \$1,045 million, an increase of \$62 million over the prior year. Approximately 9 percent or \$93 million of this amount is unassigned fund balance which is available for spending at the government's discretion.
- Unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) for the General Fund was \$182 million, or approximately 22 percent of total annual General Fund expenditures. Total fund balance for the General Fund increased 12 percent or \$20 million from the prior year.
- Total liabilities of the County increased by 3 percent or \$174 million in 2019. However, the largest component of liabilities is debt, which decreased 2 percent or \$117 million. Governmental activities issued new general obligation bonds of \$62 million and refunding issues of \$56 million. Business-type activities issued \$101 million in new general obligation debt, \$148 million in general obligation refunding debt, and no revenue-backed debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

The **statement of activities** presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that

will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation leave.

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

### **Governmental activities**

The activities in this section are principally supported by taxes and revenues from other governments (called "intergovernmental revenues" in the statements). The county classifies governmental activities into general government; law, safety and justice; physical environment; transportation; economic environment; health and human services; culture and recreation; debt service and capital outlay. Further discussion of these activities may be found in Note 1 to the Basic Financial Statements. Also included within governmental activities are the operations of the King County Flood Control District which, although legally separate, is reported as a blended component unit and shown as a special revenue fund to comply with governmental accounting standards.

### **Business-type activities**

These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users. The county's business-type activities include public transportation, wastewater treatment, solid waste disposal and recycling, airport property leasing, ferry, radio communications, and public internet services.

### **Discretely presented component units**

The County's government-wide financial statements include the financial data of other legally separate entities that are reported as discrete component units: Harborview Medical Center, Cultural Development Authority of King County and NJB Properties. While governmental accounting standards call for these entities to be reported as part of the overall financial reporting entity, they are not included within the primary government. Individual financial statements for these discrete component units can be found in the Basic Financial Statements section, immediately following the fiduciary funds financial statements.

### **Fund Financial Statements**

The fund financial statements are designed to report financial information about the County's funds. A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives.

The County, like most state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### **Governmental funds**

Most of the services provided by the County are accounted for in governmental funds. Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements.

Unlike government-wide financial statements, however, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.



King County maintains a general fund and several other individual governmental funds organized according to their type (special revenue, debt service, and capital projects). The government reports two governmental **major funds**, 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 as "nonmajor governmental funds." Individual fund data for each of these nonmajor funds is provided as supplementary information in the form of combining statements in the Governmental Funds section.

The County adopts biennial budgets for the General Fund and Behavioral Health Fund, appropriated at the department or division level. Budgetary comparison schedules are provided for each of the major governmental funds and may be found in the Required Supplementary Information section.

### **Proprietary funds**

Proprietary funds are used to account for services for which the County charges customers a fee to recover all or a portion of the cost of providing the services. Proprietary funds provide the same type of information as shown in the government-wide financial statements but at a more detailed level, including the addition of cash flow statements. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

The County has two types of proprietary funds:

**Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Water Quality Enterprise, the Public Transportation Enterprise, and the Solid Waste Enterprise, all of which are considered to be major funds of the County for financial reporting purposes. All other enterprise funds are aggregated into a single "nonmajor enterprise funds" column within the proprietary funds financial statements. Individual fund data for each of these nonmajor funds is provided as supplementary information in the form of combining statements in the Proprietary Funds section.

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

### **Fiduciary funds**

Fiduciary funds such as trust and agency funds are used to account for resources held for the benefit of parties outside the government. This fund group also includes the investment trust funds that are used to report investment pool activity on behalf of special districts and public authorities. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements. The accounting for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found immediately following the proprietary funds financial statements.

### **Notes to the Financial Statements**

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the individual component unit financial statements in the Basic Financial Statements section.

**Other Information****Required supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information on budget to actual comparisons for major governmental funds, the current funding progress for pensions, the current funding progress for defined benefit postemployment benefits other than pensions, and infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements.

**Combining statements**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position over time may serve as a useful indicator of a government's financial position. In the case of King County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.24 billion at the close of the most recent fiscal year.

King County's Net Position (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 1,842,952	\$ 1,566,797	\$ 2,498,873	\$ 2,304,834	\$ 4,341,825	\$ 3,871,631
Capital assets <sup>(a)</sup>	3,447,644	3,344,379	6,304,284	6,245,746	9,751,928	9,590,125
Total Assets	5,290,596	4,911,176	8,803,157	8,550,580	14,093,753	13,461,756
<b>Deferred Outflows of Resources</b>	98,980	87,221	243,458	254,842	342,438	342,063
<b>Liabilities</b>						
Long-term liabilities	1,329,345	1,407,329	4,847,469	4,841,219	6,176,814	6,248,548
Other liabilities	409,469	212,303	288,706	240,190	698,175	452,493
Total Liabilities	1,738,814	1,619,632	5,136,175	5,081,409	6,874,989	6,701,041
<b>Deferred Inflows of Resources</b>	166,227	152,063	154,635	143,918	320,862	295,981
<b>Net Position</b>						
Net investment in capital assets <sup>(a)</sup>	2,820,829	2,651,748	2,392,806	2,267,809	5,213,635	4,919,557
Restricted	776,016	780,131	269,056	286,406	1,045,072	1,066,537
Unrestricted	(112,310)	(205,177)	1,093,943	1,025,880	981,633	820,703
Total Net Position	\$ 3,484,535	\$ 3,226,702	\$ 3,755,805	\$ 3,580,095	\$ 7,240,340	\$ 6,806,797

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

The largest portion of King County's net position, 72 percent or \$5.21 billion, reflects its net investment in capital assets. The County employs these long-lived assets in providing a variety of services to its citizens. Accordingly, the net position associated with the capital assets does not represent amounts available for future spending. The County's investment in capital assets is reported net of related debt. The resources used to repay the capital-related borrowing must be provided from other more current, or liquid, assets.

An additional portion of County's net position, 14 percent or \$1.05 billion, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$982 million is unrestricted. A negative unrestricted net position, which is shown for some nonmajor governmental funds in the governmental funds section, represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources.

King County's overall net position increased 6 percent or \$434 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 8 percent or \$258 million from the prior fiscal year for an ending balance of \$3.48 billion. Net position invested in capital assets comprised 81 percent of total net position, or \$2.82 billion, an increase from the prior year of \$169 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 \$776 million including \$263 million dedicated to health and human services; \$130 million for economic environment services; \$128 million for future capital project spending; \$108 million for law, safety and justice services; and, \$74 million for transportation services. Other restrictions constituted the remaining \$73 million.

Governmental activities accounted for 59 percent of the total improvement in net position of the County. The total revenues for governmental activities were \$2.34 billion, an increase of 2 percent or \$53 million from the prior year. Increases in property taxes accounted for the largest portion, \$26 million, followed by interest earnings with \$25 million. The increase in property taxes was the result of strong growth in newly constructed properties, totaling \$11.56 billion of assessed value in 2019, from which the county receives a full allocation of property tax in the first year. The increase in interest earnings was due to favorable interest rate conditions at the beginning of the year. The net rate of return for 2019 was 2.25 percent, up from 1.73 percent in 2018. After signaling a “pause” on rate changes early in 2019, the Federal Reserve Bank went on to cut rates by 0.25 percentage points three times in August, September, and October; lowering the lower bound of the effect rate from 2.25 percent to 1.50 percent. As a result, County earnings from interest are expected to recede in the coming year.

Expenses for governmental activities during the year increased by a net of 6 percent or \$116 million. Expenditure increases were focused on health and human services; and law, safety, and justice. In health and human services, which overall increased 6 percent or \$44 million, the increase was driven by a greater need for services and full engagement of the Best Starts for Kids (BSK) levy which entered its third year of implementation. For example, expenditures in the Public Health nonmajor fund increased 9 percent or \$17 million with the largest driver the provision of increased services to BSK clients; reflecting this increased participation BSK transferred \$53 million to Public Health in 2019, an increase from \$18 million in the prior year. Similarly, expenditures increased in the Developmental Disabilities nonmajor fund 12 percent or \$5 million with increased demand for services from BSK clients increasing the transfer from BSK by 56 percent or \$3 million to \$8 million in 2019. Best Starts for Kids expenditures in its own fund increased 48 percent or \$6 million to \$17 million this year. In the Veterans, Seniors, and Human Services levy, which entered its second year of implementation following the expansion of scope to include seniors in 2018, expenditures increased 69% to \$16 million from \$9 million as new programs to serve seniors began. In law, safety, and justice, where expenditures increased 4 percent or \$29 million, the increase was primarily related to the increased personnel cost (salary plus benefits) of providing these services to the residents from the General Fund which increased 5 percent or \$23 million from last year despite the number of personnel assigned to the function increasing only 3 percent or 114 full-time equivalents from last year. Please refer to the *Full Time Equivalent County Government Employees by Function* table in the Statistical section for more information about the number of full time equivalent employees employed by the County in each governmental function and how that statistic has changed over the last ten years.

Changes in Net Position (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 848,391	\$ 840,576	\$ 1,109,879	\$ 1,080,500	\$ 1,958,270	\$ 1,921,076
Operating grants and contributions	211,658	220,680	26,168	41,488	237,826	262,168
Capital grants and contributions	20,556	30,461	64,081	138,057	84,637	168,518
General revenues						
Property taxes	924,076	897,969	35,378	29,536	959,454	927,505
Retail sales and use taxes	257,476	244,157	686,120	652,299	943,596	896,456
Other taxes	21,799	22,241	—	—	21,799	22,241
Unrestricted interest earnings	58,297	32,819	45,318	28,032	103,615	60,851
Total revenues	2,342,253	2,288,903	1,966,944	1,969,912	4,309,197	4,258,815
<b>Expenses<sup>(a)</sup></b>						
General government <sup>(b)</sup>	193,291	173,000	—	—	193,291	173,000
Law, safety and justice	726,568	697,250	—	—	726,568	697,250
Physical environment	22,788	25,468	—	—	22,788	25,468
Transportation	102,793	93,723	—	—	102,793	93,723
Economic environment	198,326	192,707	—	—	198,326	192,707
Health and human services	746,148	702,015	—	—	746,148	702,015
Culture and recreation <sup>(b)</sup>	77,434	64,763	—	—	77,434	64,763
Interest and other debt service costs	23,606	25,629	—	—	23,606	25,629
Airport	—	—	25,475	22,869	25,475	22,869
Public transportation	—	—	1,032,062	824,623	1,032,062	824,623
Solid waste	—	—	234,164	155,026	234,164	155,026
Water quality	—	—	474,952	486,545	474,952	486,545
Other enterprise activities	—	—	18,047	15,431	18,047	15,431
Total expenses	2,090,954	1,974,555	1,784,700	1,504,494	3,875,654	3,479,049
Increase in net position before transfers	251,299	314,348	182,244	465,418	433,543	779,766
Transfers	6,534	5,453	(6,534)	(5,453)	—	—
Increase in net position	257,833	319,801	175,710	459,965	433,543	779,766
Net position, beginning of year <sup>(c)</sup>	3,226,702	2,906,901	3,580,095	3,120,130	6,806,797	6,027,031
Net position, end of year	\$ 3,484,535	\$ 3,226,702	\$ 3,755,805	\$ 3,580,095	\$ 7,240,340	\$ 6,806,797

(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 \$193.3 million in general government expense consists of \$243.4 million in direct program expenses reduced by indirect charges of \$50.1 million that was charged to the other benefiting functions.

(b) 2018 expenses in these functions were adjusted for the corresponding effects of the restatements of beginning net position.

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

**Business-type Activities** King County's business-type activities reported a net position of \$3.76 billion, increasing by 5 percent or \$176 million from the prior year. Of the total net position for business-type activities, 64 percent or \$2.39 billion was invested in capital assets net of the related debt used to finance the acquisition or construction of these capital assets. Another 7 percent or \$269 million of the total net position of business-type activities is restricted for spending on capital projects, debt service, regulatory assets and environmental liabilities. The remaining 29 percent or \$1.10 billion is unrestricted net position which is available to meet ongoing obligations to customers, vendors, other creditors and employees.

Business-type activities' net position of \$3.76 billion comprised 52 percent of the total County net position at the end of 2019. Business type activities accounted for 39 percent of the total increase in the County's aggregate net position during the year. This growth in net position was due primarily to acquisitions of capital assets not funded through long-term debt, for example when the Public Transportation Enterprise purchases new busses with cash or grants.

Total revenues of business-type activities remained flat at \$2.00 billion this year. Retail sales and use tax revenues increased the most, at 5 percent or \$34 million, representing a continued strong local economy in 2019. Similar to the

governmental activities, and for the same reasons, interest earnings improved in the business-type activities by 62 percent or \$17 million from last year.

Business-type activity expenses increased 19 percent or \$280 million over the prior year for all business-type activities taken together. The Public Transportation Enterprise (PTE) saw the largest increase of expenses, at 25 percent or \$207 million. \$125 million of this apparent increase was actually a large gain on the sale of real property in 2018; adjusting for that one-time event PTE expenses only increased 9 percent or \$82 million. The Solid Waste Enterprise had the largest percentage increase in expenses, totaling 51 percent or \$79 million corresponding to an upward revision in the system-wide estimated post-closure care liability for municipal solid waste landfills it either operates, has operated, or has been named custodian over. The Water Quality Enterprise expenses decreased 2 percent or \$12 million due to decreases in non-operating expenses related to lower short-term interest rates and fewer capital retirements.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

At December 31, 2019, the County's governmental funds reported a combined fund balance of \$1.04 billion, an increase of 6 percent or \$62 million in comparison with the prior year. Approximately 9 percent or \$93 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, \$36 million, 2) restricted for particular purposes, \$834 million, 3) committed for particular purposes, \$27 million, or assigned for particular purposes, \$55 million.

The **General Fund** is the chief operating fund of the County. At the end of the 2019 fiscal year, total fund balance for the General Fund was \$184 million. Unassigned fund balance totaled \$142 million, an increase of 31 percent or \$34 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 \$828 million. The unassigned fund balance of \$142 million represents 17 percent of total General Fund expenditures, an increase of 3 percent from 2018 while the total fund balance of \$184 million represents 22 percent of total expenditures in 2019, compared to 21 percent in 2018.

Fund balance of the General Fund increased by 12 percent or \$20 million during 2019. The increase in fund balance was attributed to taking in more resources than spending. The notable revenue streams contributing to the increase of fund balance are property taxes, 40 percent of total revenues, charges for services, 31 percent of total revenues and retail sales and use taxes, 17 percent of total revenues. Property taxes are budgeted on a biennial basis at the level needed and retail sales and use taxes remain a reliable resource with the continued strength of the economy. Charges for services are mostly comprised of contracts with other jurisdictions to provide legal, law enforcement and rehabilitation and detention services. Total expenditures increased by \$58 million, but were easily eclipsed by revenues. The main expenditures are for law, safety and justice, 75 percent of total expenditures, related to contract costs with other jurisdictions, and general government, 19 percent of total expenditures, related to general operation costs such as elections, records and licensing, finance and budgeting and legislative expenditures.

The **Behavioral Health Fund** provides oversight and management of crisis services, mental health treatment, substance use disorder treatment and diversion and reentry services to low income clients, with an emphasis on prevention, intervention, treatment and recovery. At the end of 2019, it had a total fund balance of \$297 thousand, a decrease of 99 percent or \$34 million over the prior year.

The decrease in fund balance in the current year was caused by earning fewer revenues, \$250 million, than incurring costs on programs, \$271 million, due primarily to the change in administering Medicaid-related programs. Medicaid reimbursements were no longer paid directly to King County and went directly to managed care organizations that take an administrative portion before passing the remainder to the County. Last year, the County earned \$213 million



in Medicaid-eligible revenues versus \$192 million from five managed care organizations, representing a \$21 million decrease.

**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, 2019, the County's proprietary funds reported a combined net position of \$3.76 billion, an increase of 5 percent or \$176 million compared to the prior year. The Public Transportation Enterprise net position increased 6 percent or \$152 million; the Water Quality Enterprise net position improved by 11 percent or \$81 million; and the Solid Waste Enterprise net position decreased 98 percent or \$95 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance and capital improvements of the County's public transportation system. At the end of 2019, the Public Transportation Enterprise had total net position of \$2.59 billion, of which 65 percent or \$1.68 billion was invested in capital assets net of associated debt; 2 percent or \$38 million was restricted for capital projects and debt service; while 34 percent or \$873 million was unrestricted. Unrestricted net position increased from the prior year by 14 percent or \$105 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 \$686 million, or 60 percent of total revenues; passenger fares at \$179 million, or 16 percent of total revenue; and service contracts at \$184 million or 16 percent of total revenues. Total operating expenses increased by \$89 million from the prior year, with personal services experiencing the largest increase at \$34 million, followed by internal services and purchased transportation increasing by \$20 million and \$18 million, respectively.

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 2019, the Water Quality Enterprise reported total net position of \$827 million of which 51 percent or \$423 million was invested in capital assets net of the related debt; 28 percent or \$231 million was restricted for debt service and regulatory assets and environmental liabilities; and the remaining 21 percent or \$173 million was unrestricted. Total net position improved by \$81 million due to continually posting positive results from operations. The Enterprise reported \$415 million in sewage disposal fees, an increase of \$12 million or 3 percent from the prior year, attributed to a rate increase. Other operating revenues of \$121 million increased by \$15 million or 14 percent, mostly due to increases in water treatment capacity charges and capacity charge early payoffs. The Enterprise incurred \$323 million in total operating expenses, mainly comprised of \$180 million in depreciation and amortization expenses, personal services of \$51 million and internal services of \$39 million.

The **Solid Waste Enterprise** accounts for the operations, maintenance, capital improvements and expansion of the County's solid waste collection and disposal system. At the end of 2019, the Solid Waste Enterprise reported total net position of \$2 million of which \$144 million was invested in capital assets net of the related debt and -\$142 million was unrestricted. A negative unrestricted net position represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources. Total net position deteriorated by \$95 million due to a one-time change in estimates for postclosure care needs of the last remaining active landfill, the Cedar Hills Regional Landfill, and several closed landfills under the division's care. The Enterprise reported \$132 million in solid waste disposal charges, an increase of \$3 million or 2 percent from the prior year, attributed to a rate increase. The Enterprise incurred \$219 million in total operating expenses, mainly comprised of \$107 million in landfill closure and postclosure care expenses, previously reported as nonoperating expenses, and personal services of \$46 million.

### **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 2019-2020 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 \$107 million in expenditures due to 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 increases were made during the budget period to general government by \$6 million; law, safety, and justice by \$30 million; health and human services by \$2 million; capital outlay by \$1 million; and transfers out by \$67 million. The majority of the significant increases to law, safety, and justice were a result of increases in full-time equivalents for the Sheriff, Public Defense and Superior Court, 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. Large increases in transfers out are attributable to transfers to the major maintenance reserve, Building 4Equity Advance, and CIP transfers to the Department of Executive Services.

**Final Budget Compared to Actual Results** Property taxes are by far the largest source to the General Fund, accounting for 39 percent of the budgeted revenues. Charges for services and retail sales and use taxes are the other significant sources of revenue for the General Fund, representing 30 percent and 16 percent of total budgeted revenues, respectively. The amount received for charges for services is dependent on corresponding services provided and fluctuate with the applicable programs and services offered. Retail sales and use taxes are dependent on increased spending in the economy, which is influenced by various factors.

The actual budgetary basis expenditures were \$1.04 billion less than the final appropriation. Law, safety and justice and general government comprise the largest amounts of actual expenditures at 68 percent and 17 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, 2019, amounted to \$3.45 billion for governmental activities and \$6.30 billion for business-type activities totaling \$9.75 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 \$162 million, net of depreciation.

Major capital asset events during 2019 included the following:

- The Patricia H. Clark Child and Family Justice Center which replaces the existing Youth Services Center, was completed in 2019 totaling \$185 million. The parking garage is scheduled to be completed by the spring of 2021.
- Public Transportation purchased and placed into service 186 new buses during the year at a cost of \$179 million.
- Water Quality brought new infrastructure into service during the year at a total cost of \$55 million, \$33 million for Kent Auburn Phase B-Pipeline and \$22 million for Magnolia Pipeline.
- Solid Waste had completed development and construction of a new refuse area, Area 8, at the Cedar Hills Regional Landfill. Area 8 was completed during 2019 with a total cost of \$46 million. Area 8 has a 32-acre footprint and will provide 8 million cubic yards of refuse capacity. It includes a bottom liner system, landfill gas collection system, and leachate collection and conveyance system.
- Puget Sound Emergency Radio Network (PSERN) is engaged in replacing the existing radio system that is over 20 years old. The new system as a whole will provide improved coverage, capacity, capability and connectivity in PSERN's regional service area. The total estimated project cost is \$261 million; \$90 million has been spent through 12/31/2019. The radio network is anticipated to be operational in 2023.

A summary of the 2019 capital assets activity is shown below. More detailed information on the County's capital assets can be found in *Note 7 - Capital Assets*.

	<b>Capital Assets</b> (in millions)					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land and land rights <sup>(b)</sup>	\$ 1,101.9	\$ 1,080.0	*\$ 473.9	\$ 469.9	\$ 1,575.8	\$ 1,549.9
Buildings <sup>(a)(b)</sup>	696.3	521.8	1,744.5	1,788.3	2,440.8	2,310.1
Leasehold Improvements <sup>(a)</sup>	29.1	11.5	2.8	3.1	31.9	14.6
Improvements other than buildings <sup>(a)(b)</sup>	107.6	69.3	* 314.8	233.4	422.4	302.7
Infrastructure - roads and bridges	1,128.3	1,121.7	—	—	1,128.3	1,121.7
Infrastructure - other <sup>(a)(b)</sup>	75.9	32.8	* 1,751.3	1,749.1	1,827.2	1,781.9
Equipment, software and art collection <sup>(a)(b)</sup>	133.5	123.0	* 1,399.2	1,345.0	1,532.7	1,468.0
Construction in progress	175.0	384.3	617.8	656.9	792.8	1,041.2
Total	<u>\$ 3,447.6</u>	<u>\$ 3,344.4</u>	<u>\$ 6,304.3</u>	<u>\$ 6,245.7</u>	<u>\$ 9,751.9</u>	<u>\$ 9,590.1</u>

(a) Net of Depreciation

(b) 2018 Governmental Activities Balance Restated. See Note 18 - Components of Fund Balance, Restatements and Restrictions.

### **Infrastructure**

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

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

The County currently maintains 178 bridges. Physical inspections to uncover deficiencies are carried out at least every two years. A prioritization scale is maintained to determine which bridges are due for replacement or rehabilitation. The most significant criterion is the sufficiency rating which utilizes a 100-point priority scale based on various factors of bridge condition. The policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 6.5 percent will have a sufficiency rating of 20 or less. The most current complete assessment showed only nine bridges at or below this threshold.

The amount budgeted for 2019 roads preservation and maintenance was \$75 million, but the actual amount expended was \$58 million. For maintenance and preservation of bridges, the amount budgeted for 2019 was \$12 million, but the actual expended amount was \$6 million. The variance between budget and spending is due to supplemental budget and remaining work under contract to be completed in 2020.



## Debt Administration

At the end of 2019, King County had a total of \$4.93 billion in debt outstanding. Of this amount, \$1.89 billion comprises debt backed by the full faith and credit of the County. The other \$3.04 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 721.0	\$ 729.8	\$ 1,157.4	\$ 1,002.9	\$ 1,878.4	\$ 1,732.7
GO capital leases <sup>(a)</sup>	8.2	8.3	—	—	8.2	8.3
Revenue bonds	—	—	2,811.5	3,072.5	2,811.5	3,072.5
State revolving loans	—	—	227.5	229.5	227.5	229.5
Total	<u>\$ 729.2</u>	<u>\$ 738.1</u>	<u>\$ 4,196.4</u>	<u>\$ 4,304.9</u>	<u>\$ 4,925.6</u>	<u>\$ 5,043.0</u>

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

Total debt decreased over the previous year by 2 percent or \$117 million (a 1 percent or \$9 million decrease for governmental activities and a 3 percent or \$108 million decrease for business-type activities). Governmental activities' outstanding debt decreased primarily due to \$72 million debt service payments and defeasance of \$65 million of bonds offset by the issuance of \$118 million in both new limited tax general obligation bonds and refunding general obligation bonds, with related premium of \$21 million.

Business-type activities' outstanding debt decreased primarily due to \$107 million in debt service payments and the defeasance of \$235 million in bonds offset by the issuance of \$249 million in both new limited tax general obligation bonds and refunding general obligation bonds payable from sewer revenues, with related premiums of \$28 million. State revolving loans decreased by \$2 million.

The County maintained a rating of "Aaa" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AAA" from Fitch for its limited tax general obligation debt. For its unlimited tax general obligation debt the County has a rating of "Aaa" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AAA" from Fitch. The ratings for Water Quality Enterprise's revenue debt are "Aa1" from Moody's and "AA+" from Standard & Poor's.

State statutes limit the amount of general obligation debt that the County may issue to 2.5 percent of its total assessed valuation for general county purposes and 2.5 percent for metropolitan functions (Water Quality and Public Transportation funds). The current debt limitation of total general obligations for general county purposes is \$16.06 billion, significantly higher than the County's outstanding net general obligation long-term liabilities of \$661 million. For metropolitan functions the debt limitation is also \$16.06 billion and the County's outstanding net general obligation debt for metropolitan functions is \$1.00 billion.

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

## ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The last 10 years have been a period of stability and growth with most economic indicators reaching all-time highs in 2019.

Items of note within King County:

- King County's unemployment rate was only 2.5 percent as of December 2019, lower than state and national unemployment rates, which were 4.0 percent and 3.5 percent, respectively. Diversification of the County's employment base was an important buffer during the Great Recession economic downturn, and all sectors but one (Government) grew in 2019. Two of the region's prominent local employers, Amazon and Microsoft, retain strong demand for their products and services. Boeing, the state's largest employer, bucked recent trends by adding 2,000 jobs in Washington in 2019. However, the ongoing safety issues of the 737-MAX and financial health of the world's largest aircraft manufacturer is a cause for concern in both the short-term and

longer-term. Also, as the COVID-19 pandemic continues to unfold in early 2020, the forced closure of restaurants, bars, schools, recreational facilities, and hundreds of other businesses across the state has led to substantial job losses and a dramatic increase to the unemployment rate in the near-term.

- Taxable retail sales growth has been robust the last few years thanks to growing incomes, enhanced consumer confidence, strong employment, and a booming construction sector. Local retail sales tax collections grew 8 percent in 2016, 5 percent in 2017, 11 percent in 2018, and 4 percent in 2019.
- Inflation remained steady in 2019. The Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W-STB) increased by 2.1 percent, down from 3.3 percent in 2018. The national CPI for All Urban Consumers (CPI-U-US) increased 1.8 percent during the same period.

Other than the global pandemic which continues to unfold, King County will continue to face numerous challenges, including volatile energy prices, rising employee and programmatic health care costs, the need to raise sufficient revenues to support utilities, the transit system, and general government operations. Over the last three years the County has maintained its commitment to build reserves in times of economic prosperity and has increased its minimum undesignated reserve for the General Fund from 6 percent to 8 percent, which is the maximum amount under county policy. The county also is willing to make difficult decisions in order to reduce expenditures to match revenue levels while retaining prudent reserves. At the state level, the County also continues to pursue statutory enhancements to local government revenues to more flexibly balance revenues with long-term cost pressures.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide an overview of the County's financial activities for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed as below.

King County Chief Accountant  
500 Fourth Avenue, Room 650  
Seattle, WA 98104

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**  
(IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,456,142	\$ 1,701,303	\$ 3,157,445	\$ 360,531
Investments	1,944	15,727	17,671	11,453
Receivables, net	233,958	367,058	601,016	191,601
Internal balances	(110,093)	110,093	—	—
Inventories	3,186	33,489	36,675	9,032
Prepayments and other assets	25,719	5,190	30,909	12,720
Net pension asset	73,838	—	73,838	—
Capital assets:				
Nondepreciable assets	2,415,700	1,090,080	3,505,780	26,010
Depreciable assets, net	1,031,944	5,214,204	6,246,148	258,971
Net investment in capital lease	—	—	—	8,156
Deposits with other governments	—	—	—	7,007
Regulatory assets - environmental remediation	—	118,258	118,258	—
Other assets	158,258	147,755	306,013	16,426
<b>TOTAL ASSETS</b>	<b>5,290,596</b>	<b>8,803,157</b>	<b>14,093,753</b>	<b>901,907</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on refunding	14,530	185,120	199,650	—
Deferred outflows on pensions	82,046	53,172	135,218	275
Deferred outflows on other post employment benefits	2,269	355	2,624	—
Deferred outflows on asset retirement obligations	135	4,811	4,946	—
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>98,980</b>	<b>243,458</b>	<b>342,438</b>	<b>275</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	178,814	164,893	343,707	87,712
Accrued liabilities	60,077	107,597	167,674	53,420
Unearned revenues	170,578	16,216	186,794	11,745
Noncurrent liabilities:				
Due within one year	134,620	163,452	298,072	2,314
Due in more than one year	1,194,725	4,684,017	5,878,742	26,244
<b>TOTAL LIABILITIES</b>	<b>1,738,814</b>	<b>5,136,175</b>	<b>6,874,989</b>	<b>181,435</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows on pensions	159,658	107,357	267,015	430
Rate stabilization	—	46,250	46,250	—
Deferred inflows on other post employment benefits	6,569	1,028	7,597	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>166,227</b>	<b>154,635</b>	<b>320,862</b>	<b>430</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,820,829	2,392,806	5,213,635	284,981
Restricted for:				
Capital projects	128,187	36,132	164,319	—
Debt service	2,494	156,161	158,655	—
General government	7,581	—	7,581	—
Law, safety and justice	108,001	—	108,001	—
Physical environment	32,401	—	32,401	—
Transportation	73,627	—	73,627	—
Economic environment	130,042	—	130,042	—
Health and human services	262,559	—	262,559	—
Culture and recreation	31,124	—	31,124	—
Regulatory assets and environmental liabilities	—	76,763	76,763	—
Expendable	—	—	—	23,528
Nonexpendable	—	—	—	2,870
Unrestricted	(112,310)	1,093,943	981,633	408,938
<b>TOTAL NET POSITION</b>	<b>\$ 3,484,535</b>	<b>\$ 3,755,805</b>	<b>\$ 7,240,340</b>	<b>\$ 720,317</b>

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

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
 (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	\$ 243,410	\$ (50,119)	\$ 147,176	\$ 12,432	\$ 566	\$ (33,117)	\$ —	\$ (33,117)	\$ —
Law, safety and justice	724,776	1,792	179,797	35,492	10	(511,269)	—	(511,269)	—
Physical environment	21,823	965	49,151	2,265	670	29,298	—	29,298	—
Transportation	100,126	2,667	11,997	15,682	14,229	(60,885)	—	(60,885)	—
Economic environment	194,821	3,505	81,900	55,630	1,391	(59,405)	—	(59,405)	—
Health and human services	737,395	8,753	368,535	87,781	—	(289,832)	—	(289,832)	—
Culture and recreation	75,998	1,436	9,835	2,376	3,690	(61,533)	—	(61,533)	—
Interest and other debt service costs	23,606	—	—	—	—	(23,606)	—	(23,606)	—
Total governmental activities	2,121,955	(31,001)	848,391	211,658	20,556	(1,010,349)	—	(1,010,349)	—
<b>Business-type activities:</b>									
Airport	25,012	463	27,805	1	466	—	2,797	2,797	—
Public Transportation	1,009,194	22,868	386,582	24,927	49,285	—	(571,268)	(571,268)	—
Solid Waste	231,297	2,867	137,158	285	—	—	(96,721)	(96,721)	—
Water Quality	470,454	4,498	544,083	—	—	—	69,131	69,131	—
Institutional Network	2,716	51	3,082	—	—	—	315	315	—
Marine	9,797	223	3,715	955	14,330	—	8,980	8,980	—
Radio Communications Services	5,229	31	7,454	—	—	—	2,194	2,194	—
Total business-type activities	1,753,699	31,001	1,109,879	26,168	64,081	—	(584,572)	(584,572)	—
Total primary government	\$ 3,875,654	\$ —	\$ 1,958,270	\$ 237,826	\$ 84,637	\$ (1,010,349)	\$ (584,572)	\$ (1,594,921)	\$ —
<b>Component Units</b>	<b>\$ 1,061,979</b>		<b>\$ 1,063,228</b>	<b>\$ 11,456</b>	<b>\$ 3,609</b>				<b>\$ 16,314</b>
General revenues:									
Property taxes						\$ 924,076	\$ 35,378	\$ 959,454	\$ —
Retail sales and use taxes						257,476	686,120	943,596	—
Business and other taxes						21,799	—	21,799	—
Interest earnings						58,297	45,318	103,615	1,508
Transfers						6,534	(6,534)	—	—
Total general revenues and transfers						1,268,182	760,282	2,028,464	1,508
Change in net position						257,833	175,710	433,543	17,822
Net position - January 1, 2019 (Restated)						3,226,702	3,580,095	6,806,797	702,495
Net position - December 31, 2019						\$ 3,484,535	\$ 3,755,805	\$ 7,240,340	\$ 720,317

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019  
(IN THOUSANDS)**

	GENERAL FUND	BEHAVIORAL HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 142,666	\$ 9,973	\$ 948,311	\$ 1,100,950
Investments	—	—	1,944	1,944
Taxes receivable-delinquent	8,760	52	8,827	17,639
Accounts receivable, net	8,998	1,344	8,474	18,816
Interest receivable	19,857	—	455	20,312
Due from other funds	278	1,078	35,359	36,715
Due from other governments, net	82,987	14,081	79,485	176,553
Inventory	—	—	1,089	1,089
Prepayments	6	—	19,977	19,983
Advances to other funds	3,000	—	15,500	18,500
Notes receivable	—	—	158,258	158,258
<b>TOTAL ASSETS</b>	<b>\$ 266,552</b>	<b>\$ 26,528</b>	<b>\$ 1,277,679</b>	<b>\$ 1,570,759</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,588	\$ 18,517	\$ 88,567	\$ 112,672
Due to other funds	12,180	904	36,940	50,024
Interfund short-term loans payable	—	—	20,250	20,250
Due to other governments	1,312	4,613	33,598	39,523
Wages payable	31,882	849	17,041	49,772
Taxes payable	125	—	71	196
Unearned revenues	3	1,309	168,853	170,165
Custodial accounts	7,340	—	3,621	10,961
Advances from other funds	11,500	—	38,529	50,029
<b>TOTAL LIABILITIES</b>	<b>69,930</b>	<b>26,192</b>	<b>407,470</b>	<b>503,592</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	7,402	39	6,712	14,153
Unavailable revenue-other receivables	5,399	—	3,041	8,440
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>12,801</b>	<b>39</b>	<b>9,753</b>	<b>22,593</b>
<b>FUND BALANCES</b>				
Nonspendable	6	—	35,506	35,512
Restricted	1,807	297	831,713	833,817
Committed	27,038	—	170	27,208
Assigned	13,435	—	41,918	55,353
Unassigned	141,535	—	(48,851)	92,684
<b>TOTAL FUND BALANCES</b>	<b>183,821</b>	<b>297</b>	<b>860,456</b>	<b>1,044,574</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 266,552</b>	<b>\$ 26,528</b>	<b>\$ 1,277,679</b>	<b>\$ 1,570,759</b>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 1,044,574
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	3,390,734
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	161,753
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	122,361
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,234,887)
<b>Net position of governmental activities</b>	<b>\$ 3,484,535</b>

See Note 2 for more detailed explanations of these adjustments.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(IN THOUSANDS)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 366,911	\$ 3,465	\$ 553,725	\$ 924,101
Retail sales and use taxes	153,118	—	104,359	257,477
Business and other taxes	4,128	17	17,653	21,798
Licenses and permits	7,582	—	21,417	28,999
Intergovernmental revenues	27,350	13,303	167,972	208,625
Charges for services	287,376	229,636	275,978	792,990
Fines and forfeits	26,774	—	1,020	27,794
Interest earnings	23,640	778	29,119	53,537
Miscellaneous revenues	19,113	2,430	31,079	52,622
<b>TOTAL REVENUES</b>	<b>915,992</b>	<b>249,629</b>	<b>1,202,322</b>	<b>2,367,943</b>
<b>EXPENDITURES</b>				
Current:				
General government	156,562	—	42,313	198,875
Law, safety and justice	620,476	—	143,366	763,842
Physical environment	—	—	24,920	24,920
Transportation	—	—	107,478	107,478
Economic environment	73	—	203,988	204,061
Health and human services	49,199	279,170	435,983	764,352
Culture and recreation	—	—	75,422	75,422
Debt service:				
Principal	—	—	67,990	67,990
Interest and other debt service costs	58	—	31,457	31,515
Capital outlay	2,032	—	169,661	171,693
<b>TOTAL EXPENDITURES</b>	<b>828,400</b>	<b>279,170</b>	<b>1,302,578</b>	<b>2,410,148</b>
Excess (deficiency) of revenues over (under) expenditures	87,592	(29,541)	(100,256)	(42,205)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	18,481	8,291	402,244	429,016
Transfers out	(87,277)	(12,579)	(304,561)	(404,417)
General government debt issued	—	—	62,340	62,340
Refunding bonds issued	—	—	55,877	55,877
Premium on general government bonds issued	—	—	13,125	13,125
Premium on refunding bonds issued	—	—	8,248	8,248
Payment to refunded bonds escrow agent	—	—	(63,652)	(63,652)
Sale of capital assets	944	—	2,522	3,466
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(67,852)</b>	<b>(4,288)</b>	<b>176,143</b>	<b>104,003</b>
Net change in fund balances	19,740	(33,829)	75,887	61,798
Fund balances - beginning	164,081	34,126	784,569	982,776
Fund balances - ending	\$ 183,821	\$ 297	\$ 860,456	\$ 1,044,574

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, 2019  
(IN THOUSANDS)**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 61,798
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.	128,962
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.	(23,646)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,706
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.	(7,947)
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.	68,537
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	28,423
Change in net position of governmental activities	<u>\$ 257,833</u>

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**  
(IN THOUSANDS)  
(PAGE 1 OF 4)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PUBLIC TRANSPORTATION</b>	<b>WATER QUALITY</b>	<b>SOLID WASTE</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 830,503	\$ 323,751	\$ 110,055
Restricted cash and cash equivalents	386	4,531	4,520
Accounts receivable, net	49,610	40,145	13,411
Due from other funds	6,728	3,006	2,910
Interfund short-term loans receivable	—	—	—
Property tax receivable-delinquent	419	—	—
Due from other governments	256,347	—	397
Inventory of supplies	21,954	9,625	1,370
Prepayments and other assets	254	11	331
Total current assets	1,166,201	381,069	132,994
Noncurrent assets			
Restricted assets:			
Cash and cash equivalents	38,415	273,412	13,366
Investments	—	15,727	—
Due from other governments	28	—	—
Total restricted assets	38,443	289,139	13,366
Capital assets:			
Nondepreciable assets	321,151	702,495	48,954
Depreciable assets, net	1,414,291	3,410,278	255,228
Total capital assets	1,735,442	4,112,773	304,182
Other noncurrent assets:			
Prepayments	4,444	—	—
Notes receivable	141,169	3,573	—
Advances to other funds	—	—	—
Regulatory assets, net of amortization	—	118,258	—
Other assets	—	3,013	—
Total other noncurrent assets	145,613	124,844	—
Total noncurrent assets	1,919,498	4,526,756	317,548
<b>TOTAL ASSETS</b>	<b>3,085,699</b>	<b>4,907,825</b>	<b>450,542</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on refunding	1,921	182,410	782
Deferred outflows on pensions	44,417	5,170	2,902
Deferred outflows on other post employment benefits	290	36	23
Deferred outflows on asset retirement obligations	2,997	1,250	404
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>49,625</b>	<b>188,866</b>	<b>4,111</b>

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



## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

DECEMBER 31, 2019

(IN THOUSANDS)

(PAGE 2 OF 4)

	BUSINESS-TYPE ACTIVITIES		INTERNAL SERVICE FUNDS
	NONMAJOR ENTERPRISE FUNDS	TOTAL	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 83,248	\$ 1,347,557	\$ 373,157
Restricted cash and cash equivalents	182	9,619	245
Accounts receivable, net	800	103,966	584
Due from other funds	344	12,988	669
Interfund short-term loans receivable	—	—	20,250
Property tax receivable-delinquent	89	508	—
Due from other governments	5,812	262,556	55
Inventory of supplies	535	33,484	2,102
Prepayments and other assets	150	746	5,736
Total current assets	91,160	1,771,424	402,798
Noncurrent assets			
Restricted assets:			
Cash and cash equivalents	724	325,917	—
Investments	—	15,727	—
Due from other governments	—	28	—
Total restricted assets	724	341,672	—
Capital assets:			
Nondepreciable assets	17,480	1,090,080	—
Depreciable assets, net	126,536	5,206,333	64,781
Total capital assets	144,016	6,296,413	64,781
Other noncurrent assets:			
Prepayments	—	4,444	—
Notes receivable	—	144,742	—
Advances to other funds	—	—	31,529
Regulatory assets, net of amortization	—	118,258	—
Other assets	—	3,013	—
Total other noncurrent assets	—	270,457	31,529
Total noncurrent assets	144,740	6,908,542	96,310
TOTAL ASSETS	235,900	8,679,966	499,108
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refunding	7	185,120	—
Deferred outflows on pensions	683	53,172	11,003
Deferred outflows on other post employment benefits	6	355	62
Deferred outflows on asset retirement obligations	160	4,811	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	856	243,458	11,065

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**  
(IN THOUSANDS)  
(PAGE 3 OF 4)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PUBLIC TRANSPORTATION</b>	<b>WATER QUALITY</b>	<b>SOLID WASTE</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 120,400	\$ 26,773	\$ 6,973
Retainage payable	386	4,531	50
Estimated claim settlements	—	—	—
Due to other funds	—	24	—
Due to other governments	—	—	—
Interest payable	180	68,569	574
Wages payable	30,378	4,678	2,580
Compensated absences payable	10,371	851	228
Taxes payable	32	15	164
Unearned revenues	5,999	2,966	33
Pollution remediation	—	4,561	—
General obligation bonds payable	5,880	22,900	6,710
Revenue bonds payable	—	62,675	—
Capital leases payable	147	—	—
State revolving loan payable	—	17,348	70
Landfill closure and post-closure care	—	—	30,441
Other liabilities	—	297	—
Total current liabilities	173,773	216,188	47,823
Noncurrent liabilities			
Compensated absences payable	43,124	10,266	4,260
Other postemployment benefits	12,309	1,526	996
Net pension liability	173,111	5,962	4,878
General obligation bonds payable	46,919	900,270	166,643
Revenue bonds payable	—	2,748,909	—
Capital leases payable	2,094	—	—
State revolving loans payable	—	208,873	1,252
Landfill closure and post-closure care	—	—	217,875
Estimated claim settlements	—	—	—
Pollution remediation	659	39,947	1,210
Asset retirement obligation	3,480	1,500	500
Other liabilities	—	77,010	—
Total noncurrent liabilities	281,696	3,994,263	397,614
<b>TOTAL LIABILITIES</b>	<b>455,469</b>	<b>4,210,451</b>	<b>445,437</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on rate stabilization	—	46,250	—
Deferred inflows on pensions	85,405	13,168	7,042
Deferred inflows on other post employment benefits	840	104	68
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>86,245</b>	<b>59,522</b>	<b>7,110</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,682,322	422,889	143,655
Restricted for:			
Capital projects	36,132	—	—
Debt service	2,311	153,850	—
Regulatory assets and environmental liabilities	—	76,763	—
Unrestricted	872,845	173,216	(141,549)
<b>TOTAL NET POSITION</b>	<b>\$ 2,593,610</b>	<b>\$ 826,718</b>	<b>\$ 2,106</b>

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

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

DECEMBER 31, 2019

(IN THOUSANDS)

(PAGE 4 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,159	\$ 156,305	\$ 13,279
Retainage payable	6	4,973	245
Estimated claim settlements	—	—	58,462
Due to other funds	223	247	101
Due to other governments	3,132	3,132	—
Interest payable	26	69,349	4
Wages payable	603	38,239	7,125
Compensated absences payable	47	11,497	872
Taxes payable	245	456	6
Unearned revenues	7,218	16,216	413
Pollution remediation	—	4,561	—
General obligation bonds payable	755	36,245	—
Revenue bonds payable	—	62,675	1,050
Capital leases payable	—	147	—
State revolving loan payable	—	17,418	—
Landfill closure and post-closure care	—	30,441	—
Other liabilities	176	473	2,156
Total current liabilities	14,590	452,374	83,713
Noncurrent liabilities			
Compensated absences payable	1,074	58,724	16,519
Other postemployment benefits	230	15,061	2,611
Net pension liability	772	184,723	38,326
General obligation bonds payable	7,199	1,121,031	—
Revenue bonds payable	—	2,748,909	—
Capital leases payable	—	2,094	—
State revolving loans payable	—	210,125	—
Landfill closure and post-closure care	—	217,875	—
Estimated claim settlements	—	—	101,269
Pollution remediation	245	42,061	—
Asset retirement obligation	200	5,680	—
Other liabilities	724	77,734	—
Total noncurrent liabilities	10,444	4,684,017	158,725
TOTAL LIABILITIES	25,034	5,136,391	242,438
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on rate stabilization	—	46,250	—
Deferred inflows on pensions	1,742	107,357	21,789
Deferred inflows on other post employment benefits	16	1,028	178
TOTAL DEFERRED INFLOWS OF RESOURCES	1,758	154,635	21,967
NET POSITION			
Net investment in capital assets	136,069	2,384,935	63,731
Restricted for:			
Capital projects	—	36,132	—
Debt service	—	156,161	—
Regulatory assets and environmental liabilities	—	76,763	—
Unrestricted	73,895	978,407	182,037
TOTAL NET POSITION	\$ 209,964	\$ 3,632,398	\$ 245,768
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		123,407	
Net position of business-type activities		\$ 3,755,805	

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, 2019**  
(IN THOUSANDS)  
(PAGE 1 OF 2)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PUBLIC TRANSPORTATION</b>	<b>WATER QUALITY</b>	<b>SOLID WASTE</b>
<b>OPERATING REVENUES</b>			
I-Net fees	\$ —	\$ —	\$ —
Airfield fees	—	—	—
Hangar, building and site rentals and leases	—	—	—
Radio services	—	—	—
Solid waste disposal charges	—	—	131,943
Passenger fares	178,678	—	—
Service contracts	183,625	—	—
Sewage disposal fees	—	415,279	—
Other operating revenues	22,073	121,170	4,609
<b>TOTAL OPERATING REVENUES</b>	<b>384,376</b>	<b>536,449</b>	<b>136,552</b>
<b>OPERATING EXPENSES</b>			
Personal services	557,443	50,969	46,145
Materials and supplies	76,449	17,789	8,326
Contract services and other charges	48,822	17,729	22,258
Utilities	5,839	17,875	1,210
Purchased transportation	84,235	—	—
Internal services	103,556	39,473	17,237
Landfill closure and post-closure care	—	—	107,201
Depreciation and amortization	155,518	179,547	16,795
<b>TOTAL OPERATING EXPENSES</b>	<b>1,031,862</b>	<b>323,382</b>	<b>219,172</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(647,486)</b>	<b>213,067</b>	<b>(82,620)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Sales tax	686,120	—	—
Property tax	29,299	—	—
Intergovernmental revenues	24,927	—	285
Interest earnings	22,940	15,767	3,836
Miscellaneous revenues	2,206	7,593	606
Interest expense	(2,740)	(138,563)	(5,925)
Gain (loss) on disposal of capital assets	1,025	(4,778)	(9,268)
Loss on extinguishment of debt	—	(5,451)	—
Miscellaneous expenses	(9,555)	(5,691)	(1,125)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>754,222</b>	<b>(131,123)</b>	<b>(11,591)</b>
<b>Income (loss) before contributions, transfers and special item</b>	<b>106,736</b>	<b>81,944</b>	<b>(94,211)</b>
Capital grants and contributions	49,285	—	—
Transfers in	2	—	—
Transfers out	(3,959)	(960)	(1,001)
<b>CHANGE IN NET POSITION</b>	<b>152,064</b>	<b>80,984</b>	<b>(95,212)</b>
<b>NET POSITION - JANUARY 1, 2019</b>	<b>2,441,546</b>	<b>745,734</b>	<b>97,318</b>
<b>NET POSITION - DECEMBER 31, 2019</b>	<b>\$ 2,593,610</b>	<b>\$ 826,718</b>	<b>\$ 2,106</b>

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, 2019**

(IN THOUSANDS)

(PAGE 2 OF 2)

	<b>BUSINESS-TYPE ACTIVITIES</b>		<b>INTERNAL SERVICE FUNDS</b>
	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	
<b>OPERATING REVENUES</b>			
I-Net fees	\$ 3,082	\$ 3,082	\$ —
Airfield fees	3,597	3,597	—
Hangar, building and site rentals and leases	24,195	24,195	—
Radio services	7,139	7,139	—
Solid waste disposal charges	—	131,943	—
Passenger fares	3,382	182,060	—
Service contracts	—	183,625	—
Sewage disposal fees	—	415,279	—
Other operating revenues	314	148,166	619,910
<b>TOTAL OPERATING REVENUES</b>	<b>41,709</b>	<b>1,099,086</b>	<b>619,910</b>
<b>OPERATING EXPENSES</b>			
Personal services	12,403	666,960	141,056
Materials and supplies	2,316	104,880	10,205
Contract services and other charges	5,917	94,726	369,193
Utilities	2,812	27,736	—
Purchased transportation	—	84,235	—
Internal services	11,998	172,264	29,788
Landfill closure and post-closure care	—	107,201	—
Depreciation and amortization	8,375	360,235	16,023
<b>TOTAL OPERATING EXPENSES</b>	<b>43,821</b>	<b>1,618,237</b>	<b>566,265</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(2,112)</b>	<b>(519,151)</b>	<b>53,645</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Sales tax	—	686,120	—
Property tax	6,079	35,378	—
Intergovernmental revenues	956	26,168	—
Interest earnings	2,272	44,815	5,271
Miscellaneous revenues	347	10,752	—
Interest expense	(276)	(147,504)	(279)
Gain (loss) on disposal of capital assets	2	(13,019)	953
Loss on extinguishment of debt	—	(5,451)	—
Miscellaneous expenses	—	(16,371)	(207)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>9,380</b>	<b>620,888</b>	<b>5,738</b>
Income (loss) before contributions, transfers and special item	7,268	101,737	59,383
Capital grants and contributions	14,796	64,081	3,531
Transfers in	—	2	2,539
Transfers out	(524)	(6,444)	(20,696)
<b>CHANGE IN NET POSITION</b>	<b>21,540</b>	<b>159,376</b>	<b>44,757</b>
<b>NET POSITION - JANUARY 1, 2019</b>	<b>188,424</b>		<b>201,011</b>
<b>NET POSITION - DECEMBER 31, 2019</b>	<b>\$ 209,964</b>		<b>\$ 245,768</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		16,334	
Change in net position of business-type activities		\$ 175,710	

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, 2019**  
(IN THOUSANDS)  
(PAGE 1 OF 4)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PUBLIC TRANSPORTATION</b>	<b>WATER QUALITY</b>	<b>SOLID WASTE</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 355,708	\$ 541,372	\$ 135,172
Cash received from other funds - internal services	3,762	1,574	2,873
Cash payments to suppliers for goods and services	(187,622)	(52,270)	(40,559)
Cash payments to other funds - internal services	(103,835)	(39,486)	(17,237)
Cash payments for employee services	(591,764)	(60,309)	(52,978)
Other receipts	—	76,177	606
Other payments	—	(18,730)	(1,982)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(523,751)	448,328	25,895
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants and subsidies received	740,025	—	116
Interfund loan principal amounts loaned to other funds	—	—	—
Interfund loan principal repayments from other funds	—	—	—
Interfund advance principal loaned to other funds	—	—	—
Interfund advance principal repayments from other funds	—	—	—
Grants to others	(3,237)	—	—
Transfers in	2	—	—
Transfers out	(3,959)	(960)	(1,001)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	732,831	(960)	(885)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(204,566)	(191,922)	(14,913)
Proceeds from capital debt	—	142,215	1,256
Principal paid on capital debt	(12,930)	(103,850)	(6,420)
Interest paid on capital debt	(2,291)	(150,008)	(7,293)
Cash payments for bond defeasance	—	(96,288)	—
Capital grants and contributions	98,946	—	—
Proceeds from disposal of capital assets	1,689	57	385
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(119,152)	(399,796)	(26,985)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment purchases	—	(689)	—
Interest on investments	22,629	15,581	3,806
NET CASH PROVIDED BY INVESTING ACTIVITIES	22,629	14,892	3,806
NET INCREASE IN CASH AND CASH EQUIVALENTS	112,557	62,464	1,831
CASH AND CASH EQUIVALENTS - JANUARY 1, 2019	756,747	539,230	126,110
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2019	\$ 869,304	\$ 601,694	\$ 127,941

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, 2019**  
(IN THOUSANDS)  
(PAGE 2 OF 4)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 46,660	\$ 1,078,912	\$ 6,629
Cash received from other funds - interfund services	1,974	10,183	617,175
Cash payments to suppliers for goods and services	(12,372)	(292,823)	(357,677)
Cash payments to other funds - interfund services	(12,103)	(172,661)	(59,294)
Cash payments for employee services	(13,822)	(718,873)	(151,557)
Other receipts	375	77,158	6,115
Other payments	(90)	(20,802)	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	10,622	(38,906)	61,391
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants and subsidies received	6,084	746,225	—
Interfund loan principal amounts loaned to other funds	—	—	(20,250)
Interfund loan principal repayments from other funds	—	—	15,800
Interfund advance principal loaned to other funds	—	—	(31,529)
Interfund advance principal repayments from other funds	—	—	9,725
Grants to others	—	(3,237)	—
Transfers in	—	2	2,539
Transfers out	(524)	(6,444)	(20,696)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	5,560	736,546	(44,411)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(18,267)	(429,668)	(12,697)
Proceeds from capital debt	—	143,471	—
Principal paid on capital debt	(733)	(123,933)	(5,225)
Interest paid on capital debt	(353)	(159,945)	(298)
Cash payments for bond defeasance	—	(96,288)	—
Capital grants and contributions	17,519	116,465	—
Proceeds from disposal of capital assets	20	2,151	953
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,814)	(547,747)	(17,267)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment purchases	—	(689)	—
Interest on investments	2,238	44,254	5,270
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,238	43,565	5,270
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,606	193,458	4,983
CASH AND CASH EQUIVALENTS - JANUARY 1, 2019	67,548	1,489,635	368,419
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2019	\$ 84,154	\$ 1,683,093	\$ 373,402

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, 2019**  
(IN THOUSANDS)  
(PAGE 3 OF 4)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PUBLIC TRANSPORTATION</b>	<b>WATER QUALITY</b>	<b>SOLID WASTE</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (647,486)	\$ 213,067	\$ (82,620)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	155,035	167,777	16,699
Nonoperating miscellaneous revenues (expenses)	2,206	2,658	(519)
(Increases) decreases in assets:			
Accounts receivable, net	(22,788)	(1,338)	2,911
Due from other funds	—	(1)	(2,300)
Due from other governments, net	(5,965)	—	12
Inventory	(774)	(80)	(113)
Prepayments	254	357	(91)
Other assets	53	(476)	—
(Increases) decreases in deferred outflows of resources:			
Deferred outflows on pensions, refunding, OPEB and ARO	(6,199)	(117)	149
Increases (decreases) in liabilities:			
Accounts payable	28,172	826	(3,667)
Retainage payable	7	41	21
Due to other funds	(278)	(14)	—
Wages payable	8,406	1,091	351
Taxes payable	(4)	(21)	157
Unearned revenues	1,587	491	13
Claims and judgments payable	—	—	—
Compensated absences	248	40	(760)
Other postemployment benefits	504	(7)	(104)
Net pension liability	(46,409)	(11,238)	(6,102)
Customer deposits and other liabilities	68	74,130	(45)
Landfill closure and post-closure care	—	—	102,174
Increases (decreases) in deferred inflows of resources:			
Deferred inflows on pension and OPEB	9,612	1,142	(271)
Total adjustments	123,735	235,261	108,515
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (523,751)</b>	<b>\$ 448,328</b>	<b>\$ 25,895</b>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Public Transportation capital grants on account decreased by \$49.7 million in 2019.

Water Quality capital grants on account decreased by \$258 thousand in 2019.

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, 2019**  
(IN THOUSANDS)  
(PAGE 4 OF 4)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (2,112)	\$ (519,151)	\$ 53,645
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	8,335	347,846	16,023
Nonoperating miscellaneous revenues (expenses)	356	4,701	—
(Increases) decreases in assets:			
Accounts receivable, net	747	(20,468)	717
Due from other funds	207	(2,094)	27
Due from other governments, net	139	(5,814)	11
Inventory	125	(842)	(554)
Prepayments	20	540	(1,359)
Other assets	—	(423)	—
(Increases) decreases in deferred outflows of resources:			
Deferred outflows on pensions, refunding, OPEB and ARO	(6)	(6,173)	(1,420)
Increases (decreases) in liabilities:			
Accounts payable	(4,611)	20,720	748
Retainage payable	—	69	227
Due to other funds	(106)	(398)	(3)
Wages payable	151	9,999	1,347
Taxes payable	21	153	(11)
Unearned revenues	7,135	9,226	—
Claims and judgments payable	—	—	2,012
Compensated absences	133	(339)	30
Other postemployment benefits	14	407	(129)
Net pension liability	(1,907)	(65,656)	(12,066)
Customer deposits and other liabilities	1,745	75,898	409
Landfill closure and post-closure care	—	102,174	—
Increases (decreases) in deferred inflows of resources:			
Deferred inflows on pension and OPEB	236	10,719	1,737
Total adjustments	12,734	480,245	7,746
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 10,622</b>	<b>\$ (38,906)</b>	<b>\$ 61,391</b>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Internal Service Funds received \$3,531 thousand of capital assets from other funds and transferred \$207 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, 2019**  
(IN THOUSANDS)

	<b>CUSTODIAL FUNDS</b>	
	<b>EXTERNAL INVESTMENT POOL FUNDS</b>	<b>OTHER CUSTODIAL FUNDS</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ —	\$ 132,202
Investments at fair value:		
Repurchase agreements	126,229	—
Commercial paper	286,211	—
U.S. agency discount notes	212,941	—
Supranational discount notes	26,057	—
Corporate notes	344,935	—
Corporate notes floating rate	111,443	—
U.S. Treasury notes	1,459,182	14,400
U.S. agency notes	238,014	—
U.S. agency collateralized mortgage obligations	1,796	—
Supranational coupon notes	770,513	—
State Treasurer's investment pool	326,138	—
Total investments	3,903,459	14,400
Taxes receivable for other governments	—	74,862
Accounts receivable	—	24,872
Interest receivable	7,507	—
Assessments receivable for other governments	—	2,175
Notes and contracts receivable	—	52
<b>TOTAL ASSETS</b>	<b>3,910,966</b>	<b>248,563</b>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	—	55,531
Due to beneficiaries	—	73,043
Due to other governments	—	62,172
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>190,746</b>
<b>NET POSITION</b>		
Restricted for:		
Individuals, organizations and other governments	3,910,966	57,817
<b>TOTAL NET POSITION</b>	<b>\$ 3,910,966</b>	<b>\$ 57,817</b>

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, 2019**  
(IN THOUSANDS)

	<b>CUSTODIAL FUNDS</b>	
	<b>EXTERNAL INVESTMENT POOL FUNDS</b>	<b>OTHER CUSTODIAL FUNDS</b>
<b>ADDITIONS</b>		
Property taxes collected for other governments	\$ —	\$ 4,800,731
State apportionment	—	3,586,985
Real estate excise taxes collected for other governments	—	797,827
Bond proceeds	—	643,913
Utility charges	—	386,343
Local support non-tax receipts	—	368,637
Member contributions	—	243,206
Drainage utility charges collected for other governments	—	207,382
Pool participant contributions	9,460,150	(9,460,150)
Investment earnings:		
Interest, dividends and other	87,547	29
Net increase in fair value of investments	31,952	13
Total investment earnings	119,499	42
Less investment costs:		
Investment activity costs	(1,713)	—
Net investment earnings	117,786	42
Charges for fire protection services	—	32,815
Receipts from other governments	—	24,519
Court fees collected for other governments	—	16,678
Lease contributions	—	15,364
Regulatory fees	—	12,806
Recording fees collected for other governments	—	12,585
Other taxes collected for other governments	—	11,718
Charges for emergency medical services	—	7,710
Impact fees collected for other governments	—	3,794
Food services receipts	—	5,036
Forest funds	—	2,011
Fines and forfeits collected for other governments	—	378
Licensing fees collected for other governments	—	320
Other fees collected for other governments	—	188
Permitting fees collected for other governments	—	13
Miscellaneous receipts	—	202,901
Total additions	9,577,936	1,923,752
<b>DEDUCTIONS</b>		
Payments to vendors	—	9,466,475
Taxes distributed to other governments	—	1,172,597
Principal payments	—	361,099
Interest and other debt service costs	—	268,111
Other receipts distributed to other governments	—	245,423
Pool participant distributions	9,816,972	(9,816,972)
Election costs	—	5,714
Payments to escrow	—	4,950
Treasurer collection fees	—	2,606
Cash management fees	—	180
Miscellaneous payments	—	469,710
Total deductions	9,816,972	2,179,893
Net increase (decrease) in fiduciary net position	(239,036)	(256,141)
NET POSITION - BEGINNING (RESTATED)	4,150,002	313,958
NET POSITION - ENDING	\$ 3,910,966	\$ 57,817

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

**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**DECEMBER 31, 2019**  
(IN THOUSANDS)

	<b>HARBORVIEW MEDICAL CENTER</b>	<b>CULTURAL DEVELOPMENT AUTHORITY</b>	<b>NJB PROPERTIES</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 334,887	\$ 25,644	\$ —	\$ 360,531
Investments	—	11,453	—	11,453
Receivables, net	191,598	—	3	191,601
Inventories	9,032	—	—	9,032
Prepayments	12,440	273	7	12,720
Nondepreciable assets	26,010	—	—	26,010
Depreciable assets, net of depreciation	258,971	—	—	258,971
Net investment in capital lease	—	—	8,156	8,156
Deposits with other governments	7,007	—	—	7,007
Other assets	15,439	94	893	16,426
<b>TOTAL ASSETS</b>	<b>855,384</b>	<b>37,464</b>	<b>9,059</b>	<b>901,907</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on pensions	—	275	—	275
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>—</b>	<b>275</b>	<b>—</b>	<b>275</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	87,201	509	2	87,712
Accrued liabilities	53,382	—	38	53,420
Unearned revenues	—	11,745	—	11,745
Noncurrent liabilities:				
Due within one year	686	1,318	310	2,314
Due in more than one year	10,495	7,754	7,995	26,244
<b>TOTAL LIABILITIES</b>	<b>151,764</b>	<b>21,326</b>	<b>8,345</b>	<b>181,435</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows on pensions	—	430	—	430
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>—</b>	<b>430</b>	<b>—</b>	<b>430</b>
<b>NET POSITION</b>				
Net investment in capital assets	284,981	—	—	284,981
Restricted for:				
Expendable	7,545	15,983	—	23,528
Nonexpendable	2,870	—	—	2,870
Unrestricted	408,224	—	714	408,938
<b>TOTAL NET POSITION</b>	<b>\$ 703,620</b>	<b>\$ 15,983</b>	<b>\$ 714</b>	<b>\$ 720,317</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, 2019**  
(IN THOUSANDS)

Functions/Programs	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	\$ 1,042,206	\$ 1,062,963	\$ 3,609	\$ 30,948	\$ —	\$ —	\$ 30,948
Cultural Development Authority	19,160	162	—	—	(14,124)	—	(14,124)
NJB Properties	613	103	—	—	—	(510)	(510)
Total Component Units	\$ 1,061,979	\$ 1,063,228	\$ 3,609	\$ 30,948	\$ (14,124)	\$ (510)	\$ 16,314
General revenues:							
Interest earnings				\$ —	\$ 1,089	\$ 419	\$ 1,508
Net general revenues				—	1,089	419	1,508
Change in net position				30,948	(13,035)	(91)	17,822
Net position - January 1, 2019 (Restated)				672,672	29,018	805	702,495
Net position - December 31, 2019				\$ 703,620	\$ 15,983	\$ 714	\$ 720,317

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

## Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies	35
Note 2 - Reconciliation of Government-wide and Fund Financial Statements	48
Note 3 - Stewardship, Compliance and Accountability	52
Note 4 - Deposits and Investments	53
Note 5 - Receivables	62
Note 6 - Tax Revenues	63
Note 7 - Capital Assets	71
Note 8 - Restricted Assets	74
Note 9 - Pension Plans	75
Note 10 - Defined Benefit Other Postemployment Benefit (OPEB) Plan	86
Note 11 - Risk Management	89
Note 12 - Leases	93
Note 13 - Landfill Closure and Post-closure Care	96
Note 14 - Pollution Remediation	97
Note 15 - Long-term Liabilities	99
Note 16 - Interfund Balances and Transfers	109
Note 17 - Related Party Transactions	111
Note 18 - Components of Fund Balance, Restatements and Restrictions	112
Note 19 - Legal Matters, Financial Guarantees and Other Commitments	117
Note 20 - Subsequent Events	120

## Note 1

### Summary of Significant Accounting Policies

#### Description of Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

#### Reporting Entity

King County was founded in 1852 and operates under a Home Rule Charter that was adopted by a vote of County citizens in 1968 and which established an executive-council form of government. Citizens elect the County Executive to a four-year, full-time term and the nine-member council by district to staggered four-year terms. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

#### Blended Component Units

##### King County Flood Control District (FCD)

King County Flood Control District was created under the authority of chapter 86.15 RCW to manage, plan and construct flood control facilities within district boundaries. By statute, the King County Council serves as the Board of Supervisors for FCD.

FCD is a component unit of the County for the following reasons: (1) it is a legally separate entity established as a quasi-municipal corporation and independent taxing authority; (2) King County appoints the voting majority of FCD board because the County Council members are the *ex officio* supervisors of the district; and (3) the County can impose its will on FCD. FCD financial presentation is as a blended component unit because the two governing boards are substantively the same and there is a financial benefit relationship between the County and FCD. FCD contracts with King County Department of Natural Resources and Parks for flood control projects and programs. During 2019, FCD reimbursed the County \$49.9 million for such projects and programs.

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

#### Component Units – Discretely Presented

##### Harborview Medical Center (HMC)

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

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

that King County retains title to all real and personal property acquired for King County with HMC capital or operating funds.

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

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

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

The primary classification of HMC is that of a component unit, however, the County is the issuer of HMC's general obligation bonds. Note 15 - "Long-term Liabilities" reports on all the general obligation bonds issued by the County as of December 31, 2019, including bonds reported by HMC as of June 30, 2019.

The County has not recorded an equity interest in HMC because it is not estimable. The management agreement under which HMC operates specifies that allocation of HMC's assets will be negotiated during a winding-up period following either the expiration of the agreement or its termination.

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. In July of 2019, CDA launched Building for Equity, a two year joint initiative with the King County Council to support the existing needs of building projects within the cultural sector and to advance CDA's funding practices aimed at improving equitable outcomes.

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, 2019, 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 2019, the WDC reimbursed King County approximately \$1.5 million for the Employment and Education Resource Program in eligible program costs. King County has a \$560 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 five 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), and King County Regional Homelessness Authority (KCRHA). 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. The County Executive and two Councilmembers hold three of the twelve board positions of the KCRHA. There is no evidence that the County Council can influence the programs and activities of these five organizations or that they create a significant financial benefit or burden to the County.

The County serves as the treasurer for KCLS, LCFD, PFD and KCRHA providing services such as tax collection and warrant issuance. Due to this fiduciary relationship, these districts are reported as custodial funds to distinguish them from County funds.

### **Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds that benefit the governmental activities, while business-type activities incorporate data from the government's enterprise funds and internal service fund that benefit the business-type activities.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds (excluded from the government-wide financial statements), and component units. As discussed earlier, the government has three discretely presented component units, HMC, CDA and NJB. While none of the three is considered to be a major component unit, each is nevertheless shown in a separate column in the component unit financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include payments for services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would misstate the direct costs of the purchasing function and the program revenues of the selling function.

HMC has a June 30 fiscal year end, differing from the County's December 31 fiscal year end. The County reports HMC's financial results as of June 30 in the financial statements. There is no material effect on the balances, transactions and interfund activity reported for the period, as a result of the disparity in reporting period.

### **Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate financial statements are provided for each fund category – governmental funds, proprietary funds and fiduciary funds. Governmental funds are reported by mission, which corresponds to the County's strategic plan. Proprietary funds are reported by individual funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

#### **Major Governmental Funds**

The County reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The Behavioral Health Fund encompasses the continuum of services for the King County Behavioral Health Administrative Services Organization (BH-ASO) and provides oversight and management of publicly funded mental health and substance use disorder services for eligible King County residents, with emphasis on prevention, intervention, treatment, and recovery. Its main sources of funding are Medicaid, federal and state grants, charges for services and property taxes.

#### **Major Enterprise Funds**

The County reports the following major enterprise funds:

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

The Water Quality Enterprise accounts for the operations, capital improvements, and maintenance of the County's water pollution control facilities. The enterprise has three large treatment plants, the recently constructed Brightwater

Treatment Plan that came online in 2011-12, the West Point Treatment Plant in Seattle, and the South Treatment Plant in Renton, as well as two smaller facilities, namely the Carnation and Vashon Island Treatment Plants.

The Solid Waste Enterprise 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 provide for post-closure care and remediation costs, and to replace capital equipment.

#### Nonmajor Governmental Funds

Special Revenue Funds are used to account for a variety of County programs including 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 Proprietary Funds

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

#### Internal Service and Fiduciary Funds

Internal Service Funds are used to account for the provision of motor pool, information technology, 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.

Custodial Funds are used to report cash received and disbursed in the County's capacity as *ex officio* treasurer or collection agent for special districts and other governments and investment activity conducted by King County on behalf of legally separate entities.

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. 83, Certain Asset Retirement Obligations, is effective for fiscal years beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations. King County implemented the statement in 2019.

GASB Statement No. 84, Fiduciary Activities, is effective for fiscal years beginning after December 15, 2018. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting. The statement was implemented by King County in 2019.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, is effective for fiscal years beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement was adopted by King County in 2019.

GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61, is effective for fiscal years beginning after December 15, 2018. This Statement improves financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. This statement was adopted by King County in 2019.

## **Terminology**

### **Expenditure Functions**

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

General Government - Provided by the administrative 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 and Roads Capital Program.

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; and Due from other governments, net.
- The liability account *Accounts payable and other current liabilities* combines Accounts payable, Retainage payable, Due to other governments, 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, Asset retirement obligations, 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 DLS / Permitting Division, 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, Public Transportation and Water Quality Funds use the weighted average valuation method.

#### Prepayments

Payments made in advance to vendors for certain goods or services, such as building rent, that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements. The expenditures are recognized in the period of consumption or occupancy.

#### Capital Assets (See Note 7 - "Capital Assets")

Capital assets include: Land (fee simple land, rights-of-way and easements and farmland development rights); Infrastructure (roads and bridges network); Buildings; Improvements other than buildings; Furniture, machinery and equipment; Software and Artwork. Work-in-progress is reported for all unfinished construction and development for most capital assets except for roads and bridges infrastructure.

General capital assets, including those in internal service funds that support governmental funds, are reported in the governmental activities column of the government-wide Statement of Net Position.

Capital assets of enterprise funds, including those in internal service funds that exclusively support enterprise funds, are reported in the business-type column of the government-wide Statement of Net Position. Enterprise and internal service funds capital assets are also reported in the individual proprietary fund Statement of Net Position.

The capitalization threshold in the King County primary government is \$5 thousand for machinery and equipment, \$500 thousand for internally developed and purchased software, and \$100 thousand for buildings, intangible assets and other improvements.

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

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

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

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

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

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 Metropolitan 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 3 - 13	\$5,000
February 14 - March 8	\$50,000
March 9 - 15	\$100,000
March 16 - April 10	\$1,000,000

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

### Unearned Revenues

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

### Long-term Obligations (See Note 15 - "Long-term Liabilities")

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts and bond issuance costs in the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service costs.

### Rebatable Arbitrage

The County's tax-exempt debt is subject to arbitrage restrictions as defined by the Internal Revenue Code. All of the County's bonded debts are tax-exempt except certain taxable debts as identified in Note 15 - "Long-term Liabilities." Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable



securities. The County had no arbitrage liability at December 31, 2019, in part because the yields on the County's Investment Pool remained at relatively low levels during 2019.

#### 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 four items that qualify for reporting in this category. They are the deferred charge on debt refunding, the deferred outflow of resources associated with pensions, postemployment benefits (OPEB), and the deferred retirement obligations associated with certain capital assets. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources for pensions results from contributions subsequent to the measurement date, the difference between projected and actual investment earnings, the difference between expected and actual experience, and changes in actuarial assumptions and changes in proportions. The deferred outflows related to OPEB arise from changes in actuarial assumptions. The deferred outflow of resources related to the retirement of certain tangible capital assets arise from a legal obligation for the government to perform future asset retirement activities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three types of items that qualify for reporting in this category. The *deferred inflows of resources* reported in the business-type activities and proprietary funds represent sewer revenues that are reserved annually to normalize future sewer rates (see Rate Stabilization, p. 45). The deferred inflows of resources on pensions and OPEB are reported in the government-wide Statement of Net Position.

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

#### Net Position Flow Assumption

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

#### Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted

fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### Fund Balance Policies

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

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

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

#### Compensated Absences

Compensated absences consist of vacation pay, sick pay, and compensatory time in lieu of overtime pay. Employees earn vacation based on their date of hire and years of service. Employees hired prior to January 1, 2018 have a maximum vacation accrual of 480 hours, while those hired January 1, 2018 or after have a maximum vacation accrual of 320 hours unless the employee's collective bargaining unit agreement specifies a different maximum. Unused vacation at retirement or normal termination is considered vested and payable to the employee, up to the employee's maximum accrual. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit. If the employee is leaving their employment due to death or retirement, they are paid for 35 percent of the value of unused sick leave with no maximum. For reporting purposes, a variety of factors are used to estimate the portion of the accumulated sick leave that is subject to accrual.

A liability is accrued for estimated excess compensation payable to the Washington State Department of Retirement Systems based on an employee's accrued vacation and sick leave. An excess compensation liability is incurred when an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a cash-out of unused annual leave in excess of 240 hours and a cash-out of any other form of leave. Compensated absences are reported in governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). All vacation pay liability and a portion of sick leave liability are accrued in the government-wide and proprietary statements.

#### Revenues and Expenditures/Expenses

##### Program Revenues

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

##### Allocating Indirect Expense to Functions

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

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	\$ (657,997)
Plus: Unamortized premiums on bonds sold	(61,988)
Accrued interest payable	(5,341)
Capital leases payable	(8,156)
Compensated absences	(93,208)
Net pension liability	(192,779)
Deferred inflows on pensions	(137,869)
Earned but unavailable court fines and penalties	6,771
Earned but unavailable taxes and assessments	15,821
Asset retirement obligations	(150)
Other postemployment benefits	(93,600)
Deferred inflows on OPEB	(6,391)
Total adjustments related to long-term liabilities and deferred inflows	<u>\$ (1,234,887)</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	\$ 2,415,700
Depreciable assets	1,031,944
Less: Capital assets in governmental internal service funds (all internal service funds except Wastewater Equipment Replacement)	(56,910)
Total adjustments related capital assets	<u>\$ 3,390,734</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	\$ 73,838
Deferred outflows on refunding (to be amortized as interest expense)	14,530
Deferred outflows on pensions	71,043
Deferred outflows on other post employment benefits	2,207
Deferred outflows on asset retirement obligation	135
Total adjustments related to long-term assets and deferred outflows	<u>\$ 161,753</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	\$ 219,679
Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	(82,130)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	(15,188)
Total adjustments related to internal service funds	<u>\$ 122,361</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	\$ 171,693
Depreciation expense	(42,731)
Total adjustments related to capital outlay	<u>\$ 128,962</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.	\$ (36,852)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds.	13,206
Total adjustments related to miscellaneous capital asset transactions	<u>\$ (23,646)</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	\$ (23)
Unavailable revenue-abatement fees	(225)
Unavailable revenue-noxious weeds	26
Unavailable revenue-charges for services	(575)
Unavailable revenue-fines and forfeits	(330)
Unavailable revenue-grants	(350)
Unavailable revenue-pet licenses	(83)
LEOFF special funding	3,173
Judgments	93
Total adjustments related to revenues	<u>\$ 1,706</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	\$ (118,217)
Premium on bonds sold	(21,372)
Principal repayments	67,990
Payment to escrow agent	63,652
Total adjustments related to debt issuance or refundings	<u>\$ (7,947)</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	\$ (3,996)
Other postemployment benefits	998
Interest on long-term debt	8,188
Lease amortization	(15)
Pension expense	66,390
Transfers out	(3,163)
Lease payments	135
Total adjustments related to expenses	<u>\$ 68,537</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	\$ 4,768
Revenues related to services provided to outside parties	7,531
Expenses related to services provided to outside parties	(6,879)
Gain on disposal of capital assets	580
Interest on long-term debt	(279)
Capital contributions	3,334
Transfers in	2,539
Transfers out	(20,640)
Internal service fund gains allocated to governmental activities	37,469
Total adjustments related to internal service funds	<u>\$ 28,423</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	\$ 26,089
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	82,130
Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	15,188
Total adjustments related to internal service fund activities related to enterprise funds	<u>\$ 123,407</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	\$ 503
Revenues related to services provided to outside parties	41
Expenses related to services provided to outside parties	(37)
Gain on disposal of capital assets	166
Capital contributions	197
Transfers out	(56)
Internal service fund gains allocated to business-type activities	15,520
Total adjustments related to internal service fund activities related to enterprise funds	<u>\$ 16,334</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 are controlled by multi-year budgets. Some funds reported as nonmajor special revenue funds are controlled by multi-year budgets. They include Long-Term Leases, Major Maintenance, Regional Justice Center Projects, Surface Water Capital, Transfer of Development Credits and Urban Reforestation and Habitat Restoration. The budget for the Flood Control District, a blended component unit, is approved under the authority of its respective governing body. The Law Library Fund, Road Improvement Districts and Treasurer's Operating and Maintenance have the authority under state law to pay expenditures without appropriations.

Revenues are estimated on the basis of when they become susceptible to accrual. Budgeted appropriations include both expenditures and other financing uses; they are budgeted based on liabilities expected to be paid in the given budget period for the acquisition of goods and services.

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

#### Deficit Fund Equity

##### Nonmajor Governmental Funds

The KC Flood Control Contract fund reports a total fund balance deficit of \$171 thousand. The fund primarily provides services to the Flood Control District. Future contract billing receipts are anticipated to reduce the fund deficit.

The Long-Term Leases fund reports a total fund deficit of \$908 thousand. The Facilities Management Division has developed a plan to address the fund deficit which was approved by the Executive Finance Committee during 2016 and 2017. The fund balance deficit will be resolved by the end of 2022 through streamlined rates.

The Permitting and Abatement fund reports a total fund balance deficit of \$142 thousand. The deficit mostly results from an industry-driven cyclical downturn in permitting activity in unincorporated King County. The next cyclical upturn is expected to resolve the fund deficit by 2024.

The Risk Abatement fund reports a total fund balance deficit of over \$6.3 million. In December 2016, a judgment directed King County to pay the Washington State Department of Retirement Systems (DRS) \$10.5 million in interest payments. The Risk Abatement fund made the payment to DRS in 2016. The deficit will be paid down over five years by transfers from the General Fund.

The Building Repair and Replacement fund reports a total fund deficit of \$15.8 million. The deficit is mostly caused by the Children and Family Justice Center project. Expenditures pool faster than tax revenues are collected. Currently, an interfund loan is approved until all revenues can be collected.

##### 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, 2019 (in thousands):

<u>Fund:</u>	<u>Total Net Position</u>
Construction and Facilities Management	\$ (14,514)
Financial Management Services	(8,458)
King County Geographic Information Systems	(228)



## 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 50 percent. Effective June 7, 2018, resolution 2018-1 adopted by Commission on June 1, 2018, allowed that “all Well Capitalized public depositories may collateralize uninsured public deposits at no less than fifty percent.” The PDPC is a statutory authority established under chapter 39.58 RCW that governs public depositories and provides that “All public funds deposited in public depositories, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter.” It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositories within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

Custodial credit risk - Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County’s deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositories in the State of Washington and total deposits cannot exceed the net worth of the financial institution. Those institutions not meeting 100 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, 2019, the County’s total deposits, including certificates of deposits and excluding the equity in the component units, were \$45.3 million in carrying amount and \$39.9 million in bank balance, of which \$13.7 million was exposed to custodial credit risk as uninsured and uncollateralized.

#### Investments

King County Investment Pool - The King County Investment Pool (KCIP), the main pool, consists of monies invested on behalf of the County and other special purpose districts within the County including school, fire, sewer, library, water and other districts. The KCIP operates in accordance with the King County Investment Policy which has been prepared in accordance with state law. This policy is reviewed annually and any modifications shall be approved by the King County Executive Finance Committee (EFC). The policy applies to all financial assets invested in the KCIP as defined in King County Code (KCC) 4.10.090.

This policy also covers King County non-pooled investments. Non-pooled King County investments, which do not meet the criteria of this policy, require approval by the EFC.

The King County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the EFC, which serves the role of the County Finance Committee as defined in RCW 36.48.070.

The Investment Pool Advisory Committee (IPAC) was created by Ordinance 16280 to provide input to the EFC on matters related to the King County Investment Pool. The IPAC has not been vested with decision-making authority for the KCIP; it makes recommendations to the EFC on agenda items related to the KCIP.

The King County Investment Policy is designed to help King County meet the objectives of the KCIP. The objectives of the County’s investment policy are to invest public funds in a manner which will preserve the safety and liquidity of all investments within the KCIP while obtaining a reasonable return within established investment guidelines. The portfolio should be managed in a manner that is responsive to the public trust and consistent with state law. The King County Investment Pool is guided by the following principles:

1. The primary objective of King County’s investment of public funds is to safeguard investment principal.
2. The secondary objective is to maintain sufficient liquidity to ensure that funds are available to meet daily cash flow requirements.
3. The third consideration is to achieve a reasonable yield consistent with these objectives.

Investment Instruments - Statutes authorize King County to invest in:

- Savings or time accounts in designated qualified public depositories; and certificates, notes or bonds of the United States.

- Other obligations of the United States, its agencies, or in any corporation wholly owned by the United States government and supranational institutions where the United States is its largest shareholders.
- Bankers' acceptances purchased on the secondary market, Federal Home Loan bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes, debentures and guaranteed certificates of participation.
- Obligations of any other government-sponsored corporation whose obligation is or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System.
- Commercial paper and corporate notes (within the policies established by the State Investment Board).
- Debt instruments of local and state general obligations.
- General obligation bonds issued by any states and revenue bonds issued by Washington state governments that are rated at least "A" by a nationally recognized rating agency.

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

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

The County is authorized to enter into repurchase agreements to meet the investment needs of the King County Investment Pool. Such transactions are governed by a Master Repurchase Agreement. County investment policies require that securities' tri-party underlying repurchase agreements must have a fair value equal to at least 102 percent of repurchase price, plus accrued interest. Repurchase agreements in excess of 60 days are not allowed. Currently, the County's tri-party custodial bank monitors compliance with some of these provisions.

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

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 the Fiduciary Funds under Custodial Section. Except for County agencies that have been approved to invest in the Pool-Plus program, it is County policy to invest all County funds in the King County Investment Pool. All non-County participation in the KCIP is voluntary.

All securities are reported at fair value. Fair value reports are prepared monthly and are distributed to all Pool participants. Fair value pricing is provided by the County's investment accounting system. If a security is not priced by the County's accounting system vendor, prices are obtained from the County's safekeeping bank or from Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. The County has not provided or obtained any legally binding guarantees to support the value of the King County Investment Pool's shares.

The King County Investment Pool values participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period. Income is calculated based on: (1) realized investment gains and losses; (2) interest income based on stated rates (both paid and accrued); and (3) the

amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon fees. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses due to changes in the fair values. The net change in the fair values of the investments is reported as an increase or decrease in cash and cash equivalents in the statement of net position.

The King County Investment Pool's total fair value of investment including purchased interest was \$7.5 billion at year-end. 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 markup from cost of \$32.2 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, 2019 (dollars in thousands):

KING COUNTY INVESTMENT POOL				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Years)</u>
Repurchase Agreements	\$ 242,000	\$ 242,000	1.55%	0.005
Commercial Paper	545,325	547,375	2.01	0.203
U.S. Agency Discount Notes	408,240	410,300	1.54	0.318
Supranational Discount Notes	49,956	50,000	1.86	0.063
Corporate Notes	661,244	655,365	2.64	1.521
Corporate Notes Floating Notes	213,653	213,400	2.18	0.148
U.S. Treasury Notes	2,768,359	2,750,000	2.15	1.320
U.S. Agency Notes	456,309	455,000	1.84	0.894
U.S. Agency Collateralized Mortgage Obligations	3,444	3,218	4.33	3.485
Supranational Coupon Notes	1,476,026	1,472,593	2.15	1.009
State Treasurer's Investment Pool (LGIP)	625,256	625,256	1.78	0.003
Total investments in Pool	<u>\$ 7,449,812</u>	<u>\$ 7,424,507</u>	2.08	0.919

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 (LGIP).

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 issuer: International Bank Reconstruction and Development, 8.3 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, 2019, the effective duration of the main Pool was .919 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	\$ 242,000	\$ —	\$ —	\$ —	\$ 242,000
Commercial Paper	545,325	—	—	—	545,325
U.S. Agency Discount Notes	408,240	—	—	—	408,240
Supranational Discount Notes	49,956	—	—	—	49,956
Corporate Notes	98,559	235,255	327,430	—	661,244
Corporate Notes Floating Notes	—	57,658	155,995	—	213,653
U.S. Agency Notes	—	456,309	—	—	456,309
U.S. Agency Collateralized Mortgage Obligations	—	3,444	—	—	3,444
Supranational Coupon Notes	1,476,026	—	—	—	1,476,026
State Treasurer's Investment Pool	—	—	—	625,256	625,256
Total investments	<u>\$ 2,820,106</u>	<u>\$ 752,666</u>	<u>\$ 483,425</u>	<u>\$ 625,256</u>	<u>\$ 4,681,453</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) Must be a public depository; if not 100% collateralized, must be rated at least A-1 or P-1.

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

(5) Must be rated A or better by both Standard and Poor's and Moody's for 2 percent issuer limit. But if rated AA or higher, 3 percent issuer limit applies.

(6) Must be rated in top credit category by Standard & Poor's and Moody's. Maturities > 100 days must have a long-term rating of A or higher.

(7) Tri-party repurchase agreements collateralized at 102 percent and for purposes of aggregating across sectors, overnight repos shall not be included. Ten percent of the portfolio can be in overnight repos rated A-2 or P-2.

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

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

At year-end the King County Investment Pool was in compliance. The KCIP's actual composition consisted of Repurchase Agreements, 3.3 percent; Commercial Paper, 7.3 percent; U.S. Agency Discount Notes, 5.5 percent; Supranational Discount Notes, 0.7 percent; Corporate Notes, 8.9 percent; Corporate Notes Floating Rate, 2.9 percent; U.S. Treasury Notes, 37.1 percent; U.S. Agency Notes, 6.1 percent; Supranational Coupon Notes, 19.8 percent; and the LGIP, 8.4 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, 2019 (in thousands):

Investments by fair value level	Fair Value 12/31/2019	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	\$ 545,325	\$ —	\$ 545,325	\$ —
U.S. Agency Discount Notes	408,240	—	408,240	—
Corporate Notes	661,244	—	661,244	—
Corporate Notes Floating Rate	213,653	—	213,653	—
U.S. Treasury Notes	2,768,359	2,768,359	—	—
U.S. Agency Notes	456,309	—	456,309	—
Supranational Discount Notes	49,956	—	49,956	—
U.S. Agency Collateralized Mortgage Obligations	3,444	—	3,444	—
Supranational Coupon Notes	1,476,026	—	1,476,026	—
Subtotals	6,582,556	\$ 2,768,359	\$ 3,814,197	\$ —
<b>Investments measured at amortized cost (not subject to fair value hierarchy)</b>				
Repurchase Agreements	242,000			
State Treasurer's Investment Pool	625,256			
Subtotal investments measured at cost	867,256			
Total investments in Investment Pool	\$ 7,449,812			

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

Commercial Paper, U.S. Agency Discount Notes, Corporate Notes, Corporate Notes Floating Rate, U.S. Agency Notes, Supranational Discount Notes, U.S. Agency Collateralized Mortgage Obligations and Supranational Coupon Notes are valued using standard inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Interactive Data also monitors market indicators, industry and economic events and corroborating market data and are classified in Level 2 of the fair value hierarchy.

Impaired Investment Pool

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

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

The fair value of the Impaired Pool at December 31, 2019, was \$3.1 million and the book value was \$4.5 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 2019, VFNC Trust distributed a total of \$1.1 million to the County. Including all the receipts to date brings the cash recovery rate on the original VFNC Trust investment to 92 percent. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay. This

monthly distribution is expected to continue for at least 5 to 10 more years or as long as the underlying securities continue to make cash payments. Also, because of extremely low interest rates, the County chose not to discount these future cash flows.

The impaired investments in commercial paper recorded at fair value total \$3.1 million, are based on market price of the underlying securities that are held by VFNC Trust (Victoria) and the cash value retained by the receivers as of December 31, 2019, and are classified in Level 3 inputs of fair value hierarchy. 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, 2019 (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 for pool participants	\$ 7,462,766	\$ 7,459,715	\$ 3,051
Equity of internal pool participants	\$ 3,566,460	\$ 3,565,175	\$ 1,285
Equity of external pool participants	3,896,306	3,894,540	1,766
Total equity	<u>\$ 7,462,766</u>	<u>\$ 7,459,715</u>	<u>\$ 3,051</u>

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

Net position - January 1, 2019	\$ 7,470,912	\$ 7,466,891	\$ 4,021
Net change in investments by pool participants	(8,146)	(7,176)	(970)
Net position - December 31, 2019	<u>\$ 7,462,766</u>	<u>\$ 7,459,715</u>	<u>\$ 3,051</u>

### **Pool Plus - Long-Term Investment Option**

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

The policy is intended to serve the following goals:

- Provide an investment option for funds with investment horizons far beyond the maximum maturity limit of the pool.
- Minimize credit risk exposure that long-term investments outside the KCIP will face.
- Minimize the possibility of negative financial impacts on current pool participants.
- Ensure that a fund requesting to invest in long-term investments outside the pool understands, and accepts, the greater price volatility that is inherent in longer term investments.
- Minimize any operational burden that would distract the investment team from its primary mission of managing the investment pool.

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

- U.S. Treasuries or securities with full faith and credit of the U.S. government backing them.
- Senior debt obligations issued by U.S. agencies, instrumentalities, or government-sponsored enterprises such as Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). While these agencies have credit



ratings equivalent to the U.S. government, they are not explicitly guaranteed by the U.S. government. Financial market participants view them as having an “implied guarantee” because these agencies were chartered by Congress.

At yearend, the fair value of securities invested in the Pool Plus program was \$15.6 million for County's agencies and \$14.5 million for districts. The following schedule shows a summary of the characteristics of the assets in the Pool Plus program at December 31, 2019 (dollars in thousands):

#### KING COUNTY POOL-PLUS PROGRAM

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)
U.S Treasury Notes - County's agencies	\$ 15,628	\$ 15,262	2.53%	4.200
U.S. Treasury Notes - Districts funds	9,348	9,126	2.61%	3.900
U.S. Treasury Notes - Districts funds	5,120	5,034	2.47%	3.770

#### Individual Investments Accounts

King County purchases individual investments for other legally separate entities, such as special districts and public authorities, which are not part of the financial reporting entity. Net positions in these individual investments accounts are reported in the Fiduciary Funds section under Custodial Funds.

#### Nonfinancial Assets

The County has some land that is being held for future sale. The investment is valued at \$1.9 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 2019.

#### 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, 2019, the deposits not covered by the FDIC are uninsured and are partially collateralized by the PDPC collateral pool. HMC's custodial credit risk for its deposits as shown in the following table (in thousands):

Harborview Medical Center As of June 30, 2019			
	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Cash in other banks	\$ 3,194	\$ 220	\$ 2,974
Equity in Investment Pool	331,693	336,832	—
Total deposits	<u>\$ 334,887</u>	<u>\$ 337,052</u>	<u>\$ 2,974</u>

##### Cultural Development Authority of King County (CDA)

#### Deposits

The Cultural Development Authority of King County (CDA) maintains a deposit relationship with a local commercial bank. All deposits with this qualified public depository that are not insured by the Federal Deposit Insurance Corporation (FDIC) are partially collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority established under charter 39.58 RCW and constitutes a multiple financial institution collateral pool that can make pro rata assessments to all public depositories within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

**Custodial credit risk - Deposits** - The custodial credit risk for deposits is the risk that, in the event of a bank failure, the CDA's deposits may not be recovered. At yearend, the CDA's total deposits, were \$1.3 million in carrying amount, and \$1.6 million in bank balance, of which \$650 thousand was exposed to custodial credit risk as uninsured and uncollateralized.

### Investments

The CDA has an investment policy to guide the management of its assets and help ensure that all investment activity is within the 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 the CDA to invest in bankers' acceptances purchased on the secondary market, Federal Home Loan bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes and debentures and guaranteed certificates of participation.

CDA is also authorized to invest in the Washington State Local Government Investment Pool (LGIP). The LGIP values its investments at amortized cost, which approximates fair value. The LGIP funds are limited to high quality obligations with limited maximum and average maturities, which has the effect of minimizing both market and credit risk.

### Fair Value Hierarchy

The 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, 2019 (in thousands):

	Fair Value 12/31/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
U.S. Treasury Notes	\$ 762	\$ 760	\$ —	\$ —
U.S Agency Notes	10,691	—	10,691	—
Subtotal investments at fair value	11,453	\$ 760	\$ 10,691	\$ —
<b>Investments measured at amortized cost (not subject to fair value hierarchy)</b>				
State Treasurer's Investment Pool (LGIP)	24,402			
Subtotal investments measured at cost	24,402			
Total CDA investments	\$ 35,855			

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

U.S. Agency notes are valued using significant other observable inputs other than quoted prices including issuer spreads scales by Interactive Data based on the new issue market, secondary trading, and dealer quotes and are classified in Level 2 of the fair value hierarchy.



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, 2019 (in thousands):

**Cultural Development Authority  
Investments By Type**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Years)</u>	<u>Concentration</u>
U.S. Treasury Notes	\$ 762	\$ 760	2.63%	0.625	2.13%
U.S. Agency Notes:					
Federal National Mortgage Association Notes	5,690	5,715	1.46	1.003	15.87
Federal Home Loan Bank Bonds	5,001	5,005	3.58	0.38	13.95
State Treasurer's Investment Pool	24,402	24,402	1.75	0.003	68.05
Subtotal investments	35,855	<u>\$ 35,882</u>	1.98	0.227	<u>100.00%</u>
Less: State Treasurer's Investment Pool (Cash Equivalent)	(24,402)				
Total investments per Statement of Net Position	<u>\$ 11,453</u>				

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, 2019, the combined weighted average effective duration of the CDA's portfolio was 0.227 years.

Credit risk - Debt Securities - Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2019, 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, 2019, the CDA had concentrations greater than 5 percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal Home Loan Banks, 14.0 percent; and Federal National Mortgage Association, 16.0 percent.

NJB Properties

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

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

	2019
Non-bond Proceeds	\$ 29
Revenue Fund	825
Bond Fund	39
	<u>\$ 893</u>

## Note 5

### Receivables

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

<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	\$ 40,782	\$ 1,344	\$ 18,020	\$ 60,146		
Estimated uncollectible	(31,784)	—	(9,546)	(41,330)		
Accounts receivable, net	<u>\$ 8,998</u>	<u>\$ 1,344</u>	<u>\$ 8,474</u>	<u>\$ 18,816</u>		
Due from other governments:						
Due from other governments	\$ 82,992	\$ 14,081	\$ 79,716	\$ 176,789		
Estimated uncollectible	(5)	—	(231)	(236)		
Due from other governments, net	<u>\$ 82,987</u>	<u>\$ 14,081</u>	<u>\$ 79,485</u>	<u>\$ 176,553</u>		

  

<b>Proprietary</b>	<b>Public Transportation</b>	<b>Water Quality</b>	<b>Solid Waste</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
Current assets:						
Accounts receivable:						
Accounts receivable	\$ 49,939	\$ 40,158	\$ 13,727	\$ 808	\$ 104,632	\$ 632
Estimated uncollectible	(329)	(13)	(316)	(8)	(666)	(48)
Accounts receivable, net	<u>\$ 49,610</u>	<u>\$ 40,145</u>	<u>\$ 13,411</u>	<u>\$ 800</u>	<u>\$ 103,966</u>	<u>\$ 584</u>
Due from other governments:						
Due from other governments	\$ 256,347	\$ —	397	\$ 5,819	\$ 262,563	\$ 55
Estimated uncollectible	—	—	—	(7)	(7)	—
Due from other governments, net	<u>\$ 256,347</u>	<u>\$ —</u>	<u>\$ 397</u>	<u>\$ 5,812</u>	<u>\$ 262,556</u>	<u>\$ 55</u>
Noncurrent assets:						
Due from other governments	<u>\$ 28</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 28</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 \$1.09639 per \$1,000 of assessed value for the 2019 tax year. The road district levy, which is levied in unincorporated areas of the county for road construction and maintenance and other County services provided in the unincorporated areas, is limited to \$2.25 per \$1,000 of assessed value, for which the County currently is at \$1.87677 per \$1,000 of assessed value for the 2019 tax year. Additional statutory provisions limit the increase in the aggregate amount of taxes levied.

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.

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

*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 2019, the county-wide flood control zone district levy rate was \$0.09660 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 2019 and 2018 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 2019 countywide assessed valuation was \$606.6 billion, a \$72 billion increase from 2018; the assessed valuation for the unincorporated area levy was \$48.9 billion, an increase of \$5.1 billion from 2018.

## ALLOCATION OF 2019 AND 2018 TAX LEVIES

	2019 Original Taxes Levied (in thousands)	2019 Levy Rate (per thousand)	2018 Original Taxes Levied (in thousands)	2018 Levy Rate (per thousand)
<b>Countywide Levy</b>				
<b>Assessed Value:</b>				
\$606,623,698,132 <sup>(a)</sup>				
Items Within Operating Levy: <sup>(b)</sup>				
General Fund	\$ 369,346	0.61087	\$ 358,302	0.67262
Veterans' Relief	3,107	0.00514	3,010	0.00565
Human Services	6,977	0.01154	6,761	0.01269
Intercounty River Improvement	48	0.00008	49	0.00009
Automated Fingerprint Identification System	21,169	0.03501	22,123	0.04153
Parks Levy	78,152	0.12926	74,259	0.13940
Veterans and Human Services	56,287	0.09349	53,267	0.10000
Children and Family Justice Center	25,865	0.04278	25,054	0.04703
Best Starts for Kids	69,095	0.11428	65,656	0.12325
Radio Communications	32,614	0.05394	31,590	0.05930
Marine Operating	6,120	0.01012	5,930	0.01113
Total Operating Levy	668,780	1.10651	646,001	1.21269
<b>Conservation Futures Levy</b>				
Conservation Futures Levy <sup>(c)</sup>	20,714	0.03426	11,071	0.02078
Farmland and Park Debt Service	—	—	8,999	0.01689
Total Conservation Futures Levy	20,714	0.03426	20,070	0.03767
<b>Unlimited Tax GO Bonds (Voter-approved Excess Levy)</b>				
	17,906	0.02974	17,298	0.03261
<b>Transportation Levy<sup>(d)</sup></b>				
	29,353	0.04855	23,642	0.04438
Total Countywide Levy	736,753	1.21906	707,011	1.32735
<b>Emergency Medical Services Levy</b>				
<b>Assessed Value:</b>				
\$606,502,929,644 <sup>(a)</sup>				
Emergency Medical Services Levy <sup>(e)</sup>	78,403	0.21762	76,412	0.23940
<b>Unincorporated County Levy</b>				
<b>Assessed Value:</b>				
\$48,876,861,321 <sup>(a)</sup>				
County Road Fund <sup>(f)</sup>	91,211	1.87677	89,354	2.05402
Total County Tax Levies	\$ 906,367		\$ 872,777	

(a) Assessed value for taxes payable in 2019.

(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 in August 2018 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 2018 and 2019, the tax rate was 0.04153 and 0.03501 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 2018 and 2019 tax year rate for the Parks levy lid lift is 0.13940 and 0.12926 per \$1,000 of assessed value, respectively.

In November 2017, voters approved a new temporary six-year lid lift for the Veterans, Seniors, and Human Services Levy at a rate of \$0.10 per \$1,000 of assessed value. This is a regular property tax levy and is to be increased by no more than 3.5% in each of the remaining five years. Due to the passage of SHB 2597 in the 2018 legislative session, this lid lift is now exempt for taxpayers in the Senior Exemption Program for the next five years of its existence. The 2018 and 2019 tax rate is 0.10000 and 0.09349 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 2018 and 2019 is 0.04703 and 0.04278 per \$1,000 of assessed value.

A nine-year regular property tax levy for the Puget Sound Emergency Radio Network (PSERN) replacement was approved by voters in April 2015 at a rate of 0.07 per \$1,000 of assessed value for the first year (2016). The rate for 2018 and 2019 is 0.05930 and 0.05394 per \$1,000 assessed value.

The Best Starts for Kids levy was approved by voters at the November 3, 2015, general election that will be used to invest in prevention and early intervention strategies for children and families. This is a six-year levy beginning in 2016 at a rate of 0.13285 per \$1,000 of assessed value. The rate for 2018 and 2019 is 0.12325 and 0.11428 per \$1,000 of assessed value.

The County's levy rate for transit-related purposes is 0.04855 per \$1,000 of assessed value, and its levy rate for conservation futures is 0.03426 per \$1,000 of assessed value in 2019.

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 2018 and 2019 is 0.23940 and 0.21762 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, 2019, the County provides tax abatements through three programs - the Current Use Program, 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 accordingly. Land participating in this program must be devoted primarily to the growth, harvest and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan.

*Farm and Agricultural Land* enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes.

*Forestland* enrollment requires a property to have more than 20 acres of eligible forestland primarily devoted to the growth and harvest of timber.

An owner of land desiring current use classification must submit an application to the County Assessor. Once enrolled, a participating property is assessed at a “current use” value, which is lower than the “highest and best use” assessment value that would otherwise apply to the property.

When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.

#### Historic Preservation Program

The Historic Preservation Program provides property tax abatements through the legislature’s encouragement to maintain, improve and preserve privately owned historic landmarks pursuant to Chapter 84.26 RCW. The property must meet four criteria to qualify for special valuation to receive a reduction in property taxes. The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2). Abatement under this program remains valid for ten (10) consecutive assessment years from the date of application.

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

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

#### Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program provides property tax abatements to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three (3) assessment years subsequent to the completion of the improvement. Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

#### Multifamily Housing Property Tax Exemption

Chapter 5.73 of the Seattle Municipal Code provides an exemption from ad valorem property taxation for eligible housing construction and rehabilitation improvement projects for up to twelve years, depending on the circumstance of each project. The goal being to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for housing in Seattle. Among the eligibility requirements, the housing must be located in a residentially targeted area as designated by the city council. If the recipient of the tax abatement fails to comply with the statutory requirements of this Chapter the tax exemption shall be canceled and additional taxes, interest, and penalties will be imposed pursuant to state law.



Below summarizes the tax abatement programs and the total amount of taxes abated during the calendar year ended December 31, 2019 (in thousands):

<b>Tax Abatement Program</b>	<b>Total Amount of Taxes Abated</b>
Current Use	\$2,459
Single-family Dwelling Improvement	\$132
Historic Preservation	\$584
Multifamily Housing Property Tax Exemption	\$6

#### State of Washington Tax Abatements

The information provided by Washington State is based upon calendar 2018 as a proxy for fiscal year 2019. The State's fiscal year end is June 30, 2019. The state of Washington provides tax abatements through seven programs subject to the requirements of GASB Statement No. 77, some of which are only available to businesses in the aerospace industry. Only tax abatement programs that are material and attributable to activities in King County are disclosed below.

##### High Unemployment County Sales and Use Tax Deferral for Manufacturing Facilities

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

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

##### High-Technology Sales and Use Tax Deferral

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

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

##### Multi-Unit Urban Housing Exemption

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

##### Multipurpose Sports and Entertainment Facility Deferral

RCW 82.32.558 allows qualifying businesses to apply for a deferral of state and local sales and use taxes for multipurpose sports and entertainment facilities, associated parking structures, plazas and public spaces projects intended to attract professional ice hockey and basketball league franchises. Qualifying businesses receive a certificate for the taxes abated which expires upon project completion. Abated local sales and use taxes, and interest accrued from the date of project completion, may be repaid in annual installments beginning on January 1st of the year following the year of project completion. State sales and use taxes, along with aforementioned interest, must be paid back by

June 30, 2023. If the project is not complete within three calendar years from the date the certificate was issued, the amount of taxes outstanding for the project is immediately due and payable. The debt for taxes due is not extinguished by insolvency.

#### Aerospace Incentives

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

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

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

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

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

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

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

Leasehold interests in port district facilities used by a manufacturer of super-efficient airplanes are exempt from leasehold excise tax per RCW 82.29A.137. In addition, all buildings, machinery, equipment, and other personal property of a lessee of a port district used exclusively in manufacturing super-efficient airplanes is exempt from property taxation per RCW 84.36.655.

The following table shows the amount of taxes, attributable to activities in King County, abated by the state of Washington during the calendar year ended December 31, 2018 (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	\$1,015
Multi-Unit Urban Housing Exemption	\$11,851
Multi-Purpose Sports and Entertainment Facility Deferral	D*
Aerospace incentives: Computer Hardware, Software and Peripherals sales and use tax exemption	54

\*Washington State cannot disclose the amounts abated.

## Note 7

### Capital Assets

#### Primary Government

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

	Balance 01/01/2019	Additions	Retirements / WIP Deductions	Transfers / Reclassifications	Balance 12/31/2019
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
*Land	\$ 605,837	\$ 16,692	\$ (48)	\$ 90	\$ 622,571
*Rights-of-way and easements	474,122	6,360	(1,161)	—	479,321
Infrastructure - road and bridges	1,121,670	12,859	(6,186)	—	1,128,343
Art collections	10,495	—	—	—	10,495
Work in progress	384,290	125,973	(37,252)	(298,041)	174,970
Total capital assets not being depreciated	2,596,414	161,884	(44,647)	(297,951)	2,415,700
Capital assets being depreciated:					
Buildings	1,027,150	8,464	—	188,594	1,224,208
Leasehold improvements	19,076	—	—	19,272	38,348
*Improvements other than buildings	98,890	6,601	—	35,575	141,066
*Infrastructure – levees	36,175	—	—	43,677	79,852
*Furniture, machinery and equipment	195,875	27,326	(6,825)	1,369	217,745
Software	129,519	—	(204)	9,499	138,814
Total capital assets being depreciated	1,506,685	42,391	(7,029)	297,986	1,840,033
Less accumulated depreciation for:					
*Buildings	(505,353)	(22,599)	—	—	(527,952)
Leasehold improvements	(7,630)	(1,599)	—	—	(9,229)
*Improvements other than buildings	(29,540)	(3,892)	—	—	(33,432)
*Infrastructure – levees	(3,331)	(583)	—	—	(3,914)
*Furniture, machinery and equipment	(130,682)	(16,001)	6,673	(35)	(140,045)
Software	(82,184)	(11,536)	203	—	(93,517)
Total accumulated depreciation	(758,720)	(56,210)	6,876	(35)	(808,089)
Total capital assets being depreciated, net	747,965	(13,819)	(153)	297,951	1,031,944
Governmental activities capital assets, net	\$ 3,344,379	\$ 148,065	\$ (44,800)	\$ —	\$ 3,447,644
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 433,319	\$ 218	\$ —	\$ 3,946	\$ 437,483
Rights-of-way and easements	30,570	—	—	—	30,570
Art collections	4,258	—	—	—	4,258
Work in progress	656,860	409,681	—	(448,772)	617,769
Total capital assets not being depreciated	1,125,007	409,899	—	(444,826)	1,090,080
Capital assets being depreciated:					
Buildings	3,506,929	424	(4,357)	46,407	3,549,403
Leasehold improvements	7,307	—	—	—	7,307
Improvements other than buildings	425,519	4,487	(14,175)	99,448	515,279
Rights-of-way - temporary easement	7,635	—	—	—	7,635
Infrastructure – water quality	2,418,997	—	(1,741)	54,264	2,471,520
Furniture, machinery and equipment	2,894,058	9,307	(57,323)	244,118	3,090,160
Software	149,318	—	(287)	554	149,585
Total capital assets being depreciated	9,409,763	14,218	(77,883)	444,791	9,790,889
Less accumulated depreciation for:					
Buildings	(1,718,648)	(88,970)	2,723	—	(1,804,895)
Leasehold improvements	(4,161)	(378)	—	—	(4,539)
Improvements other than buildings	(192,138)	(22,448)	14,175	(7)	(200,418)
Rights-of-way - temporary easement	(1,581)	(218)	—	—	(1,799)
Infrastructure – water quality	(669,904)	(50,788)	485	—	(720,207)
Furniture, machinery and equipment	(1,588,329)	(179,154)	45,024	42	(1,722,417)
Software	(114,263)	(8,434)	287	—	(122,410)
Total accumulated depreciation	(4,289,024)	(350,390)	62,694	35	(4,576,685)
Total capital assets being depreciated, net	5,120,739	(336,172)	(15,189)	444,826	5,214,204
Business-type activities capital assets, net	\$ 6,245,746	\$ 73,727	\$ (15,189)	\$ —	\$ 6,304,284

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**

Beginning improvements other buildings was restated by \$7.4 million due to not reversing an accrual from 2017.

Beginning accumulated depreciation for buildings was restated by \$6.8 million due to reporting too much depreciation to the Ninth and Jefferson Building in 2017.

Beginning accumulated depreciation for improvements other than buildings was restated by \$2.4 million along with reclassification of Parks assets of \$26.4 million into improvements other than buildings from land.

Beginning accumulated depreciation was restated by \$202 thousand, land was restated by \$15.9 million, rights-of-way and easements was restated by \$174 thousand, infrastructure - levees was restated by \$9.8 million, and furniture, machinery and equipment was restated by \$5 thousand due to reconciliation to the Flood Control District stand-alone statement.

### **Depreciation Expense**

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

	<b>2019</b>
<b>Governmental Activities</b>	
General government	\$ 23,674
Law, safety and justice	11,511
Physical environment	824
Transportation	499
Economic environment	50
Health and human services	1,008
Culture and recreation	5,165
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	13,479
Total depreciation - governmental activities	<u><u>\$ 56,210</u></u>
<b>Business-type Activities</b>	
Water Quality	\$ 167,777
Public Transportation	155,035
Solid Waste	16,699
King County International Airport	5,944
Institutional Network	392
Radio Communications	672
Marine Fund	1,327
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on its usage of the assets	2,544
Total depreciation - business-type activities	<u><u>\$ 350,390</u></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 - \$3.3 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - \$93.3 million is committed to ensuring the continued operation, reliability and compliance with regulatory standards of existing wastewater treatment facilities.

Solid Waste Enterprise - \$4.0 million is committed to improving the County's solid waste regional landfill and maintenance of existing facilities.

Other Enterprises - \$793 thousand is committed for Airport facility improvements within the County and \$4.5 million for the construction of Seattle Ferry Terminal and the replacement of infrastructure for Marine Enterprise.

**Capital Projects Funds**

\$134.8 million is committed to various capital projects, including: (1) open space and conservation easement acquisitions; (2) development and improvement of trails, playgrounds and ballfields and other cultural facilities; (3) technology initiatives to improve business efficiency, emergency preparedness and network security; (4) flood control projects to protect the ecosystem and public property; (5) preservation of roads and construction of bridges; and (6) improvements and major repairs to office buildings and other facilities.

**Discretely Presented Component Units****Harborview Medical Center (HMC)**

Capital assets activity for HMC during the fiscal year ended June 30, 2019 (in thousands):

	Balance 7/1/2018	Additions	Retirements	Transfers	Balance 6/30/2019
Capital assets not being depreciated:					
Land	\$ 2,432	\$ —	\$ —	\$ —	\$ 2,432
Work in progress	14,698	14,994	—	(6,114)	23,578
Total capital assets not being depreciated	17,130	14,994	—	(6,114)	26,010
Capital assets being depreciated:					
Buildings	405,692	—	(300)	4,680	410,072
Improvements other than buildings	17,486	—	(13)	790	18,263
Equipment	312,248	17,225	(20,589)	644	309,528
Total capital assets being depreciated	735,426	17,225	(20,902)	6,114	737,863
Less accumulated depreciation for:					
Buildings	(200,996)	(13,315)	233	—	(214,078)
Improvements other than buildings	(9,299)	(1,021)	10	—	(10,310)
Equipment	(260,824)	(13,738)	20,058	—	(254,504)
Total accumulated depreciation	(471,119)	(28,074)	20,301	—	(478,892)
HMC capital assets, net	\$ 281,437	\$ 4,145	\$ (601)	\$ —	\$ 284,981

## Note 8

### Restricted Assets

Within the Statement of Net Position are amounts that are restricted as to their use. In some funds, these amounts appear under both current and noncurrent assets. 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.	\$ 38,829
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	293,670
<u>King County International Airport</u> - restricted for construction projects and obligations.	900
<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.	17,886
<u>Construction &amp; Facilities Management</u> - restricted for construction projects and obligations.	204
<u>Financial Management Services</u> - restricted for construction projects.	41
Total Proprietary Funds restricted assets	<u>\$ 351,536</u>

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

<u>HMC Special Purpose Fund</u> - restricted donations, gifts and bequests from various sources for specific uses.	\$ 11,583
Total HMC restricted assets	<u>\$ 11,583</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.	\$ 11,771
<u>Building for Culture Program</u> - restricted for a regional King County cultural capital investment partnership program.	35
<u>Cultural Special Account and Other Funds</u> - restricted for arts and heritage cultural programs.	25,658
Total CDA restricted assets	<u>\$ 37,464</u>

#### Component Unit - NJB Properties

<u>Non-bond Proceeds Fund</u> - restricted for costs of the NJB Project	\$ 29
<u>Revenue Fund</u> - restricted for transfers to the Bond Fund and authorized administrative fees	825
<u>Bond Fund</u> - restricted for interest and principal on the bonds	39
Total NJB Properties restricted assets	<u>\$ 893</u>

## Note 9

### Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the year 2019:

Aggregate Pension Amounts - All Plans (in thousands)	
Pension liabilities	\$ 415,828
Pension assets	73,838
Deferred outflows of resources related to pensions	135,218
Deferred inflows of resources related to pensions	267,015
Pension expense/expenditures	22,885

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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January through June 2019	12.83%	6.00%
July through December 2019	12.86%	6.00%

The County's actual contributions to the plan were \$62.3 million for the year ended December 31, 2019.

### 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.

The Judicial Branch Multiplier (JBM) program began January 1, 2007. It gave eligible justices and judges an option to increase the benefit multiplier used, along with service credit years and average final compensation, to set the retirement benefit. The JBM program increases the multiplier for Plan 2 to 3.5 percent (from 2.0 percent for non-JBM participants) and for Plan 3 to 1.6 percent (from 1.0 percent for non-JBM participants).

**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 2019 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	Employer 2/3	Employee 2*	Employee 3
January through June 2019	12.83%	7.41%	Varies (5-15%)
July through December 2019	12.86%	7.90%	Varies (5-15%)

\* For employees participating in the JBM, the contribution rate was 18.53% for January - June 2019, and 19.75% for July - December 2019.

The County's actual contributions to the plan were \$93.9 million for the year ended December 31, 2019.

### **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 on 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 2019 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2019	12.38%	7.07%
July through December 2019	12.14%	7.20%

The County's actual contributions to the plan were \$3.5 million for the year ended December 31, 2019.

### **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 2019. 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 2019 were as follows:

LEOFF 2		
Actual Contribution Rates:	Employer	Employee
January through June 2019	5.43%	8.75%
July through December 2019	5.33%	8.59%

The County's actual contributions to the plan were \$5.3 million for the year ended December 31, 2019.

During the 2019 Session, legislation (C366, L19) was passed which transferred \$300 million from the LEOFF Plan 2 trust fund to the LEOFF Benefit Improvement Account on July 2019.

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, 2019, the State contributed \$73.0 million to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$28.9 million.

### **Seattle City Employees' Retirement System (SCERS)**

SCERS is a cost-sharing, multiple-employer retirement plan administered in accordance with Chapter 4.36 of the Seattle Municipal Code. County employees of the Department of Public Health who have established membership in SCERS remain covered by the City Retirement System. Employees of Public Transportation who are former employees of Seattle Transit are also covered by the system.

**Benefits Provided:** SCERS provides retirement, disability and death benefits. Employees covered by this plan may retire after 30 years of service regardless of age; after age 52 with 20 years or more of service; after age 57 with 10 or more years of service; and after age 62 with five or more years of service. Disability retirement is available after 10 years of service. The unmodified monthly retirement allowance is based on a percentage of average salary for every year of service to a maximum of 60 percent. The average salary for this plan is defined as the highest consecutive 24-months' average rate of pay. The percentage for each year of service used to compute the retirement benefit depends on the age at retirement and the years of service. It ranges from 1.2 percent at age 52 with 20 years of service to a maximum of 2 percent for each year of service. The maximum allowance a member can receive is the unmodified plan, which has no provision for a beneficiary and, at the member's death, stops all payments. Several optional retirement benefit formulas exist which provide for beneficiaries with reduced monthly allowances.

**Contributions:** The SCERS member contribution rate is 10.03 percent of compensation except for members qualifying for lower rates prior to June 1972. The County is required to contribute at an actuarially determined rate. The current rate is 15.23 percent of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the Board of Administration. The SCERS Plan required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

SCERS		
Actual Contribution Rates:	Employer	Employee
January through December 2019	15.23%	10.03%

The County's actual contributions to the plan were \$300 thousand for the year ended December 31, 2019.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019.

Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

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

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

- Modeling was updated to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- Updated cost of living adjustment (COLA) programming to reflect legislation signed during the 2018 legislative session (C151 L18). This law provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

The TPL for SCERS pension plan was determined by an actuarial valuation as of December 31, 2018. The actuarial assumptions used in the valuation were based on an actuarial experience study for the period January 1, 2014 through December 31, 2017. The following actuarial assumptions were applied to all periods including the measurement period.

- Inflation: 2.75%
- Salary increases: In addition to the 3.5% salary increase assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.25% compounded annually, net of expenses

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

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF Plan 2, which has assumed 7.4 percent.) Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test.

The discount rate used to measure the total pension liability for SCERS pension plan was 7.25 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 pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and

simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return on the SCERS pension plan investments of 7.25 percent was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

#### **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, 2019, 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%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	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, 2018 are summarized in the chart that follows:

<b>Asset Class</b>	<b>% Long-term Expected Real Rate of Return Geometric</b>
Equity: Public	5.4%
Equity: Private	8.4%
Fixed Income: Core	1.6%
Fixed Income: Credit	4.3%
Real Assets: Real Estate	3.9%
Real Assets: Infrastructure	4.3%
Diversifying Strategies	4.0%

#### **Sensitivity of Net Pension Liability (Asset)**

The table below presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent (7.25 percent for SCERS), as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.4 percent, 6.25 percent for SCERS) or one percentage point higher (8.4 percent, 8.25 percent for SCERS) than the current rate.

<b>Sensitivity of Net Pension Liability (Asset) (in thousands)</b>			
<b>Plans</b>	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
<b>PERS 1</b>	\$ 397,402	\$ 317,333	\$ 247,863
<b>PERS 2/3</b>	749,589	97,735	(437,154)
<b>PSERS 2</b>	11,636	(1,127)	(11,153)
<b>LEOFF 1</b>	(9,674)	(11,825)	(13,683)
<b>LEOFF 2</b>	(11,321)	(60,886)	(101,341)

Sensitivity of Net Pension Liability (Asset) (in thousands)			
Plans	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCERS	\$ 1,017	\$ 760	\$ 535

### **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, 2019, the County reported a total pension liability of \$415.8 million and total pension asset of \$73.8 million for its proportionate share of the net pension liabilities (assets) as follows:

Total Pension Liability (Asset) (in thousands)	
PERS 1	\$ 317,333
PERS 2/3	97,735
PSERS 2	(1,127)
LEOFF 1	(11,825)
LEOFF 2	(60,886)
SCERS	760

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension asset, the related State support and the total portion of the net pension asset that was associated with the County were as follows:

Net Pension Liability/(Asset) (in thousands)	
LEOFF 2 - County's proportionate share	\$ (60,886)
LEOFF 2 - State's proportionate share of the net pension liability/(asset) associated with King County	(39,872)
TOTAL	\$ (100,758)

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

Collective Net Pension Liabilities			
	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	8.56%	8.25%	-0.31%
PERS 2/3	10.29%	10.06%	-0.23%
PSERS 2	9.69%	8.67%	-1.02%
LEOFF 1	0.60%	0.60%	0.00%
LEOFF 2	2.88%	2.63%	-0.25%

Collective Net Pension Liabilities			
	Proportionate Share 12/31/17	Proportionate Share 12/31/18	Change in Proportion
SCERS	0.05%	0.05%	0%

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 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2019, 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 2019, the State of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) for all DRS pension plans was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, 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, 2018, and the actuarial valuation date on which the total pension liability was based was as of January 1, 2018, 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, 2019, the County recognized pension expense as follows:

<b>Pension Expense (in thousands)</b>	
<b>PERS 1</b>	\$ 456
<b>PERS 2/3</b>	19,385
<b>PSERS 2</b>	1,851
<b>LEOFF 1</b>	(591)
<b>LEOFF 2</b>	1,462
<b>SCERS</b>	322
<b>TOTAL</b>	<b>\$ 22,885</b>

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2019, 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	—	(21,201)
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	33,237	—
<b>TOTAL</b>	<b>\$ 33,237</b>	<b>\$ (21,201)</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	\$ 28,001	\$ (21,013)
Net difference between projected and actual investment earnings on pension plan investments	—	(142,262)
Changes of assumptions	2,503	(41,006)
Changes in proportion and differences between contributions and proportionate share of contributions	4,810	(16,153)
Contributions subsequent to the measurement date	51,070	—
<b>TOTAL</b>	<b>\$ 86,384</b>	<b>\$ (220,434)</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	\$ 952	\$ (100)
Net difference between projected and actual investment earnings on pension plan investments	—	(1,957)
Changes of assumptions	9	(606)
Changes in proportion and differences between contributions and proportionate share of contributions	60	(420)
Contributions subsequent to the measurement date	2,001	—
<b>TOTAL</b>	<b>\$ 3,022</b>	<b>\$ (3,083)</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	—	(1,226)
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>\$ (1,226)</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	\$ 4,381	\$ (1,095)
Net difference between projected and actual investment earnings on pension plan investments	—	(12,482)
Changes of assumptions	100	(6,852)
Changes in proportion and differences between contributions and proportionate share of contributions	4,296	(310)
Contributions subsequent to the measurement date	2,633	—
<b>TOTAL</b>	<b>\$ 11,410</b>	<b>\$ (20,739)</b>



SCERS	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	\$ —	\$ (16)
Net difference between projected and actual investment earnings on pension plan investments	80	—
Changes of assumptions	41	—
Changes in proportion and differences between contributions and proportionate share of contributions	768	(316)
Contributions subsequent to the measurement date	276	—
TOTAL	\$ 1,165	\$ (332)

Deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1 (in thousands)
2020	\$ (4,680)
2021	(11,086)
2022	(3,956)
2023	(1,479)
2024	—
Thereafter	—

Year ended December 31:	PERS 2/3 (in thousands)
2020	\$ (45,767)
2021	(75,464)
2022	(34,831)
2023	(19,780)
2024	(8,929)
Thereafter	(349)

Year ended December 31:	PSERS 2 (in thousands)
2020	\$ (348)
2021	(655)
2022	(417)
2023	(250)
2024	(69)
Thereafter	(323)

Year ended December 31:	LEOFF 1 (in thousands)
2020	\$ (285)
2021	(628)
2022	(228)
2023	(85)
2024	—
Thereafter	—

Year ended December 31:	LEOFF 2 (in thousands)
2020	\$ (2,926)
2021	(5,958)
2022	(2,377)
2023	(1,053)
2024	(53)
Thereafter	405

Year ended December 31:	SCERS (in thousands)
2020	\$ 218
2021	124
2022	90
2023	92
2024	33
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, 2019 were \$804 thousand, \$266 thousand and \$430 thousand, respectively.

## Note 10

### Defined Benefit Other Postemployment Benefit (OPEB) Plan

The County is required to accrue other postemployment benefits (OPEB) expense related to its postretirement health care plan based on a computed total OPEB liability. Instead of recording expense on a "pay-as-you-go" basis, the County has recorded a liability of \$111.3 million for the difference between the actuarially calculated liability and the estimated contributions made.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year ended December 31, 2019 (in thousands):

OPEB liabilities	\$ 111,272
OPEB assets	—
Deferred outflows of resources	2,624
Deferred inflows of resources	7,597
OPEB expense/expenditures	5,621

The County's total OPEB liability was measured as of December 31, 2019 using an actuarial valuation as of December 31, 2018.

**Plan Description** The King County Health Plan (the Health Plan) is a single-employer defined-benefit health care plan administered by the County. The Health Plan provides medical, dental, prescription drug, and vision benefits to eligible retirees, their spouses, and children. Retiree premiums for dental and vision plans are assumed to cover the full cost of those benefits. The Health Plan does not issue a separate stand-alone financial report.

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

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

For the fiscal year ended December 31, 2019, the County contributed an estimated \$5.0 million to the Health Plan to pay for retiree benefits. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits. Accordingly, there are no assets in a qualifying trust.

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

The December 31, 2018 valuation used the entry age normal level percentage of salary actuarial cost method. The actuarial assumptions included an initial annual health care cost trend rate of 6.50 percent reduced by decrements to an ultimate rate of 3.84 percent after 56 years. The Medicare premium trend rate is 6.00 percent, for all years. All trend rates include a 2.50 percent inflation assumption and 3.00 percent salary increase assumption. County employees have multiple medical plans to select from during and after employment. Plan Members are assumed to retain the same medical plan after retirement as they selected while an employee pre-retirement, including an assumption that employees choosing not to enroll in a County medical plan before retirement will not select a County medical plan after retirement. Mortality rates were based on tables from the Society of Actuaries.

These assumptions reflect the County's best estimates. The following presents the total OPEB liability of the County calculated using the current healthcare cost trend rate of 6.50 percent decreasing to 3.84 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands).

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
	(5.5% decreasing to 2.84%)	(6.5% decreasing to 3.84%)	(7.5% decreasing to 4.84%)
Total OPEB Liability	\$ 100,586	\$ 111,272	\$ 123,601

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

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	2.75%	3.75%	4.75%
Total OPEB Liability	\$ 121,288	\$ 111,272	\$ 102,385

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

	Total OPEB Liability
<b>Balance at 1/1/2019</b>	<b>\$ 111,412</b>
<b>Changes for the Year:</b>	
Service cost	2,155
Interest	4,138
Changes of benefit terms	—
Difference between expected and actual experience	—
Changes of assumptions	—
Benefit payments	(4,954)
Other changes	(1,479)
<b>Net changes</b>	<b>(140)</b>
<b>Balance at 12/31/2019</b>	<b>\$ 111,272</b>

The County recognized \$5.6 million in OPEB expense for the year. There were no changes to the plan benefits in 2019. Changes in actuarial assumptions for the last valuation dated December 31, 2018 included changing the actuarial method from unit credit actuarial cost to entry age normal level percent per GASB 75, increasing the payroll growth rate to 3 percent from zero, updating the mortality tables to use the MP-280 improvement scale, updating the medical trend assumptions to use a single rate for medical and pharmacological services, and updating the claims and contributions for medical plans.

Deferred Inflows and Deferred Outflows At December 31, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,624	\$ —
Changes of assumptions	—	(7,597)
Payments subsequent to the measurement dates	—	—
Total	<u>\$ 2,624</u>	<u>\$ (7,597)</u>

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

Year ended December 31:	Amount
2020	\$ (672)
2021	(672)
2022	(672)
2023	(672)
2024	(672)
Thereafter	(1,613)

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

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

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

## Note 11

### Risk Management

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

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

#### Insurance Fund

The Insurance Fund, an internal service fund, accounts for the County's property/casualty program. The fund accounts for the County's exposures to loss due to the tortious conduct of the County, including those exposures commonly covered by general liability, automobile liability, police professional, public officials, errors and omissions and professional malpractice insurance policies. With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2019, is \$78.9 million.

Changes in the Insurance Fund's estimated claims liability in 2018 and 2019 (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>
2018	\$ 74,921	\$ 14,191	\$ (18,645)	\$ 70,467
2019	70,467	21,234	(12,797)	78,904

In 2019, there were no settlements that resulted in payment in excess of the County's \$7.5 million self-insured retention (SIR). In 2018, there was one settlement that resulted in payment in excess of the SIR by \$300 thousand, and in 2017, there were no losses paid in excess of the SIR.

In April 2019, the County procured an additional \$20.0 million in excess liability coverage that currently provides \$112.5 million in limits above a \$7.5 million per occurrence SIR for Transit and \$6.5 million SIR for all other County agencies. In lieu of purchasing the certified terrorism coverage offered through the federal government offered by the County's excess liability insurance carriers, a stand-alone liability terrorism insurance policy was placed on April 1, 2019 with limits of \$40.0 million.

Effective July 1, 2019, the County renewed the property insurance policies. The program maintains a blanket limit of \$750.0 million above a \$250 thousand per occurrence deductible. The program provides an overall earthquake sublimit of \$100.0 million and a Flood sublimit of \$250 million. In lieu of purchasing the certified terrorism coverage offered by our property insurance carriers, a stand-alone property terrorism insurance policy was placed with limits of \$500.0 million.

As of April 1, 2019, an additional \$20.0 million in cyber liability limits was purchased for total limits of \$50.0 million. The County's cyber liability deductible was reduced from \$1.0 million per occurrence to \$750 thousand per occurrence.

Due to the reduced appetite for swimming pool liability risk in the insurance marketplace and pricing, the County saw a reduction in insurance limits for the April 1, 2019 policy term. The County's swimming pool liability limits reduced from \$6.5 million per occurrence and \$7.5 million on the aggregate down to \$1.0 million per occurrence and \$2.0 million in the aggregate for its 2019 policy.

In addition to the policies already mentioned, the County has specific insurance policies to cover some of its other exposures. These are listed in the following table:

COVERAGE	COVERAGE AMOUNT	DEDUCTIBLE
Excess General Liability	\$112.5 million	\$6.5 million per occurrence / \$7.5 million Transit bus losses
Property & Mobile Equipment	\$750 million	\$250 thousand per occurrence
	\$100 million EQ (Earthquake)	EQ - 5% of location value / \$500 thousand minimum
	\$250 million Flood	Flood - \$250 thousand / \$500 thousand
Terrorism - Property	\$500 million	\$100 thousand per occurrence
Terrorism - General Liability	\$40 million	\$100 thousand per occurrence
Excess Workers' Compensation	Statutory (unlimited)	\$2 million per occurrence
Multi-State Workers' Compensation	Statutory	None
Aircraft Liability & Physical Damage	\$50 million per occurrence / scheduled value	None
King County International Airport General Liability	\$300 million	None
King County International Airport Property Damage	\$197 million	\$100 thousand per occurrence
Marine Liability & Property Damage	\$150 million / scheduled values	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	\$1 million	\$5 thousand
Crime and Fidelity	\$2.5 million	\$50 thousand
Flood Insurance	scheduled value (property)	\$1 - 2.5 thousand
Cyber Liability	\$50 million	\$750 thousand
Cedar Hills Regional Landfill Pollution Liability	\$50 million	\$250 thousand
PSERN - Inland Marine	\$35 million	\$2.5 thousand per occurrence; EQ - \$50 thousand per location; Flood - \$10 thousand per location
PSERN - Site Specific Pollution (Scheduled locations only)	\$2.0 million per occurrence; \$4.0 million aggregate	\$25 thousand (3rd party); \$50 thousand (clean-up)

### **Safety and Workers' Compensation Fund**

The Safety and Workers' Compensation Fund, an internal service fund, accounts for the County's self-insurance for workers' compensation as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act. Interfund charges are derived from actuarial projections of their future claims and administrative costs. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the financial statements is not discounted due to the low rate of return on investment. As of December 31, 2019, the total claim liability is \$61.3 million.

The County purchases an excess workers' compensation policy that provides statutory limits coverage, and therefore has had no risk exposure over the statutory limits during the last three years. The amount of loss retained by King County (the self-insured retention) under this policy, effective April 1, 2018, was \$2.0 million.

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 2018 and 2019 (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>
2018	\$ 65,667	\$ 15,855	\$ (15,665)	\$ 65,857
2019	65,857	14,296	(18,827)	61,326

#### **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, 2019, is \$19.5 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2018 and 2019 (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>
2018	\$ 18,085	\$ 239,668	\$ (236,358)	\$ 21,395
2019	21,395	248,742	(250,636)	19,501

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

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 of Washington to mitigate risk of loss related to these exposures.

##### **Professional and General Liability**

The University's professional liability program currently includes self-insured and commercial reinsurance coverage components. 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 \$4.1 million in 2019 and \$4.1 million in 2018, 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 (CDA) of King County**

##### **Insurance Fund**

Cultural Development Authority of King County (CDA) carries comprehensive general liability and auto liability coverage with a limit of \$20.0 million per occurrence and no aggregate limit. Commercial property losses are covered up to the replacement cost on file with Enduris Washington. CDA also carries 1) Public Official Errors and Omissions Liability coverage with a limit of \$20.0 million per occurrence and an aggregate limit of \$20.0 million; 2) Terrorism Liability coverage with a limit of \$500 thousand per occurrence and an aggregate limit of \$1.0 million; 3) Employment Practices Liability coverage with an aggregate limit of \$20.0 million per member; 4) Crime Blanket Coverage with Faithful Performance of Duty with an aggregate limit of \$250 thousand per member; 5) Cyber coverage with a limit of \$2.0

million per occurrence and 6) Identity Fraud expense reimbursement with a limit of \$25 thousand per occurrence and an aggregate limit of \$25 thousand.

Employee Benefits Program

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



## Note 12

### Leases

#### Capital Leases

King County has entered into agreements to purchase buildings, machinery and equipment through capital lease and installment purchase agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for under Governmental Activities. Such assets and liabilities related to proprietary funds are accounted for under Business-type Activities.

Capital assets and outstanding liabilities relating to capital lease agreement contracts as of December 31, 2019 (in thousands) is as follows:

	Capital Assets		Capital Leases Payable	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Buildings	\$ 194,935	\$ —	\$ 8,156	\$ —
Leasehold improvements	—	4,881	—	2,241
Less depreciation	(42,896)	(2,899)	—	—
Totals	<u>\$ 152,039</u>	<u>\$ 1,982</u>	<u>\$ 8,156</u>	<u>\$ 2,241</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, 2019 (in thousands):

	Governmental Activities	Business-type Activities
2020	\$ 768	\$ 255
2021	765	255
2022	767	255
2023	764	255
2024	764	255
2025-2029	3,821	1,275
2020-2034	3,821	404
2035-2036	1,533	—
Total minimum lease payments	<u>13,003</u>	<u>\$ 2,954</u>
Less: Amount representing interest	<u>(4,847)</u>	<u>(713)</u>
Present value of net minimum lease payments	<u>\$ 8,156</u>	<u>\$ 2,241</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, 2019 for long-term operating expenses for office space, equipment and other operating leases amount to \$14.7 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):

<b>Year</b>	<b>Office Space</b>	<b>Other</b>	<b>Total</b>
2020	\$ 8,478	\$ 5,484	\$ 13,962
2021	8,002	4,718	12,720
2022	6,920	4,243	11,163
2023	6,255	4,126	10,381
2024	4,991	3,945	8,936
2025-2029	11,995	12,030	24,025
2030-2034	—	4,583	4,583
2035-2039	—	3,634	3,634
2040-2044	—	3,634	3,634
2045-2049	—	3,592	3,592

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, 2019 (in thousands):

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
		<b>Airport</b>	<b>Other</b>
Land	\$ 65	\$ 14,212	\$ 407
Buildings	317	24,691	424
Less: Depreciation	(317)	(14,892)	(146)
Total cost of property under lease	<u>\$ 65</u>	<u>\$ 24,011</u>	<u>\$ 685</u>

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2019 (in thousands):

<b>Year</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>		<b>Total</b>
		<b>Airport</b>	<b>Other</b>	
2020	\$ 2,721	\$ 19,193	\$ 138	\$ 22,052
2021	1,296	18,890	107	20,293
2022	810	18,866	58	19,734
2023	625	18,845	37	19,507
2024	578	18,650	17	19,245
2025-2029	2,677	92,556	62	95,295
2030-2034	593	36,287	24	36,904
2035-2039	18	25,380	24	25,422
2040-2044	18	25,323	8	25,349
2045-2049	18	17,650	—	17,668

**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, 2019 is shown below, as well as the minimum lease rental payments expected to be received for the next five years and in the aggregate.

Year	Minimum Lease Payment	Net Investment in Capital Lease	
			2019
2020	\$ 768	Minimum lease payments receivable	\$ 13,003
2021	765	Uncollected income	(4,847)
2022	768	Net investment in capital lease	\$ 8,156
2023	764		
2024	764		
thereafter	9,174		
	<u>\$ 13,003</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 minimum of 30 years or until the closed landfill reaches functional stability under state law; the County estimates it will take 42 years following closure for the Cedar Hills Landfill to reach functional stability. 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 \$248.3 million reported as landfill closure and post-closure care liability as of December 31, 2019, 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	83.44%	\$ 168,192	\$ 67,310	2040
Closed	100%	58,484	—	Closed
Custodial	100%	21,640	—	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, 2019, cash and cash equivalents of \$4.5 million were held in the Landfill Post-closure Maintenance Fund. In addition, \$41.7 million were held in the Landfill Reserve Fund designated for the management and development of the landfill.

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 2019 do not include potential costs of cleanup that may arise out of the legal issues described in Note 19 - "Legal Matters, Financial Guarantees 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, 2019 stands at \$44.5 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 method for estimating liabilities continues to be based on internal engineering analysis, program experience, and cost projections for the remediation activities scheduled in future years as programmed under Water Quality's Regional Wastewater Services Plan. Certain costs were developed by consulting engineers. Costs were estimated using the expected cash flow method. For the Lower Duwamish Waterway Project a weighted-average method is used to calculate the liability. The Sediment Management Plan does not employ a weighted-average cost estimate because the remaining work is well-defined which negates the utility of multiple estimates. The cost estimates continue to be re-measured as succeeding benchmarks are reached or when cost assumptions are modified. All pollution remediation obligations under the Water Quality enterprise are being deferred as assets as permitted by regulatory accounting standards.

*Lake Union Tank and Dearborn Groundwater Monitoring* - The Public Transportation Enterprise reported a pollution remediation liability of \$659 thousand at December 31, 2019. 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, 2019.

*Maury Island Gravel Mine Site* - King County acquired approximately 250 acres of property on Vashon Island 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 an Interim Action Cleanup Plan with approval from the DOE, costing approximately \$600 thousand. The cleanup included removing invasive vegetation and surface soil on three 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 incurred in 2016 were capitalized. The remaining cleanup requirements were proposed in a Draft Cleanup Action Plan that DOE issued for Public Comment in April 2018. King County responded to public comment and DOE approved the Cleanup Action Plan in early 2019. Implementation of the first phase of the cleanup-trail-capping was completed in March 2020. The next phase-capping of the former skeet range and removal of three more acres of invasive vegetation to then be covered with temporary weed fabric will occur in late 2020. Planting of those three acres and removal of an additional three acres of invasive vegetation will occur every two to three years until 16 acres of contaminated area has been restored.

*Washington Air National Guard Site Investigation* - The Washington Air National Guard (WANG) site is located at 6736 Ellis Avenue South in Seattle, Washington. The WANG site occupies approximately 7.5 acres, adjacent to the northwest boundary of the North Boeing Field Georgetown Steam Plant (NBF/GTSP). The WANG site was developed during World War II by the War Department, and served as an aircraft factory school between 1943 and 1948. During environmental investigations at the site, a dissolved Trichloroethene (TCE) plume was identified in shallow groundwater in the southern portion of the site. In May 2016, the Washington State Department of Ecology (DOE) recommended that King County conduct an investigation to determine if the source of recent increases in TCE concentrations in groundwater monitoring wells at the NBF/GTSP site is from the WANG site. The site investigation work will be conducted in three phases: soil and groundwater data collection, soil and groundwater sampling, and quarterly groundwater monitoring. The Airport reported a pollution remediation liability of \$245 thousand at December 31, 2019.

*East Perched Zone* - The East Perched Zone (EPZ) is a 20-acre area of shallow groundwater located on the east side of the Cedar Hills Regional Landfill (CHRLF) in Maple Valley, Washington. Based on an incomplete draft Remedial Investigation (RI), shallow groundwater in the EPZ is impacted by vinyl chloride, arsenic, manganese, and iron. The County believes these contaminants were deposited through exposure of the water and surrounding soils to landfill gas. Regulations did not require liners between refuse and native soils when refuse was placed in this part of the landfill, which dated back to the mid-1960s. The Washington State Department of Ecology, on behalf of Public Health - Seattle and King County, requested that King County Solid Waste Division engage in a voluntary cleanup of the EPZ under the Model Toxics Control Act (MTCA). The Solid Waste Division reported a pollution remediation liability of \$1.21 million at December 31, 2019 to complete the RI work and a feasibility study.

## **Note 15**

### **Long-term Liabilities**

#### **Short-term Debt Instruments and Liquidity**

At December 31, 2019, 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 general obligation capital leases. The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds consist of limited, unlimited general obligation bonds and capital leases. The general obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as serial bonds with principal maturing each year and maturities that range from five to 30 years.

For business-type activities, long-term debt consists of limited tax general obligation bonds are accounted for in the King County International Airport, Marine Division, Solid Waste, Public Transportation and Water Quality Enterprise Funds. Capital leases are accounted for in the Public Transportation Enterprise Fund. Sewer Revenue Bonds are accounted for in the Water Quality Enterprise Fund. State of Washington revolving loans-Direct Borrowings are accounted for in the Water Quality Enterprise Fund and Solid Waste Fund. Limited tax general obligation bonds-Direct Placements are accounted for in the Water Quality Enterprise Fund.

Sewer revenue bonds are accounted for in the Water Quality Enterprise Fund. These bonds are secured by the pledge of and lien on revenues of the sewer system subject to the payment of all operating and maintenance expenses of the sewer system. Payments from revenues of Water Quality are required to be made to the sewer revenue bond fund in the annual amounts sufficient to retire serial or term bonds on or before maturity. The amount required in the cash reserved and surety policies is based on the highest year of debt services over the life of all outstanding revenue bonds. The sewer revenue bonds are special limited obligations of the County, and neither its full faith and credit nor any taxing power is pledged to the payment of the sewer revenue bonds. These sewer revenue bonds have maturities that range from 20 to 40 years.

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

**SCHEDULE OF LONG-TERM DEBT**

(IN THOUSANDS)

(PAGE 1 OF 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/19
<b>I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT</b>					
<b>IA. Limited Tax General Obligation Bonds (LTGO)</b>					
2009C LTGO Refunding 1993B Bonds	12/1/2009	1/1/2024	4.50%	\$ 17,150	\$ 3,095
2010A LTGO Refunding 2001 and 2002 Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	21,445	1,745
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2021	2.85-6.05%	17,355	3,930
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	9,990
2011D LTGO (Maury Island/Open Space Acquisition) Bonds	12/21/2011	12/1/2031	2.00-3.50%	21,895	12,250
2012A LTGO (ABT Project) Bonds	3/29/2012	7/1/2022	3.00-5.00%	65,935	26,130
2012B LTGO (S. Park Bridge) Bonds	5/8/2012	9/1/2032	3.00-5.00%	28,065	20,900
2012C LTGO Refunding 2004B and 2005 Bonds	8/28/2012	1/1/2025	5.00%	54,260	30,475
2012D LTGO Refunding 2002BOP Lease (HMC) Bonds	11/29/2012	12/1/2031	2.00-5.00%	41,810	30,165
2012E LTGO SE District Court Relocation Bonds (Partial)	12/19/2012	12/1/2027	2.00-5.00%	3,000	1,785
2012F LTGO (QECBs) (Taxable) KCCF HVAC Project (Partial)	12/19/2012	12/1/2022	2.20%	3,010	3,010
2013B LTGO Refunding 2005 GHP Lease Bonds	12/19/2013	12/1/2026	3.00-5.00%	42,820	27,835
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	13,440
2015B LTGO (FED TAX-EXEMPT) Bonds	10/13/2015	12/1/2030	2.50-5.00%	27,355	17,295
2015C LTGO Refunding 2007C and 2007D Bonds	10/13/2015	1/1/2028	3.00-5.00%	25,970	24,010
2015E LTGO Refunding 2006A NJB and 2007 KSC Lease Bonds	12/17/2015	12/1/2036	4.00-5.00%	172,320	151,560
2016A LTGO Bond 4Culture Building	3/10/2016	12/1/2030	1.50-5.00%	22,450	21,450
2017B LTGO Bond Various Purpose (Partial)	8/10/2017	6/1/2037	3.00-5.00%	33,325	27,240
2018A LTGO Bond Various Purpose (Partial)	8/8/2018	6/1/2038	5.00%	5,845	5,385
2019HUD LTGO Refg06HUD Section108 Bonds	3/28/2019	8/1/2024	2.55-2.67%	1,437	1,227
2019A LTGO Refunding 2009B and 2013MM Bonds	3/15/2019	6/1/2029	5.00%	41,420	39,485
2019B LTGO Bond Various Purpose	9/12/2019	7/1/2039	5.00%	62,340	62,340
2019C LTGO Refunding 2009C Bonds	12/19/2019	1/1/2024	5.00%	13,020	13,020
Total Payable From Limited Tax GO Redemption Fund				824,127	608,172
Payable From Internal Service Funds					
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2020	4.58-6.05%	7,125	1,050
Total Payable From Internal Service Funds				7,125	1,050
Total Limited Tax General Obligation Debt				831,252	609,222
<b>IB. Limited Tax GO Capital Lease<sup>(a)</sup></b>					
2006 Project lease agreement - NJB Properties	11/14/2006	12/1/2036	5.00-5.51%	189,720	8,156
Total Limited Tax GO Capital leases				189,720	8,156
<b>IC. Unlimited Tax General Obligation Bonds (UTGO)</b>					
Payable From Unlimited Tax GO Redemption Fund					
2012 UTGO Refunding 2004 (HMC) and 2004B (HMC) Bonds	8/14/2012	12/1/2023	2.00-5.00%	94,610	49,825
Total Payable From Unlimited Tax GO Bond Redemption Fund				94,610	49,825
<b>TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT</b>				<b>1,115,582</b>	<b>667,203</b>

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



## SCHEDULE OF LONG-TERM DEBT

(IN THOUSANDS)

(PAGE 2 OF 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/19
<b>II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT</b>					
<b>IIA. Limited Tax General Obligation Bonds (LTGO) Payable from Enterprise Funds</b>					
2008 LTGO (WQ) Refunding 1998B Bonds	2/12/2008	1/1/2023	3.25-5.25%	\$ 236,950	\$ 21,020
2010A LTGO Refunding 2001 (Airport) Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	5,110	1,135
2010B LTGO (BABs) (Transit) Taxable Bonds	12/1/2010	12/1/2030	2.85-6.05%	20,555	14,925
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	48,460
2012B LTGO (WQ) Refunding 2005A Bonds	8/2/2012	1/1/2029	5.00%	41,725	30,500
2012D LTGO (Transit) Refunding 2002 and 2004 Bonds	10/16/2012	6/1/2034	2.00-5.00%	71,670	33,115
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	64,250
2014C LTGO & Refunding 2007E (Solid Waste) Bonds	7/30/2014	12/1/2034	2.00-5.00%	25,515	22,305
2015A LTGO (WQ) Refunding 2009B2 Bonds	2/18/2015	7/1/2038	2.00-5.00%	247,825	247,395
2015B LTGO (FED Tax-Exempt) (Solid Waste) Bonds	10/13/2015	12/1/2025	5.00%	60	40
2015D LTGO & Refunding 2007E (Solid Waste) Bonds	11/5/2015	12/1/2040	3.00-5.00%	50,595	43,415
2017A LTGO (WQ) Refunding 2008 Bonds	10/25/2017	7/1/2033	4.00-5.00%	154,560	139,840
2017A LTGO (Solid Waste) Bonds	6/8/2017	6/1/2040	3.25-5.00%	31,230	29,690
2017B LTGO (Solid Waste) Bond Various Purpose	8/10/2017	6/1/2027	4.00-5.00%	135	125
2018A LTGO (Marine Construction) partial	8/8/2018	6/1/2038	4.00-5.00%	6,330	6,135
2019 LTGO (WQ) Capital Improvement Projects Bonds	10/24/2019	1/1/2038	5.00%	101,035	101,035
2019A Multi-Modal LTGO Refunding 2015AB Bonds	6/27/2019	1/1/2046	Variable <sup>(b)</sup>	100,000	100,000
2019B Multi-Modal LTGO Refunding 2017 Bonds	6/27/2019	1/1/2046	Variable <sup>(b)</sup>	48,095	48,095
Total Limited Tax GO Bonds Payable From Enterprise Funds				1,292,895	957,490
<b>IIB. GO Bonds Payable - Direct Placements Payable from Enterprise Funds</b>					
2017A Multi-Modal LTGO (WQ) Refunding 2010A Bonds	10/26/2017	1/1/2040	Variable <sup>(c)</sup>	50,000	50,000
2017B Multi-Modal LTGO (WQ) Refunding 2010B Bonds	10/26/2017	1/1/2040	Variable <sup>(c)</sup>	50,000	50,000
Total GO Bonds Payable -Direct Placements Payable From Enterprise Funds				100,000	100,000
Total LTGO Bonds and GO Bonds-Direct Placements Payable from Enterprise Funds				1,392,895	1,057,490
<b>IIC. Revenue Bonds Payable from Enterprise Funds</b>					
2001A WQ Revenue Junior Lien Variable Rate Demand Bonds	8/6/2001	1/1/2032	Variable <sup>(d)</sup>	\$ 50,000	\$ 50,000
2001B WQ Revenue Junior Lien Variable Rate Demand Bonds	8/6/2001	1/1/2032	Variable <sup>(d)</sup>	50,000	50,000
2010 WQ Revenue & Refunding 2001 Bonds	7/19/2010	1/1/2036	2.00-5.00%	334,365	37,610
2011 WQ Revenue (Capital Improvement Projects) Bonds	1/25/2011	1/1/2021	5.00-5.125%	175,000	8,190
2011B WQ Revenue Refunding 2001, 2002A, 2002B, and 04A Bonds	10/5/2011	1/1/2026	1.00-5.00%	494,270	45,890
2011C WQ Revenue Refunding 2001, 2002A, and 2004A Bonds	11/1/2011	1/1/2022	3.00-5.00%	32,445	7,885
2011 WQ Revenue Junior Lien Variable Rate Demand Bonds	10/26/2011	1/1/2042	Variable <sup>(e)</sup>	100,000	100,000
2012 WQ Revenue and Refunding 2004A Bonds	4/18/2012	1/1/2052	5.00%	104,445	89,785
2012B WQ Revenue and Refunding 2004A Bonds	8/2/2012	1/1/2035	4.00-5.00%	64,260	64,260
2012C WQ Revenue and Refunding 2004A and 2006 Bonds	9/19/2012	1/1/2033	2.50-5.00%	65,415	37,520
2012 WQ Revenue Junior Lien Variable Rate Demand Bonds	12/27/2012	1/1/2043	Variable <sup>(f)</sup>	100,000	100,000
2013A WQ Revenue Refunding 2003, 2006, and 2005 WQ-LTGO Bonds	4/9/2013	1/1/2035	2.00-5.00%	122,895	103,515
2013B WQ Revenue and Refunding 2004B Bonds	10/29/2013	1/1/2044	2.00-5.00%	74,930	56,865
2014A WQ Revenue Refunding 2007 Bonds	7/8/2014	1/1/2047	5.00%	75,000	75,000
2014B WQ Revenue Refunding 2004B, 2006, 2006B, 2007 and 2008 Bonds	8/12/2014	7/1/2035	1.00-5.00%	192,460	181,490
2015A WQ Revenue Refunding 2007, 2008, and 2009 Bonds	2/18/2015	7/1/2047	3.00-5.00%	474,025	470,475
2015B WQ Revenue & Refunding 2006 Bonds	11/17/2015	1/1/2046	4.00-5.00%	93,345	75,985
2016A WQ Revenue & Refunding 2007, 2008, 2009, 2010 Bonds	2/17/2016	7/1/2041	4.00-5.00%	281,535	273,975
2016B WQ Revenue & Refunding 2006-2, 2010, 2011A, 2011B, 2011C Bonds	10/12/2016	7/1/2049	4.00-5.00%	499,655	492,005
2017A WQ Revenue Refunding 2009 LTGO, 2010, 2011A, 2011B, 2011C Bonds	12/19/2017	7/1/2049	5.00%	149,485	127,840
2018B WQ Revenue Refunding 2010, 2011B, 2012 Bonds	11/15/2018	7/1/2032	5.00%	124,455	124,455
Total Revenue Bonds Payable from Enterprise Funds				\$ 3,657,985	\$ 2,572,745

## SCHEDULE OF LONG-TERM DEBT

(IN THOUSANDS)

(PAGE 3 OF 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/19
IID. State Revolving Loans-Direct Borrowings Payable from Enterprise Funds					
2000-2019 WQ State of Washington Revolving Loans	Various	Various	0.50-3.10%	255,705	226,221
2019 Solid Waste State of Washington Revolving Loans	6/26/2019	6/1/2038	1.66%	1,322	1,322
Total State Revolving Loans-Direct Borrowings Payable from Enterprise Funds				257,027	227,543
IIE. Capital Leases Payable from Enterprise Funds					
2000 Public Transportation Park and Ride Capital Leases	3/30/2000	12/31/2031	5.00%	4,722	2,241
Total Capital Leases Payable From Enterprise Funds				4,722	2,241
<b>TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT</b>				5,312,629	3,860,019
<b>TOTAL LONG-TERM DEBT</b>				<b>\$ 6,428,211</b>	<b>\$ 4,527,222</b>

(b) The Multi-Modal 2019A Bonds initially will bear interest at Daily Interest Rate for Daily Interest Rate Periods and the Multi-Modal 2019B Bonds initially will bear interest at Weekly Interest Rates for Weekly Interest Rate Periods, subject to conversion to other Modes.

(c) The 2017AB 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.

(d) The 2001AB 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.

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

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

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

**DEBT SERVICE REQUIREMENTS TO MATURITY**  
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES								
Year	General Obligation				Total			
	General Obligation Bonds		Capital Leases					
	Principal	Interest	Principal	Interest	Principal	Interest		
2020	\$ 69,722	\$ 29,135	\$ 364	\$ 403	\$ 70,086	\$ 29,538		
2021	71,656	26,758	380	386	72,036	27,144		
2022	77,485	23,325	400	368	77,885	23,693		
2023	66,910	19,326	415	349	67,325	19,675		
2024	52,509	16,373	435	329	52,944	16,702		
2025-2029	197,020	50,956	2,408	1,413	199,428	52,369		
2030-2034	95,515	16,006	2,586	1,234	98,101	17,240		
2035-2039	28,230	2,321	1,168	365	29,398	2,686		
TOTAL	\$ 659,047	\$ 184,200	\$ 8,156	\$ 4,847	\$ 667,203	\$ 189,047		
BUSINESS-TYPE ACTIVITIES								
Year	General Obligation Bonds-				Revenue Bonds			
	General Obligation Bonds		Direct Placements					
	Principal	Interest	Principal	Interest	Principal	Interest		
2020	\$ 36,245	\$ 38,014	\$ —	\$ 5,400	\$ 62,675	\$ 114,409		
2021	26,685	43,559	—	5,400	60,910	111,492		
2022	40,580	42,063	—	5,400	69,690	108,668		
2023	48,650	40,122	—	5,400	68,750	105,555		
2024	39,755	37,953	—	5,400	67,275	102,306		
2025-2029	220,535	158,525	—	27,000	356,385	460,703		
2030-2034	248,255	101,295	—	27,000	548,705	359,202		
2035-2039	140,310	57,170	100,000	27,000	488,320	236,847		
2040-2044	8,380	40,251	—	—	563,465	125,171		
2045-2049	148,095	15,994	—	—	258,360	36,036		
2050-2054	—	—	—	—	28,210	2,162		
TOTAL	\$ 957,490	\$ 574,946	\$ 100,000	\$ 108,000	\$ 2,572,745	\$ 1,762,551		
DEBT SERVICE REQUIREMENTS								
TO MATURITY								
Year	State Revolving Loans-				Total		Total	
	Capital Leases		Direct Borrowings					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 147	\$ 108	\$ 17,417	\$ 5,004	\$ 116,484	\$ 162,935	\$ 186,570	\$ 192,473
2021	154	101	17,317	4,674	105,066	165,226	177,102	192,370
2022	162	93	16,618	4,338	127,050	160,562	204,935	184,255
2023	171	85	15,950	4,007	133,521	155,169	200,846	174,844
2024	179	76	16,405	3,668	123,614	149,403	176,558	166,105
2025-2029	1,041	234	63,694	13,573	641,655	660,035	841,083	712,404
2030-2034	387	16	54,367	6,420	851,714	493,933	949,815	511,173
2035-2039	—	—	19,093	1,489	747,723	322,506	777,121	325,192
2040-2044	—	—	2,122	729	573,967	166,151	573,967	166,151
2045-2049	—	—	2,416	432	408,871	52,462	408,871	52,462
2050-2054	—	—	2,144	104	30,354	2,266	30,354	2,266
TOTAL	\$ 2,241	\$ 713	\$ 227,543	\$ 44,438	\$ 3,860,019	\$ 2,490,648	\$ 4,527,222	\$ 2,679,695

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, 2019 is as follows (in thousands):

	Balance 01/01/2019	Additions	Reductions	Balance 12/31/2019	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds payable:					
General obligation (GO) bonds	\$ 646,312	\$ 118,217	\$ (105,482)	\$ 659,047	\$ 69,722
GO bonds payable-Direct Borrowings	30,760	—	(30,760)	—	—
Unamortized bonds premium and discount	52,763	21,373	(12,148)	61,988	—
Total bonds payable	<u>729,835</u>	<u>139,590</u>	<u>(148,390)</u>	<u>721,035</u>	<u>69,722</u>
Other liabilities:					
General obligation capital leases	8,291	—	(135)	8,156	364
Compensated absences liability <sup>(a)</sup>	109,504	122,992	(119,539)	112,957	6,072
Net pension liability	308,153	270,294	(347,342)	231,105	—
Other postemployment benefits	96,758	5,017	(5,564)	96,211	—
Asset retirement obligation <sup>(b)</sup>	150	—	—	150	—
Estimated claims settlements and other liabilities	157,719	284,272	(282,260)	159,731	58,462
Total other liabilities	<u>680,575</u>	<u>682,575</u>	<u>(754,840)</u>	<u>608,310</u>	<u>64,898</u>
Total Governmental activities long-term liabilities	<u>\$ 1,410,410</u>	<u>\$ 822,165</u>	<u>\$ (903,230)</u>	<u>\$ 1,329,345</u>	<u>\$ 134,620</u>
<b>Business-type activities:</b>					
Bonds payable:					
General Obligation (GO) bonds	\$ 814,695	\$ 249,130	\$ (106,335)	\$ 957,490	\$ 36,245
GO bonds payable-Direct Placements	100,000	—	—	100,000	—
Revenue bonds	2,807,510	—	(234,765)	2,572,745	62,675
Unamortized bonds premium and discount	353,187	18,993	(33,555)	338,625	—
Total bonds payable	<u>4,075,392</u>	<u>268,123</u>	<u>(374,655)</u>	<u>3,968,860</u>	<u>98,920</u>
Other liabilities:					
Capital leases	2,381	—	(140)	2,241	147
State revolving loans-Direct Borrowings	229,474	15,319	(17,250)	227,543	17,418
Compensated absences liability	70,559	88,988	(89,326)	70,221	11,497
Net pension liability	250,378	215,945	(281,600)	184,723	—
Other postemployment benefits	14,654	1,398	(991)	15,061	—
Landfill closure and post-closure care liability	146,142	107,200	(5,026)	248,316	30,441
Pollution remediation	48,646	2,456	(4,480)	46,622	4,561
Asset retirement obligation <sup>(b)</sup>	5,680	—	—	5,680	—
Customer deposits and other liability	3,593	76,494	(1,885)	78,202	468
Total other liabilities	<u>771,507</u>	<u>507,800</u>	<u>(400,698)</u>	<u>878,609</u>	<u>64,532</u>
Total Business-type activities long-term liabilities	<u>\$ 4,846,899</u>	<u>\$ 775,923</u>	<u>\$ (775,353)</u>	<u>\$ 4,847,469</u>	<u>\$ 163,452</u>

Governmental activities estimated claims settlements of \$159.7 million are liquidated by internal service funds. Governmental activities compensated absences, net pension liability and other postemployment benefits are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably, General Fund, Public Health Fund and County Road Fund.

(a) In 2019, the beginning balance of compensated absences liability was restated from \$106.6 million to \$109.5 million to include governmental fund comp time liabilities.

(b) The beginning balance of asset retirement obligation was restated resulting from the County's implementation of GASB 83 in 2019.

### General Obligation Bonds-Direct Placements

The County's outstanding notes from direct placements related to business-type activities in the combined amount of \$100.0 million related to 2017A/B State Street Bank Multi-Modal LTGO Water Quality Refunding Bonds are secured by a subordinate lien on the net revenue of the Water Quality system as well as the full faith and credit of the County. This outstanding 2017A/B Multi-Modal LTGO from direct placements related to business-type activities of \$100.0 million contain 1) provision that in the event of default under the continuing covenants agreements for the bonds that provide additional security includes non-payment of amounts due and ratings downgrades below certain thresholds and 2) a provision that if the County is unable to make payment, outstanding amounts are due immediately. The subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

## **State of Washington Revolving Loans-Direct Borrowings**

**Water Quality** - Water Quality has received loans from the Washington State Department of Ecology under the Water Pollution Control State Revolving Fund Loan Program and the Washington Public Works Trust Fund administered by the Washington State Department of Commerce. State loans are secured by a subordinate lien on the net revenues of the system. Events of default under the loan agreements with the Department of Ecology include nonpayment of amounts due, failure to commence the project for which the loan was granted and unjustified failure to perform loan agreement obligations. Remedies include suspending any undisbursed loan proceeds and acceleration of the outstanding balance, provided that the loan is not subject to acceleration if any sewer revenue bonds are outstanding. Any state funds owed to the County may also be withheld. Events of default under the loan agreements with the Public Works Trust Fund include nonpayment of amounts due and failure to use loan proceeds for permitted activities. Remedies include withholding of any undisbursed loan proceeds, assessment of additional interest and notification to creditors.

**Solid Waste** - Solid Waste has received loans from the Washington State Department of Commerce under the Washington Public Works Board. State loans are secured by a subordinate lien on the net revenues of the system. Events of default under the loan agreements with the Department of Commerce include nonpayment of amounts due, failure to commence the project for which the loan was granted and unjustified failure to perform loan agreement obligations. Remedies include suspending any undisbursed loan proceeds and acceleration of the outstanding balance. Any state funds owed to the County may also be withheld.

### **Terms specified in debt agreement related to Events of Default with finance-related consequences and subjective acceleration clauses:**

The County's outstanding bonds related to 2001A/B Water Quality Junior Lien Variable Rate Demand bonds related to business-type activities in the combined amount of \$100 million are secured by a subordinate lien on the net revenue of the Water Quality system. This outstanding 2001A/B junior lien variable rate demand bonds contain 1) provision that in the event of default under the letter of credit agreements that provide additional security for the bonds includes non-payment of amounts due and rating downgrades below certain thresholds and 2) a provision that if the County is unable to make payment, outstanding amounts are due immediately.

The County's outstanding 2019A/B Multi-Modal LTGO Water Quality Refunding bonds related to business-type activities in the combined amount of \$148.1 million are secured by a subordinate lien on the net revenue of the Water Quality system as well as the full faith and credit of the County. This outstanding 2019A/B Multi-Modal LTGO WQ Refunding bonds contain 1) provision that in the event of default under the standby bond purchase agreements that provide the liquidity support for the bonds includes non-payment of amounts due and ratings downgrades below certain thresholds and 2) a provision that if the County is unable to make payment, outstanding amounts are due immediately.

### **Authorized But Unissued**

At yearend, the County had a total of \$95 million in general obligation bonds authorized but unissued for the Solid Waste capital program. In addition, the County had authorized \$140 million sewer revenue bonds that remained unissued.

### **Unused Lines of Credit**

The County has no unused lines of credit at year-end.

## **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, 2019 (in thousands):

2019 ASSESSED VALUE (2020 TAX YEAR)	<u>\$ 642,490,492</u>
Debt limit of limited tax general obligations for metropolitan functions	
0.75 % of assessed value	\$ 4,818,679
Less: Net limited tax general obligation indebtedness for metropolitan functions	<u>(1,003,673)</u>
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 3,815,006</u>
Debt limit of limited tax general obligations for general county purposes and metropolitan functions	
1.5 % of assessed value	\$ 9,637,357
Less: Net limited tax general obligation indebtedness for general county purposes	\$ (614,104)
Net limited tax general obligation indebtedness for metropolitan functions	<u>(1,003,673)</u>
Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions	<u>(1,617,777)</u>
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 8,019,580</u>
Debt limit of total general obligations for metropolitan functions	
2.5% of assessed value	\$ 16,062,262
Less: Net total general obligation indebtedness for metropolitan functions	<u>(1,003,673)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 15,058,589</u>
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	\$ 16,062,262
Less: Net unlimited tax general obligation indebtedness for general county purposes	\$ (47,345)
Net limited tax general obligation indebtedness for general county purposes	<u>(614,104)</u>
Total net general obligation indebtedness for general county purposes	<u>(661,449)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 15,400,813</u>

### **Refunding and Defeasing General Obligation Bond Issues - 2019**

**Limited Tax General Obligation Refunding Bonds, 2019 Series A** - On March 15, 2019, the County issued \$41.4 million in limited tax general obligation refunding bonds, 2019A with an effective interest cost of 1.95 percent to current refund \$17.0 million of outstanding limited tax general obligation bonds 2009 Series B and \$30.8 million of outstanding limited tax GO bonds 2013 Multi-Modal. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$331 thousand. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2029, using the outstanding principal balance method. This current refunding was undertaken to reduce total debt service payments by \$4.2 million over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$3.8 million.

**Limited Tax General Obligation Refunding Bonds, 2019 Series C** - On December 19, 2019, the County issued \$13.0 million in limited tax general obligation refunding bonds, 2019C with an effective interest cost of 1.1 percent to advance refund \$13.9 million of outstanding limited tax general obligation bonds 2009 Series C.

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 refunded bonds are considered



defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$294 thousand. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2023, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$913 thousand over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$895 million.

Housing and Urban Development (HUD) Section 108 Loan, 2019A - On March 28, 2019, the County refinanced \$1.4 million in outstanding 2006 Section 108 loan from the Department of Housing and Urban Development (HUD) for the Greenbridge affordable housing project in White Center. The refinancing of the loan was to take advantage of a lower interest rate and reduce total interest payments by \$130 thousand over its remaining five year term. As a result, the 2006 Section 108 loan are considered defeased and the liability for those loans has been removed from the governmental activities column of the statement of net position.

### **Refunding and Cash Defeasance Sewer Revenue Bond Issues - 2019**

Multi-Modal Limited Tax General Obligation (GO) Refunding Bonds (Payable from Sewer Revenues) Bonds, 2019A and Series 2019B. - On June 27, 2019, the County issued \$148.1 million in multi-modal limited tax GO refunding bonds (Payable from Sewer Revenues) series, 2019A (\$100 million) and Series 2019B (\$48.1) with variable interest rates to refund the County's outstanding Junior Lien Sewer Revenue Bonds Series, 2015 Series A and 2015 Series B and Junior Lien Sewer Revenue Bonds, Series 2017, with variable interest rates. As a result, the series 2015AB and Series 2017 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. Both series of 2019 bonds are variable rate obligations, with daily interest rate resets for 2019A and weekly resets for 2019B. This refunding was undertaken to reduce total debt service payments by \$4.5 million over the 5-year life of the standby bond purchase agreement (SBPA).

2019 Cash Defeasance of LTGO Refunding Bonds (Payable from Sewer Revenues) 2012B, Sewer Revenue and Refunding Bonds, 2012C, and LTGO Refunding Bonds (Payable from Sewer Revenues), 2012C - On October 07, 2019, the County purchased Treasury securities at a cost of \$24.9 million and placed them in an escrow to pay interest and redeem at their earliest redemption dates \$22.5 million of outstanding Sewer Revenue and Refunding Bonds, Series 2012C. Funding for the escrow came from operations and excess in bond reserves. Water Quality undertook the defeasance in order to reduce future debt service payments by \$34.7 million through 2032. As a result, the series 2012C 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.

On October 7, 2019, the County purchased Treasury securities at a cost of \$71.4 million and placed them in an escrow to pay interest and redeem at their earliest redemption dates \$64.6 million of outstanding Limited Tax General Obligations Refunding Bonds, Series 2012B and Series 2012C. Funding for the escrow came from operations and excess in bond reserves. Water Quality undertook the defeasance in order to reduce future debt service payments by \$103.4 million through 2034. Under the terms of the authorizing ordinances, these bonds have been defeased and are no longer secured by a pledge of the revenue of the sewer system. As a result, the 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.

### **Prior Year Refunded and Defeasance of Debt**

As of December 31, 2019, King County has eleven refunded and defeased bond issues outstanding, consisting of five limited tax general obligation bonds (\$85 million) and six sewer revenue bonds (\$746 million). In prior years, the County defeased these bonds by placing the proceeds of the new bonds in an irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, the payments of principal and interest on these old bond issues are the responsibility of the escrow agent, U.S. Bank National Association, and the liability for the defeased bonds has been removed from the County's financial statement.



**Asset Retirement Obligations**

In 2019, the County reported asset retirement obligations (ARO) in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*. The liability is measured at its current value and based on professional judgment, experience, and historical cost data. The ARO at December 31, 2019 stands at \$3.5 million for the Public Transportation Enterprise, \$1.5 million for the Water Quality Enterprise, \$500 thousand for the Solid Waste Enterprise, \$200 thousand for the Radio Communication Services Fund, and \$150 thousand for the County Road Operating Fund.

The County's ARO relates to the disposition of underground storage tanks (USTs) due to applicable regulations and requirements. The estimated remaining useful life of the USTs range from three to twenty-two years.

The liability could change over time as new information becomes available as a result of changes in technology, legal or regulatory requirements, and types of equipment, facilities or services that will be used to meet the obligation to dispose of the USTs.

**Component Unit - NJB Properties**

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

(In Thousands)					
	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/19
Lease Revenue Bonds, 2006 Series A	12/5/2006	12/1/2036	5.00-6.00%	\$ 179,285	\$ 5
Lease Revenue Bonds, 2006 Series B	12/5/2006	12/1/2036	5.00-6.00%	10,435	8,300
Total Bonds Payable				<u>\$ 189,720</u>	<u>\$ 8,305</u>

Year	Principal
2020	310
2021	325
2022	345
2023	360
2024	380
Thereafter	6,585
Total	<u>8,305</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	All Others	\$ 278
Behavioral Health Fund	Nonmajor Governmental Funds	1,062
	All Others	16
Nonmajor Governmental Funds	General Fund	8,657
	Behavioral Health Fund	904
	Nonmajor Governmental Funds	25,735
	All Others	63
Public Transportation Enterprise	General Fund	1,587
	Nonmajor Governmental Funds	5,141
Water Quality Enterprise	General Fund	1,092
	Nonmajor Governmental Funds	1,914
Solid Waste Enterprise	Nonmajor Governmental Funds	2,659
	All Others	251
Nonmajor Enterprise Funds	All Others	344
Internal Service Funds	Nonmajor Governmental Funds	20,272
	All Others	647
Total interfund balances		<u>\$ 70,622</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>
General Fund	Nonmajor Governmental Funds	\$ 3,000
Nonmajor Governmental Funds	General Fund	11,500
	Nonmajor Governmental Funds	4,000
Internal Service Funds	Nonmajor Governmental Funds	31,529
Total advances from/to other funds		<u>\$ 50,029</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 2020.

**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	Behavioral Health Fund	\$ 3,061
	Nonmajor Governmental Funds	83,782
	All Others	434
Behavioral Health Fund	General Fund	6,935
	Nonmajor Governmental Funds	5,622
	All Others	22
Nonmajor Governmental Funds	General Fund	11,546
	Behavioral Health Fund	5,208
	Nonmajor Governmental Funds	285,711
	Internal Service Funds	2,096
Public Transportation Enterprise	Nonmajor Governmental Funds	3,959
Water Quality Enterprise	Nonmajor Governmental Funds	960
Solid Waste Enterprise	Nonmajor Governmental Funds	990
	All Others	11
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	524
Internal Service Funds	Nonmajor Governmental Funds	20,696
Total interfund transfers		<u>\$ 431,557</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 & Jefferson Building (NJB). The County became the legal owner of the Patricia Steel Memorial Building in December 2012 when it refinanced the original developer issued bonds. HMC will continue to use the building. Rent is also paid by HMC to the County for use of NJB, owned by a nonprofit corporation that is a discrete component unit of the County. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofit which funded construction of NJB. In both situations, HMC has agreed to include the annual rental payments in its operating budget for as long as it uses the buildings. In 2019, the primary government received \$14.0 million in building lease and occupancy revenues from HMC. In addition, HMC made \$5.0 million in payments to King County Department of Health for mission-related purposes.

The Cultural Development Authority (CDA), a discretely presented component unit of King County, annually receives funding from various County funds under the One Percent for Art program. Revenues are used to support activities related to the development and maintenance of County public art. In 2019, the King County primary government transferred \$6.6 million to the CDA. The CDA spent net \$985 thousand on art projects, for which the County recorded a corresponding decrease in receivables from the CDA and an increase in artwork. In addition, King County made a \$3.0 million loan for the Building 4Equity program and \$276 thousand in payments to the CDA for mission related purposes.

The Public Transportation Enterprise (Transit) entered into a ground lease agreement as lessor with King County Housing Authority (KCHA) for the development of affordable housing units and a parking garage in the City of Redmond. The land under the lease has a cost of \$1.3 million. KCHA is a related organization of King County. The lease provides for a minimum set-aside of 150 parking stalls for park-and-ride commuters. The lease calls for an annual lease payment with a 3.0 percent increase each year, commencing with the year ended December 31, 2003. The lease payment is due within 90 days following the end of each calendar year. A portion of the annual lease payment is restricted for use on future Federal Transit Administration projects. The term of the lease is 50 years with one option to extend for 25 years. Transit reported lease revenue of \$47 thousand in 2019.

## Note 18

### Components of Fund Balance, Restatements and Restrictions

#### Net Position

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

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

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

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

#### Components of Fund Balance

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

- *Nonspendable*. Balances that either are not in a spendable form or are legally or contractually required to remain intact.
- *Restricted*. Balances restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- *Committed*. Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Metropolitan King County Council. A Council ordinance or motion is required to establish, modify or rescind a commitment of fund balance.
- *Assigned*. Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed. Assignments are authorized by chief officers of executive departments and administrative offices.
- *Unassigned*. Residual balances that are not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Rainy Day Reserve Ordinance 15961 created the Rainy Day Reserve for the purpose of accumulating revenues to be available for emergencies. The fund is fully invested for its own benefit. The ordinance states that the Rainy Day Reserve shall be used in the event of an emergency, as declared by a vote of the County Council, for the following purposes:

- Maintenance of essential county services in the event that current expense fund revenue collections in a given fiscal year are less than 97 percent of adopted estimates;
- Payment of current expense fund legal settlements or judgments in excess of the County's ability to pay from other sources;
- Catastrophic losses in excess of the County's other insurances against such losses; and
- Other emergencies as determined by the County Council.

The Rainy Day Reserve is reported as part of the General Fund. As of December 31, 2019, it had a committed fund balance of \$26.1 million.

A summary of governmental fund balances at December 31, 2019, is as follows (in thousands):

	General Fund	Behavioral Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Arts and Cultural Development	\$ —	\$ —	\$ 14,650	\$ 14,650
Emergency Medical Services	—	—	149	149
Long-Term Leases	—	—	1,529	1,529
Major Maintenance	—	—	11,500	11,500
Parks Capital Projects	—	—	6,708	6,708
Public Health	6	—	970	976
Total Nonspendable Fund Balance	6	—	35,506	35,512
Restricted for:				
Animal Services	—	—	2,291	2,291
Arts and Cultural Development	—	—	143	143
Automated Fingerprint Identification System	—	—	25,393	25,393
Behavioral Health	—	297	—	297
Best Starts For Kids Levy	—	—	70,479	70,479
Building Repair and Replacement	—	—	11,242	11,242
Community Services Operating	—	—	128	128
Conservation Futures	—	—	22,679	22,679
County Roads Operating	—	—	28,349	28,349
County Road Construction	—	—	43,444	43,444
Crime Victim Compensation Program	696	—	—	696
Department of Community and Human Services	—	—	515	515
Debt Service	—	—	2,270	2,270
Department of Local Services	—	—	333	333
Developmental Disabilities	—	—	7,476	7,476
Dispute Resolution	22	—	—	22
Drug Enforcement	1,064	—	—	1,064
Emergency Medical Services	—	—	42,862	42,862
Employment and Education Resources	—	—	330	330
Enhanced 911 Emergency Telephone System	—	—	33,803	33,803
Environmental Health	—	—	13,316	13,316
Farmland and Open Space Acquisitions	—	—	1,746	1,746
Flood Control District	—	—	94,710	94,710
Grants Fund	—	—	3,353	3,353
Historical Preservation	—	—	334	334
Housing and Community Development	—	—	76,101	76,101
Information and Telecommunication Capital	—	—	45,875	45,875
Intercounty River Improvement	—	—	17	17
Law Library	—	—	508	508
Local Hazardous Waste	—	—	15,203	15,203
Mental Illness and Drug Dependency	—	—	24,132	24,132
Noxious Weed Control	—	—	1,821	1,821
Open Space King County Bond Funded Subfund	—	—	388	388
Parks Capital Projects	—	—	79,418	79,418
Parks Operating Levy	—	—	18,032	18,032
Permit and Environmental Review	—	—	1,210	1,210
Public Health	—	—	29,642	29,642
Puget Sound Emergency Radio Network	—	—	28,405	28,405
Real Estate Excise Tax Capital	—	—	37,915	37,915
Real Property Title Assurance	25	—	—	25
Recorder's Operations and Maintenance	—	—	2,112	2,112
Road Improvement Districts	—	—	13	13
Surface Water Capital	—	—	18,415	18,415
Surface Water Management	—	—	15,024	15,024
Treasurer's Operations and Maintenance	—	—	460	460
Urban Reforestation and Habitat Restoration	—	—	350	350

A summary of governmental fund balances at December 31, 2019, continues (in thousands) (page 2 of 2):

	General Fund	Behavioral Health Fund	Nonmajor Governmental Funds	Total
Restricted for - continued:				
Veterans' Relief	—	—	783	783
Veterans, Seniors and Human Services	—	—	22,128	22,128
Youth Services Facilities	—	—	543	543
Youth Amateur Sports	—	—	8,022	8,022
Total Restricted Fund Balance	1,807	297	831,713	833,817
Committed for:				
Antiprofitteering Program	69	—	—	69
Rainy Day Reserve	26,114	—	—	26,114
School District Impact Fees	—	—	170	170
Wheelchair Access	855	—	—	855
Total Committed Fund Balance	27,038	—	170	27,208
Assigned for:				
Debt Service	—	—	8,948	8,948
Department of Natural Resources and Parks Administration	—	—	610	610
District Court	7,493	—	—	7,493
General Government	313	—	—	313
Housing and Community Development	—	—	1,400	1,400
Information and Telecommunication Capital	—	—	3,290	3,290
Inmate Welfare	3,566	—	—	3,566
Major Maintenance Reserve	—	—	12,801	12,801
Mental and Physical Health	150	—	—	150
Public Safety	1,913	—	—	1,913
Transfer of Development Credit Program	—	—	11,881	11,881
Urban Reforestation and Habitat Restoration	—	—	368	368
Youth Amateur Sports	—	—	2,620	2,620
Total Assigned Fund Balance	13,435	—	41,918	55,353
Unassigned for:				
Arts and Cultural Development	—	—	(11,389)	(11,389)
Building Repair and Replacement	—	—	(27,001)	(27,001)
General Fund	141,535	—	—	141,535
King County Flood Control	—	—	(171)	(171)
Long-Term Leases	—	—	(2,437)	(2,437)
Permit and Environmental Review	—	—	(1,522)	(1,522)
Risk Abatement	—	—	(6,331)	(6,331)
Total Unassigned Fund Balance	141,535	—	(48,851)	92,684
Total Fund Balance	\$ 183,821	\$ 297	\$ 860,456	\$ 1,044,574



**Restatements of Beginning Balances**

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

**GOVERNMENTAL ACTIVITIES**

	Governmental Activities	Total Governmental Funds	Nonmajor Governmental Funds	Internal Service Funds
<b>Changes in Net Position or Fund Balance</b>				
Net position/fund balance - January 1, 2019	\$ 3,223,443	\$ 982,776	\$ 784,569	\$ 201,011
Expensed too much depreciation in prior year	6,828	—	—	—
Unreversed prior year capitalization accrual	(7,403)	—	—	—
Updated Flood Control District balances after publication	6,188	—	—	—
Reclassified nondepreciable assets to depreciable assets	(2,354)	—	—	—
Net position/fund balance - January 1, 2019 (Restated)	<u>\$ 3,226,702</u>	<u>\$ 982,776</u>	<u>\$ 784,569</u>	<u>\$ 201,011</u>

**BUSINESS-TYPE ACTIVITIES**

	Business-type Activities	Total Enterprise Funds	Public Transportation	Solid Waste	Water Quality	Nonmajor Enterprise Funds
<b>Changes in Net Position</b>						
Net position - January 1, 2019	\$ 3,580,095	\$ 3,473,022	\$ 2,441,546	\$ —	\$ 745,734	\$ 285,742
Solid Waste Enterprise reclassified as major fund	—	—	—	97,318	—	(97,318)
Net position - January 1, 2019 (Restated)	<u>\$ 3,580,095</u>	<u>\$ 3,473,022</u>	<u>\$ 2,441,546</u>	<u>\$ 97,318</u>	<u>\$ 745,734</u>	<u>\$ 188,424</u>

**COMPONENT UNITS**

	Component Units	Harborview Medical Center	Cultural Development Authority	NJB Properties
<b>Changes in Net Position</b>				
Net position - January 1, 2019	\$ 703,735	\$ 672,672	\$ 30,258	\$ 805
Implementation of GASB Statement No. 75	(1,240)	—	(1,240)	—
Net position - January 1, 2019 (Restated)	<u>\$ 702,495</u>	<u>\$ 672,672</u>	<u>\$ 29,018</u>	<u>\$ 805</u>

**Governmental Activities**

The County expensed too much depreciation in the prior year \$6.8 million.

The County did not reverse \$7.4 million in 2017 capital asset accruals in the following year.

The Flood Control District, a blended component unit of King County, published changes to 2018 balances after the County released its 2018 financial statements, resulting in a \$6.2 million increase in net position.

The County reported depreciable assets as nondepreciable assets, resulting in missed depreciation totaling \$2.4 million.

The Building Repair and Replacement fund prior year fund balance increased by \$4 thousand due to a transfer of taxes receivable due to a closure of the Regional Justice Center Projects fund.

**Business-type Activities**

The Solid Waste Enterprise was reclassified from a nonmajor fund to a major fund for 2019 reporting.

**Fiduciary Funds**

The County adopted GASB Statement No. 84, Fiduciary Activities, resulting in the restatement of prior period net position totaling \$314.0 million.

### Component Units

In the prior year Cultural Development Authority adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB) and implemented after the County released its 2018 financial statements resulting in a \$1.2 million restatement of net position.

#### **Restricted Net Position**

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

Restricted expendable net position - \$7.5 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 \$2.9 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 - \$16.0 million is restricted by RCW 67.28.180.3 and King County ordinance to be used for the arts and heritage cultural program awards fund and special account, for which the amount is derived according to a specified formula, and one percent for public arts program.

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

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

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

*North Creek Interceptor Sewer Improvement Project* - A claim submitted by a contractor against WTD over the project to repair and replace two miles of pipeline serving the rapidly developing area in the vicinity of Canyon Park and address untreated overflows into buildings and a wetland. Pursuant to an agreement with DOE, WTD had to install a bypass system because this capital project was not completed by the onset of the 2016 wet season. The contractor submitted a request for change order for approximately \$1.5 million asserting that the contract dewatering and open-faced shield tunneling specifications are defective. The contractor also asserted that he was constructively suspended and stopped tunneling. King County found the contractor in default, terminated the contract and made demand upon the performance bond surety. King County Executive declared an emergency and WTD procured a \$20.0 million completion contract pursuant to the waiver of statutory procurement requirements. The completion contract and work required to repair damage or defective work by the former contractor increased these costs to approximately \$28.0 million. In December 2016, King County initiated suit in King County Superior Court against the contractor to recover the additional costs to complete the project. The contractor has counter claimed for approximately \$10.0 million asserting its change order claims and wrongful termination. The trial date is set for March 2021.

*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 as discussions have restarted with NOAA in early 2020.

*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 may be responsible.

*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.

### **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 2019, there are 17 contingent loan agreements outstanding totaling \$312.0 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, 2019 and the standards prescribed under GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

*Fuel Farm* - The existing fuel farm is located at the North end of the King County International Airport inside the security fence at 1495 S. Hardy Street. The site occupies approximately 1.98 acres and includes 11 underground tanks (eight operational tanks dispensing aviation fuel and three closed tanks). The fuel farm tenant and subtenant are responsible

for the cleanup of the fuel farm site. Under the Model Toxics Control Act (MTCA), the DOE can pursue all cleanup costs from a single owner or operator. In such a scenario, the County (as owner) would need to identify a responsible third party, such as a former tenant or tenants, who are responsible for all the existing contamination. But if the County is responsible for any of the contamination, the Department could order the County to clean the site. The County would then pursue other potentially liable parties for statutory contribution. At December 31, 2019, the tenant and subtenant had begun cleanup studies, and the County believes the scenario wherein it performs the clean-up activities itself to be unlikely.

#### **Other Commitments**

The Solid Waste Enterprise paid the County General Fund \$3.1 million for rent on the Cedar Hills landfill site in 2019. The Enterprise is committed to paying rent to the General Fund as long as the Cedar Hills site continues to accept waste.

#### **Component Unit - Harborview Medical Center**

Harborview Medical Center (HMC) is involved in litigation arising in the course of business. It is HMC management's opinion that these matters will be resolved without material adverse effect to HMC's future financial position or results of operations.

The current regulatory environment in the healthcare industry is one of increasing governmental activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers that could result in the imposition of significant fines and penalties, including significant repayments of patient services previously billed. HMC believes that it complies with the fraud and abuse regulations, as well as other laws and regulations. Compliance with such laws and regulations can be subject to future governmental review and interpretation and regulatory actions unknown or unasserted at this time.

HMC is operated by the University of Washington under a management and operations contract with King County. In this contract, the University of Washington agrees to defend, indemnify, and save and hold harmless King County's elected and appointed officials, employees, and agents, from and against any damage, cost, claim or liability arising out of the negligent acts or omissions of the University, its employees or agents, or arising out of the activities or operations of the medical center.

## **Note 20**

### **Subsequent Events**

#### **Debt Issuances in 2020**

In July 2020, the County issued \$200.6 million of Junior Lien Sewer Revenue Refunding Bonds. The proceeds from these bonds were used to refund \$200 million of Junior Lien Sewer Revenue Bonds, in series 2001 and 2011.

#### **Novel Coronavirus / State of Emergency**

On February 29, 2020 the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus, SARS-CoV-2. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered statewide including closing schools, colleges and universities, canceling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were leaving for an essential function.

Like the State, the County took immediate and aggressive steps to protect residents including declaring a public health emergency on March 1, 2020 to slow the spread of the virus and its corresponding disease COVID-19. Impacts to the County are anticipated to include both revenues and expenses. The Metropolitan King County Council has appropriated over \$202 million for pandemic response-related costs to protect residents including establishing temporary hospitals, purchasing and outfitting isolation and quarantine facilities for residents without a suitable way to self-isolate, and preparing businesses to reopen. They have also redirected \$2.2 million of existing appropriation to provide childcare to first responders. Some of these costs will be borne by other governments through various programs including the CARES Act and Federal Emergency Management Agency (FEMA) grants, but the amount of Federal and State participation in these costs is not known. With respect to revenue impacts, the County estimates a year-over-year reduction in taxable sales of 30% or more from 2019 to 2020 as a result of the virus and efforts to control its spread. There may be stimulus funds or revenues from other sources to replace sales and use tax lost, but the amount and extent of such backfill revenues are also not known.

As a result of the uncertainties discussed above, the County cannot identify the full extent of the financial impact at this time. The length of time and specific nature of measures needed to slow the spread of the virus are also unknown at this time.

**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, 2019**  
 (IN THOUSANDS)

**2019-2020 BUDGETED AMOUNTS (BIENNIAL)**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 740,306	\$ 742,944	\$ 367,064	\$ (375,880)
Retail sales and use taxes	297,516	309,742	153,118	(156,624)
Business and other taxes	8,900	28,900	4,128	(24,772)
Licenses and permits	15,055	15,055	7,582	(7,473)
Intergovernmental revenues	45,393	70,528	27,495	(43,033)
Charges for services	579,740	576,862	288,970	(287,892)
Fines and forfeits	49,625	48,869	26,774	(22,095)
Interest earnings	24,481	26,581	18,844	(7,737)
Miscellaneous revenues	41,844	42,286	20,644	(21,642)
Sale of capital assets	—	—	944	944
Transfers in	25,994	47,892	32,481	(15,411)
<b>TOTAL REVENUES</b>	<u>1,828,854</u>	<u>1,909,659</u>	<u>948,044</u>	<u>(961,615)</u>
<b>EXPENDITURES</b>				
Current:				
General government	329,375	335,783	156,734	179,049
Law, safety and justice	1,263,285	1,293,102	623,955	669,147
Economic environment	1,085	1,085	73	1,012
Health and human services	93,475	95,301	49,223	46,078
Debt service:				
Principal	68	68	—	68
Interest and other debt service costs	207	225	158	67
Capital outlay	3,777	5,092	2,081	3,011
Transfers out	165,339	232,767	92,777	139,990
<b>TOTAL EXPENDITURES</b>	<u>1,856,611</u>	<u>1,963,423</u>	<u>925,001</u>	<u>1,038,422</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (27,757)</u>	<u>\$ (53,764)</u>	23,043	<u>\$ 76,807</u>
Adjustment from budgetary basis to GAAP basis <sup>(a)</sup>			(3,303)	
Net change in fund balance			19,740	
Fund balance - Beginning balance			164,081	
Fund balance - Ending balance			<u>\$ 183,821</u>	

<sup>(a)</sup>Elements of adjustment from budgetary basis to GAAP basis:

Adjustments to revenues:

Recognition of unrealized loss on investments

\$ 4,895

Adjustments to expenditures

2,990

Non-budgeted revenues

(11,188)

Adjustment from budgetary basis to GAAP basis

\$ (3,303)

**BEHAVIORAL HEALTH FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(IN THOUSANDS)

**2019-2020 BUDGETED AMOUNTS (BIENNIAL)**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 6,988	\$ 6,988	\$ 3,466	\$ (3,522)
Business and other taxes	—	—	17	17
Intergovernmental revenues	28,200	28,200	13,303	(14,897)
Charges for services	601,950	601,950	229,636	(372,314)
Interest earnings	469	469	559	90
Miscellaneous revenues	3,369	3,369	2,430	(939)
Transfers in	15,658	15,658	8,291	(7,367)
<b>TOTAL REVENUES</b>	<u>656,634</u>	<u>656,634</u>	<u>257,702</u>	<u>(398,932)</u>
<b>EXPENDITURES</b>				
Current:				
Health and human services	683,898	687,528	279,170	408,358
Transfers out	—	—	12,579	(12,579)
<b>TOTAL EXPENDITURES</b>	<u>683,898</u>	<u>687,528</u>	<u>291,749</u>	<u>395,779</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (27,264)</u>	<u>\$ (30,894)</u>	(34,047)	<u>\$ (3,153)</u>
Adjustment from budgetary basis to GAAP basis <sup>(a)</sup>			218	
Net change in fund balance			(33,829)	
Fund balance - Beginning balance			34,126	
Fund balance - Ending balance			<u>\$ 297</u>	

<sup>(a)</sup> Elements of adjustment from budgetary basis to GAAP basis:

Adjustments to revenues:	
Recognition of unrealized gains on investments	\$ 219
Adjustments to expenditures:	
Non-budgeted revenue	(1)
Adjustment from budgetary basis to GAAP basis	<u>\$ 218</u>



**II. Pension Funding**

<b>Schedule of the County's Proportionate Share of the Net Pension Liability</b> <b>Public Employees' Retirement System (PERS) Plan 1</b> <b>Measurement Date of June 30*</b> (dollars in thousands)					
	2019	2018	2017	2016	2015
County's proportion of the net pension liability	8.25%	8.56%	8.45%	8.90%	8.76%
County's proportionate share of the net pension liability	\$ 317,333	\$ 382,129	\$ 400,803	\$ 477,872	\$ 458,477
County's covered payroll**	\$ 1,196,465	\$ 1,124,434	\$ 1,046,436	\$ 1,007,624	\$ 1,002,651 ***
County's proportionate share of the net pension liability as a percentage of covered payroll	26.52%	33.98%	38.30%	47.43%	45.73%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%

<b>Schedule of the County's Proportionate Share of the Net Pension Liability</b> <b>Public Employees' Retirement System (PERS) Plan 2/3</b> <b>Measurement Date of June 30*</b> (dollars in thousands)					
	2019	2018	2017	2016	2015
County's proportion of the net pension liability	10.06%	10.29%	10.14%	10.52%	10.36%
County's proportionate share of the net pension liability	\$ 97,735	\$ 175,728	\$ 352,361	\$ 529,855	\$ 370,294
County's covered payroll**	\$ 1,144,724	\$ 1,072,968	\$ 995,800	\$ 953,254	\$ 949,860 ***
County's proportionate share of the net pension liability as a percentage of covered payroll	8.54%	16.38%	35.38%	55.58%	38.98%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%

\*These schedules will be built prospectively until they contain ten years of data.

\*\*Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\*Restated

<b>Schedule of the County's Proportionate Share of the Net Pension Liability</b> <b>Public Safety Employees' Retirement System (PSERS) Plan 2</b> <b>Measurement Date of June 30*</b> (dollars in thousands)					
	2019	2018	2017	2016	2015
County's proportion of the net pension liability	8.67 %	9.69%	9.92%	11.33%	9.88%
County's proportionate share of the net pension liability	\$ (1,127)	\$ 120	\$ 1,944	\$ 4,817	\$ 1,803
County's covered payroll**	\$ 41,656	\$ 38,120	\$ 35,210	\$ 35,577	\$ 29,911 ***
County's proportionate share of the net pension liability as a percentage of covered payroll	(2.71)%	0.31%	5.52%	13.54%	6.03%
Plan fiduciary net position as a percentage of the total pension liability	101.85 %	99.79%	96.26%	90.41%	95.08%

<b>Schedule of the County's Proportionate Share of the Net Pension Liability</b> <b>Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1</b> <b>Measurement Date of June 30*</b> (dollars in thousands)					
	2019	2018	2017	2016	2015
County's proportion of the net pension (asset)	0.60%	0.60%	0.60%	0.60%	0.60%
County's proportionate share of the net pension (asset)	\$ (11,826)	\$ (10,894)	\$ (9,046)	\$ (6,180)	\$ (7,275)
County's covered payroll**	\$ 117	\$ 161	\$ 194	\$ 213	\$ 290 ***
County's proportionate share of the net pension (asset) as a percentage of covered payroll	-10,107.69%	-6,766.18%	-4,662.96%	-2,901.36%	-2,508.65%
Plan fiduciary net position as a percentage of the total pension liability	148.78%	144.42%	135.96%	123.74%	127.36%

\*These schedules will be built prospectively until they contain ten years of data.

\*\*Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\*Restated

<b>Schedule of the County's Proportionate Share of the Net Pension Liability</b> <b>Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2</b> <b>Measurement Date of June 30*</b> (dollars in thousands)					
	2019	2018	2017	2016	2015
County's proportion of the net pension (asset)	2.63%	2.88%	2.91%	3.02%	2.90%
County's proportionate share of the net pension (asset)	\$ (60,885)	\$ (58,520)	\$ (40,429)	\$ (17,543)	\$ (29,819)
State's proportionate share of the net pension (asset) associated with King County	(39,872)	(37,891)	(26,225)	(11,437)	(19,716)
Total	<u>\$ (100,757)</u>	<u>\$ (96,411)</u>	<u>\$ (66,654)</u>	<u>\$ (28,980)</u>	<u>\$ (49,535)</u>
County's covered payroll**	\$ 97,381	\$ 95,210	\$ 91,137	\$ 87,895	\$ 84,358 ***
County's proportionate share of the net pension (asset) as a percentage of covered payroll	-62.52%	-61.46%	-44.36%	-19.96%	-35.35%
Plan fiduciary net position as a percentage of the total pension liability	119.43%	118.50%	113.36%	106.04%	111.67%

<b>Schedule of the County's Proportionate Share of the Net Pension Liability</b> <b>Seattle City Employees' Retirement System (SCERS)</b> <b>Measurement Date of December 31*</b> (dollars in thousands)					
	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.05%	0.05%	0.07%	0.09%	0.11%
County's proportionate share of the net pension liability	\$ 760	\$ 554	\$ 914	\$ 1,169	\$ 1,219
County's covered payroll**	\$ 1,807	\$ 2,022	\$ 2,429	\$ 3,010	\$ 3,305
County's proportionate share of the net pension liability as a percentage of covered payroll	42.04%	27.38%	37.61%	38.84%	36.88%
Plan fiduciary net position as a percentage of the total pension liability	64.14%	72.04%	65.60%	64.03%	67.70%

\*These schedules will be built prospectively until they contain ten years of data.

\*\*Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\*Restated

Schedule of Contributions					
Public Employees' Retirement System (PERS) Plan 1					
Fiscal Year Ended December 31*					
(dollars in thousands)					
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 62,259	\$ 59,366	\$ 54,111	\$ 50,154	\$ 25,295
Contributions in relation to the contractually required contribution	62,259	59,366	54,111	50,154	25,295
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll**	\$1,245,598	\$1,154,804	\$1,082,715	\$1,028,598	\$ 507,206
Contributions as a percentage of covered payroll	5.00%	5.14%	5.00%	4.88%	4.99%

Schedule of Contributions					
Public Employees' Retirement System (PERS) Plan 2/3					
Fiscal Year Ended December 31*					
(dollars in thousands)					
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 93,935	\$ 84,792	\$ 72,763	\$ 62,650	\$ 72,853
Contributions in relation to the contractually required contribution	93,935	84,792	72,763	62,650	72,853
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll**	\$1,188,641	\$1,103,984	\$1,031,418	\$ 977,342	\$ 933,304
Contributions as a percentage of covered payroll	7.90%	7.68%	7.05%	6.41%	7.81%

Schedule of Contributions					
Public Safety Employees' Retirement System (PSERS) Plan 2					
Fiscal Year Ended December 31*					
(dollars in thousands)					
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,518	\$ 2,777	\$ 2,514	\$ 2,319	\$ 2,781
Contributions in relation to the contractually required contribution	3,518	2,777	2,514	2,319	2,781
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll**	\$ 48,039	\$ 39,458	\$ 36,728	\$ 34,253	\$ 33,102
Contributions as a percentage of covered payroll	7.32%	7.04%	6.84%	6.77%	8.40%

<b>Schedule of Contributions</b> <b>Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2</b> <b>Fiscal Year Ended December 31*</b> (dollars in thousands)					
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 5,329	\$ 5,219	\$ 4,956	\$ 4,735	\$ 4,505
Contributions in relation to the contractually required contribution	5,329	5,219	4,956	4,735	4,505
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll**	\$ 99,067	\$ 96,106	\$ 92,952	\$ 90,526	\$ 86,131
Contributions as a percentage of covered payroll	5.38%	5.43%	5.33%	5.23%	5.23%

<b>Schedule of Contributions</b> <b>Seattle City Employees' Retirement System (SCERS)</b> <b>Fiscal Year Ended December 31*</b> (dollars in thousands)					
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 275	\$ 309	\$ 371	\$ 458	\$ 520
Contributions in relation to the contractually required contribution	275	309	371	458	520
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll**	\$ 1,807	\$ 2,022	\$ 2,429	\$ 3,010	\$ 3,305
Contributions as a percentage of covered payroll	15.23%	15.29%	15.27%	15.22%	15.73%

Notes:

\*These schedules will be built prospectively until they contain ten years of data.

\*\*Covered payroll is the payroll on which contributions to a pension plan are based.

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

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 currently has one active member. Starting on July 1, 2000, employers and employees contribute zero percent as long as the Plan remains fully funded. The Plan had no required contributions for the fiscal years 2015, 2016, 2017, 2018, and 2019; thus, no schedule is required.

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

**III. Defined Benefit Other Postemployment Benefit (OPEB) Plan**

**King County**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
 King County Retiree Health Plan  
 For the year ended December 31, 2019  
 Last 10 Fiscal Years\*  
 (in thousands)

	2018	2019
<b>Total OPEB liability - beginning</b>	\$ 118,120	\$ 111,412
Service cost	2,092	2,155
Interest	4,146	4,138
Changes in benefit terms	—	—
Differences between expected and actual experience	3,332	—
Changes of assumptions	(9,651)	—
Benefit payments	(5,244)	(4,954)
Other changes	(1,383)	(1,479)
<b>Total OPEB liability - ending</b>	<u>\$ 111,412</u>	<u>\$ 111,272</u>
 <b>Covered-employee payroll</b>	 \$ 1,217,867	 \$ 1,219,237
 <b>Total OPEB liability as a % of covered payroll</b>	 9.15%	 9.13%

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

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

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

##### Roads

The County performs condition assessments on its network of roads through the King County Pavement Management System. This system generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index from zero to one hundred (0-100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as pavement cracking. Condition assessments are undertaken every three years for local streets and every two years for arterials.

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

Condition ratings	2019-2017		2016-2014		2013-2011	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	293.7	64.4	294.3	65.0	297.7	64.9
Fair	44.1	9.7	61.4	13.5	32.0	7.0
Poor to substandard	118.3	25.9	97.5	21.5	129.0	28.1
Total	456.1	100.0	453.2	100.0	458.7	100.0
Local access roads						
Excellent to good	618.8	60.3	689.2	67.7	742.0	70.7
Fair	148.8	14.5	134.7	13.2	91.4	8.7
Poor to substandard	257.9	25.2	194.2	19.1	216.5	20.6
Total	1,025.5	100.0	1,018.1	100.0	1,049.9	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	2019-2017		2016-2014		2013-2011	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	312.8	68.6	323.3	71.3	315.7	68.8
PCI 0 - 39	143.3	31.4	129.9	28.7	143.0	31.2
Total	456.1	100.0	453.2	100.0	458.7	100.0
Local access roads						
PCI 40 - 100	697.6	68.0	759.4	74.6	786.5	74.9
PCI 0 - 39	327.9	32.0	258.7	25.4	263.4	25.1
Total	1,025.5	100.0	1,018.1	100.0	1,049.9	100.0

In the most recent condition assessments, 68.6 percent of the arterial roads in the County and 68.0 percent of the local access roads in the County had a PCI rating of 40 and above.

The roads condition assessments have increased slightly over the last maintenance cycle. The accelerated condition deterioration observed in the 2016-2014 cycle and continuing in the 2019-2017 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 2019 budgeted amounts on the next page already account for the change in the established condition level.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network from 2015 to 2019. 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).

	2019	2018	2017	2016	2015
Budgeted	\$ 75,333	\$ 80,615	\$ 72,969	\$ 70,969	\$ 56,599
Expended	57,632	57,406	59,864	43,820	37,003



The amount budgeted in 2019 for road preservation and maintenance was \$75.3 million. The amount actually expended was \$57.6 million. The 2019 underspending was due to scheduling of contracted work and work to be performed in 2020. Adjusting for these items, the remaining gap is consistent with historical experience.

### Bridges

King County currently maintains 182 bridges including co-owned and pedestrian bridges. Physical inspections to determine the condition of bridges and the degree of wear and deterioration are carried out at least every two years. Inspections reveal deficiencies in bridges such as steel corrosion, damaged guardrails, rotted timbers, deteriorated bridge decks, bank erosion and cracked concrete. These are documented in an inspection report along with recommended repairs. Four bridges that do not carry vehicular traffic are included in the list of bridges being maintained by the County. These are also subject to condition assessments, but are subject to different standards than the more heavily used 178 vehicular bridges.

Each year the County conducts a bridge prioritization process to determine potential candidates for replacement or rehabilitation. A weighted 10-point priority scale (sufficiency rating, seismic rating, geometrics, hydraulics, load limits, traffic safety, serviceability, importance, useful life, and structural concern) ranks the bridges in order; the results are considered in the planning and programming of major bridge studies and construction projects in the Roads Capital Improvement Program.

A key element in the priority score is the sufficiency rating, the measure considered by state and federal governments as the basis for establishing eligibility and priority for bridge replacement or rehabilitation funding. The sufficiency rating is a numerical rating of a bridge based on its structural adequacy and safety, essentially for public use, and its serviceability and functional obsolescence. The three most recent bridge sufficiency ratings are as follows:

Bridge Sufficiency Rating	Number of Bridges		
	2019	2018	2017
0 - 20	9	9	8
21 - 30	4	5	4
31 - 49	20	17	22
50 - 100	145	147	144
Totals	178	178	178

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

	2019	2018	2017	2016	2015
Budgeted	\$ 12,203	\$ 10,109	\$ 6,605	\$ 4,343	\$ 5,607
Expended	6,082	7,906	6,221	3,448	3,184

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

### Notes:

- \* Pavement Condition Index (PCI) condition measurement and road condition rating scale:
  1. PCI < 30 is defined to be in "poor to substandard" with heavy pavement cracking and potholes
  2. PCI 30 ≥ 50 is defined to be in "fair condition" with noticeable cracks and utility cuts
  3. PCI 50 ≥ 100 is defined to be in "excellent condition" with relatively smooth roadway
- \* King County's Road Services Division policy is to maintain at least 50 percent of the road system at a PCI level of 40 or better.
- \* Bridges adhere to the Federal Highway Administration condition measurement.
- \* Bridges sufficiency rating scale:
  1. 49 ≤ 0 indicates replacement or rehabilitation funding, < 30 are selected for rehabilitation funding
  2. 50 ≥ 100 indicates a good deal of service life remaining, a bridge capable of carrying traffic
- \* King County's Road Services Division policy is to maintain bridges in such manner that no more than 12 will have a sufficiency rating of 20 or less. A rating of 20 or less is usually indicative of a bridge with structural deficiency. The most common remedy is full replacement, rehabilitation or closure of the bridge.

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
Department of Agriculture	<b>Child Nutrition Cluster</b>							
	Washington Office of Superintendent of School Breakfast Program Public Instruction		10.553	197WAWA3N1099 \$	27,810.02 \$	0.00 \$	27,810.02	
	Washington Office of Superintendent of School Breakfast Program Public Instruction		10.553	207WAWA3N1099 \$	9,088.48 \$	0.00 \$	9,088.48	
			<b>Indirect Total</b>	\$	36,898.50 \$	0.00 \$	36,898.50	
			<b>10.553 Total</b>	\$	36,898.50 \$	0.00 \$	36,898.50	
	Washington Office of Superintendent of National School Lunch Program Public Instruction		10.555	197WAWA3N1099 \$	52,385.15 \$	0.00 \$	52,385.15	
	Washington Office of Superintendent of National School Lunch Program Public Instruction		10.555	207WAWA3N1099 \$	17,631.76 \$	0.00 \$	17,631.76	
			<b>Indirect Total</b>	\$	70,016.91 \$	0.00 \$	70,016.91	
			<b>10.555 Total</b>	\$	70,016.91 \$	0.00 \$	70,016.91	
			<b>Total Child Nutrition Cluster</b>	\$	106,915.41 \$	0.00 \$	106,915.41	
	Washington State Department of Health	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	187WAWA7W1003 \$	5,158,607.43 \$	684,139.27 \$	5,842,746.70	
	Washington State Department of Health	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7WAWA1W5003 \$	269,113.36 \$	0.00 \$	269,113.36	
			<b>Indirect Total</b>	\$	5,427,720.79 \$	684,139.27 \$	6,111,860.06	
			<b>10.557 Total</b>	\$	5,427,720.79 \$	684,139.27 \$	6,111,860.06	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
<b>SNAP Cluster</b>								
	Washington State Department of Health	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	207WWAWA5Q3903 \$	81,727.63 \$	0.00 \$	81,727.63	
	Washington State Department of Health	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	197WWAWA5Q3903 \$	283,553.81 \$	122,034.58 \$	405,588.39	
	Washington State Department of Social and Health Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	197WWAWA4S2520 \$	283,462.35 \$	213,380.09 \$	496,842.44	
	Washington State Department of Social and Health Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	207WWAWA4S2520 \$	106,106.71 \$	18,251.09 \$	124,357.80	
	Washington State Department of Social and Health Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	197WWAWA4S2514/207 \$ WAWA4S2514	216,053.50 \$	0.00 \$	216,053.50	
<b>Indirect Total</b>					\$ 970,904.00 \$	353,665.76 \$	1,324,569.76	
<b>Total SNAP Cluster</b>					\$ 970,904.00 \$	353,665.76 \$	1,324,569.76	
	Washington State Department of Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572	187WWAWA7Y8604 \$	9,681.00 \$	0.00 \$	9,681.00	
<b>Indirect Total</b>					\$ 9,681.00 \$	0.00 \$	9,681.00	
<b>10.572 Total</b>					\$ 9,681.00 \$	0.00 \$	9,681.00	
	Washington State Department of Health	WIC Grants To States (WGS)	10.578	16157WWAWA6W522 \$	9,818.91 \$	0.00 \$	9,818.91	
<b>Indirect Total</b>					\$ 9,818.91 \$	0.00 \$	9,818.91	
<b>10.578 Total</b>					\$ 9,818.91 \$	0.00 \$	9,818.91	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
Department of Housing and Urban Development	<b>Forest Service Schools and Roads Cluster</b>							
	Washington Office of State Treasurer	Schools and Roads - Grants to States	10.665	14DP11130000053	28,000.00 \$	0.00 \$	28,000.00	
	Washington State Department of Natural Resources	Schools and Roads - Grants to States	10.665	14DP11130000053-1	80,019.42 \$	0.00 \$	80,019.42	
		<b>Indirect Total</b>			108,019.42 \$	0.00 \$	108,019.42	
<b>Total Forest Service Schools and Roads Cluster</b>					<b>108,019.42 \$</b>	<b>0.00 \$</b>	<b>108,019.42</b>	
Department of Agriculture	<b>Department of Agriculture</b>							
					<b>6,633,059.53 \$</b>	<b>1,037,805.03 \$</b>	<b>7,670,864.56</b>	
	<b>CDBG - Entitlement Grants Cluster</b>	Community Development Block Grants/Entitlement Grants	14.218	B-16-UC-53-0001	12,992.60 \$	289,286.72 \$	302,279.32	(3), (9)
		Community Development Block Grants/Entitlement Grants	14.218	B-19-UC-53-0001	1,647,685.39 \$	676,544.99 \$	2,324,230.38	(3), (9)
		Community Development Block Grants/Entitlement Grants	14.218	B-17-UC-53-0001	199,146.67 \$	866,610.53 \$	1,065,757.20	(3), (9)
		Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-53-0001	0.00 \$	889.00 \$	889.00	(3), (9)
		Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-53-0001	3,435.00 \$	12,931.72 \$	16,366.72	(3), (9)
		Community Development Block Grants/Entitlement Grants	14.218	B-18-UC-53-0001	745,888.78 \$	1,028,664.17 \$	1,774,552.95	(3), (9)
		<b>Direct Total</b>			2,609,148.44 \$	2,874,927.13 \$	5,484,075.57	
		<b>Total CDBG - Entitlement Grants Cluster</b>			<b>2,609,148.44 \$</b>	<b>2,874,927.13 \$</b>	<b>5,484,075.57</b>	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		Emergency Solutions Grant Program	14.231	E19UC5-30001 \$	0.00 \$	96,582.75 \$	96,582.75	
		Emergency Solutions Grant Program	14.231	E17UC5-30001 \$	0.00 \$	15,341.00 \$	15,341.00	
		Emergency Solutions Grant Program	14.231	E18UC5-30001 \$	19,895.59 \$	123,719.00 \$	143,614.59	
		<b>Direct Total</b>		\$	19,895.59 \$	235,642.75 \$	255,538.34	
		Emergency Solutions Grant Program	14.231	17-46107-006 \$	97,794.81 \$	539,480.69 \$	637,275.50	
		Emergency Solutions Grant Program	14.231	19-46107-006 \$	27,322.83 \$	148,901.13 \$	176,223.96	
		<b>Indirect Total</b>		\$	125,117.64 \$	688,381.82 \$	813,499.46	
		<b>14.231 Total</b>		\$	145,013.23 \$	924,024.57 \$	1,069,037.80	
		Home Investment Partnerships Program	14.239	M18DC5-30200 \$	2,232,576.12 \$	0.00 \$	2,232,576.12 (3), (9)	
		Home Investment Partnerships Program	14.239	M19DC5-30200 \$	104,273.14 \$	0.00 \$	104,273.14 (3)	
		Home Investment Partnerships Program	14.239	M14DC5-30200 \$	47.15 \$	0.00 \$	47.15 (3)	
		Home Investment Partnerships Program	14.239	M16DC5-30200 \$	488,536.00 \$	0.00 \$	488,536.00 (3), (9)	
		Home Investment Partnerships Program	14.239	M17DC5-30200 \$	426,212.81 \$	0.00 \$	426,212.81 (3), (9)	
		<b>Direct Total</b>		\$	3,251,645.22 \$	0.00 \$	3,251,645.22	
		<b>14.239 Total</b>		\$	3,251,645.22 \$	0.00 \$	3,251,645.22	
		Continuum of Care Program	14.267	WA032010T001803 \$	2,761.38 \$	62,742.54 \$	65,503.92	
		Continuum of Care Program	14.267	WA026210T001603 \$	0.00 \$	1,122.15 \$	1,122.15	
		Continuum of Care Program	14.267	WA032010T001702 \$	1,860.12 \$	50,343.63 \$	52,203.75	
		Continuum of Care Program	14.267	WA036610T001701 \$	2,762.26 \$	179,811.04 \$	182,573.30	
		Continuum of Care Program	14.267	WA003310T001710 \$	13,471.29 \$	501,145.63 \$	514,616.92	
		Continuum of Care Program	14.267	WA003410T001710 \$	81,245.27 \$	2,219,200.76 \$	2,300,446.03	
		Continuum of Care Program	14.267	WA004110T001710 \$	1,312.05 \$	57,992.32 \$	59,304.37	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		Continuum of Care Program	14.267	WA0392L0T001700 \$	6,941.18 \$	110,323.70 \$	117,264.88	
		Continuum of Care Program	14.267	WA0365L0T001701 \$	8,364.59 \$	369,932.91 \$	378,297.50	
		Continuum of Care Program	14.267	WA0054L0T001710 \$	1,070.68 \$	69,524.99 \$	70,595.67	
		Continuum of Care Program	14.267	WA0033L0T001811 \$	18,615.67 \$	561,012.29 \$	579,627.96	
		Continuum of Care Program	14.267	WA0413D0T001800 \$	0.00 \$	47,176.83 \$	47,176.83	
		Continuum of Care Program	14.267	WA0392L0T001801 \$	6,345.80 \$	182,846.08 \$	189,191.88	
		Continuum of Care Program	14.267	WA0054L0T001811 \$	2,441.55 \$	44,262.68 \$	46,704.23	
		Continuum of Care Program	14.267	WA0001L0T001809 \$	1,084.01 \$	54,116.29 \$	55,200.30	
		Continuum of Care Program	14.267	WA0034L0T001811 \$	113,431.94 \$	4,805,144.89 \$	4,918,576.83	
		Continuum of Care Program	14.267	WA0050L0T001710 \$	5,730.14 \$	0.00 \$	5,730.14	
		Continuum of Care Program	14.267	WA0366L0T001802 \$	10,030.89 \$	350,498.27 \$	360,529.16	
		Continuum of Care Program	14.267	WA0297L0T001703 \$	65,245.64 \$	1,887,665.61 \$	1,952,911.25	
		Continuum of Care Program	14.267	WA0348L0T001702 \$	7,881.14 \$	397,959.18 \$	405,840.32	
		Continuum of Care Program	14.267	WA0050L0T001811 \$	393,468.07 \$	0.00 \$	393,468.07	
		Continuum of Care Program	14.267	WA0001L0T001708 \$	1,619.76 \$	28,645.31 \$	30,265.07	
		Continuum of Care Program	14.267	WA0053L0T001811 \$	0.00 \$	144,574.30 \$	144,574.30	
		Continuum of Care Program	14.267	WA0409L0T001800 \$	98,549.65 \$	0.00 \$	98,549.65	
		Continuum of Care Program	14.267	WA0343L0T001702 \$	455,885.72 \$	887,250.34 \$	1,343,136.06	
		Continuum of Care Program	14.267	WA0020L0T001811 \$	1,188.13 \$	96,519.48 \$	97,707.61	
		Continuum of Care Program	14.267	WA0297L0T001804 \$	1,005.51 \$	2,569,170.94 \$	2,570,176.45	
		Continuum of Care Program	14.267	WA0262L0T001704 \$	9,494.00 \$	458,835.33 \$	468,329.33	
		Continuum of Care Program	14.267	WA0412D0T001800 \$	0.00 \$	90,070.49 \$	90,070.49	
		Continuum of Care Program	14.267	WA0041L0T001811 \$	0.00 \$	10,818.85 \$	10,818.85	
		Continuum of Care Program	14.267	WA0389L0T001700 \$	905,806.46 \$	0.00 \$	905,806.46	
		Continuum of Care Program	14.267	WA0343L0T001803 \$	189,936.32 \$	183,998.28 \$	373,934.60	
<b>Direct Total</b>					\$ 2,407,549.22	\$ 16,422,705.11	\$ 18,830,254.33	
<b>14.267 Total</b>					\$ 2,407,549.22	\$ 16,422,705.11	\$ 18,830,254.33	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	
Department of the Interior	Washington State Department of Commerce	Youth Homelessness Demonstration Program	14.276	WA0386Y0T001600	\$ 0.00	\$ 1,636.00	\$ 1,636.00		
		Youth Homelessness Demonstration Program	14.276	WA0406Y0T001600	\$ 12,885.88	\$ 388,263.64	\$ 401,149.52		
		Youth Homelessness Demonstration Program	14.276	WA0405Y0T001600	\$ 9,839.41	\$ 781,727.26	\$ 791,566.67		
		Youth Homelessness Demonstration Program	14.276	WA0404Y0T001600	\$ 28,694.03	\$ 668,517.55	\$ 697,211.58		
		Youth Homelessness Demonstration Program	14.276	WA0407Y0T001600	\$ 3,196.74	\$ 69,054.13	\$ 72,250.87		
	Direct Total				\$ 54,616.06	\$ 1,909,198.58	\$ 1,963,814.64		
	14.276 Total				\$ 54,616.06	\$ 1,909,198.58	\$ 1,963,814.64		
	Moving to Work Demonstration Program	14.881	WA19M00203	\$ 625.36	\$ 0.00	\$ 625.36			
		Indirect Total			\$ 625.36	\$ 0.00	\$ 625.36		
14.881 Total				\$ 625.36	\$ 0.00	\$ 625.36			
Department of Housing and Urban Development					\$ 8,468,597.53	\$ 22,130,855.39	\$ 30,599,452.92		
Department of the Interior	Washington State Recreation and Conservation Office	Fish and Wildlife Management Assistance	15.608	F13AC00319	\$ 50,471.99	\$ 0.00	\$ 50,471.99		
		Direct Total			\$ 50,471.99	\$ 0.00	\$ 50,471.99		
		15.608 Total			\$ 50,471.99	\$ 0.00	\$ 50,471.99		
		Outdoor Recreation Acquisition, Development and Planning	15.916	P18AP00001	\$ 10,748.69	\$ 0.00	\$ 10,748.69		
	Indirect Total			\$ 10,748.69	\$ 0.00	\$ 10,748.69			
	15.916 Total			\$ 10,748.69	\$ 0.00	\$ 10,748.69			
	Department of the Interior					\$ 61,220.68	\$ 0.00	\$ 61,220.68	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
Department of Justice	Washington State Department of Commerce	National Criminal History Improvement Program (NCHIP)	16.554	2018-RU-BX-K029 \$	14,809.31 \$	0.00 \$	14,809.31	
			Indirect Total	\$	14,809.31 \$	0.00 \$	14,809.31	
			16.554 Total	\$	14,809.31 \$	0.00 \$	14,809.31	
		National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2018-DU-BX-0153 \$	53,946.14 \$	0.00 \$	53,946.14	
			16.560	2017-VA-CX-0034 \$	23,446.22 \$	98,255.13 \$	121,701.35	
			Direct Total	\$	77,392.36 \$	98,255.13 \$	175,647.49	
			16.560 Total	\$	77,392.36 \$	98,255.13 \$	175,647.49	
	Washington State Department of Commerce	Crime Victim Assistance	16.575	2016-VA-GX-0044 \$	196,297.47 \$	0.00 \$	196,297.47	
			16.575	2015-VA-GX-0031 \$	332,559.23 \$	0.00 \$	332,559.23	
			Indirect Total	\$	528,856.70 \$	0.00 \$	528,856.70	
			16.575 Total	\$	528,856.70 \$	0.00 \$	528,856.70	
	Washington State Department of Commerce	Violence Against Women Formula Grants	16.588	2018-WF-AX-0057 \$	114,809.90 \$	0.00 \$	114,809.90	
			16.588	2017-WF-AX-0030 \$	71,177.22 \$	0.00 \$	71,177.22	
			16.588	2017-WF-AX-0030 \$	74,995.00 \$	0.00 \$	74,995.00	
			Indirect Total	\$	260,982.12 \$	0.00 \$	260,982.12	
	Washington State Department of Commerce	Violence Against Women Formula Grants	16.588 Total	\$	260,982.12 \$	0.00 \$	260,982.12	



KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
	Northwest Immigrant Rights Project	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2016-WE-AX-0009 \$	22,612.31 \$	0.00 \$	22,612.31	
			Indirect Total	\$	22,612.31 \$	0.00 \$	22,612.31	
			16.590 Total	\$	22,612.31 \$	0.00 \$	22,612.31	
	Washington State Patrol	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2019-CD-BX-0033 \$	190,207.61 \$	0.00 \$	190,207.61	
			Indirect Total	\$	190,207.61 \$	0.00 \$	190,207.61	
			16.742 Total	\$	190,207.61 \$	0.00 \$	190,207.61	
	Washington State Department of Commerce	Court Appointed Special Advocates	16.756	2018-CH-BX-K001 \$	44,828.10 \$	0.00 \$	44,828.10	
			Indirect Total	\$	44,828.10 \$	0.00 \$	44,828.10	
			16.756 Total	\$	44,828.10 \$	0.00 \$	44,828.10	
		Comprehensive Opioid Abuse Site-Based Program (COAP)	16.838	2019-AR-BX-K010 \$	3,122.57 \$	0.00 \$	3,122.57	
			Direct Total	\$	3,122.57 \$	0.00 \$	3,122.57	
			16.838 Total	\$	3,122.57 \$	0.00 \$	3,122.57	
		Department of Justice		\$	1,142,811.08 \$	98,255.13 \$	1,241,066.21	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	
Department of Labor	WIOA Cluster Workforce Development Council	WIOA Youth Activities	17.259	AA307721755A53	\$ 916,853.99	\$ 137,560.00	\$ 1,054,413.99		
			Indirect Total	\$	916,853.99	137,560.00	1,054,413.99		
			17.259 Total	\$	916,853.99	137,560.00	1,054,413.99		
	Workforce Development Council	WIOA Dislocated Worker Formula Grants	17.278	AA307721755A53	\$ 257,468.34	\$ 0.00	\$ 257,468.34		
			Indirect Total	\$	257,468.34	0.00	257,468.34		
			17.278 Total	\$	257,468.34	0.00	257,468.34		
Total WIOA Cluster					\$ 1,174,322.33	137,560.00	1,311,882.33		
Department of Labor	Workforce Development Council	YouthBuild	17.274	AA307721755A53	\$ 193,815.61	\$ 0.00	\$ 193,815.61		
			Indirect Total	\$	193,815.61	0.00	193,815.61		
			17.274 Total	\$	193,815.61	0.00	193,815.61		
	Department of Labor					\$ 1,368,137.94	137,560.00	1,505,697.94	
	Department of Transportation	Airport Improvement Program	20.106	3 53 0058 052	\$ 56,525.14	\$ 0.00	\$ 56,525.14		
			20.106	3 53 0058 054	\$ 43,033.00	\$ 0.00	\$ 43,033.00		
			Direct Total	\$	99,558.14	0.00	99,558.14		
			20.106 Total	\$	99,558.14	0.00	99,558.14		

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
	<b>Highway Planning and Construction Cluster</b>							
	Washington State Department of Transportation	Highway Planning and Construction	20.205	53140301209VE30 \$	103,663.03 \$	0.00 \$	103,663.03	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	53000S487Z530 \$	13,608.17 \$	0.00 \$	13,608.17	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	532017110Z400 \$	812,708.88 \$	0.00 \$	812,708.88	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	539917021L88E10 \$	9,932.48 \$	0.00 \$	9,932.48	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	532017148M2E3 \$	174,196.78 \$	0.00 \$	174,196.78	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	693JJ21930000Z232W \$ AC171001	128,528.75 \$	0.00 \$	128,528.75	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	693JJ21930000Z240W \$ AX173001	204,320.02 \$	0.00 \$	204,320.02	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	53000S461Z530 \$	571,598.00 \$	0.00 \$	571,598.00	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	531602021M24E10 \$	456,765.10 \$	0.00 \$	456,765.10	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	53201733M40E30 \$	81,021.59 \$	0.00 \$	81,021.59	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	532017144Z230 \$	53,724.00 \$	0.00 \$	53,724.00	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	53EN10017L22E10 \$	6,478.34 \$	0.00 \$	6,478.34	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	532456006Z001 \$	183,006.97 \$	0.00 \$	183,006.97	
	Washington State Department of Transportation	Highway Planning and Construction	20.205	53F171004M240 \$	510,125.74 \$	0.00 \$	510,125.74	
			Indirect	\$	3,309,677.85 \$	0.00 \$	3,309,677.85	
			Total					
			20.205 Total	\$	3,309,677.85 \$	0.00 \$	3,309,677.85	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
Federal Transit Cluster								
		Federal Transit Capital Investment Grants	20.500	WA-XXXX-XXX \$	989,033.00 \$	0.00 \$	989,033.00	(11)
		Federal Transit Capital Investment Grants	20.500	WA-05-0066 \$	22,305.70 \$	71,588.30 \$	93,894.00	
		Federal Transit Capital Investment Grants	20.500	WA-04-0081 \$	30,624.00 \$	0.00 \$	30,624.00	
		Federal Transit Capital Investment Grants	20.500	WA-03-0245 \$	112,469.02 \$	15,228.98 \$	127,698.00	
		Federal Transit Capital Investment Grants	20.500	WA-04-0080 \$	43,712.00 \$	0.00 \$	43,712.00	
		Federal Transit Capital Investment Grants	20.500	WA-04-0099 \$	36,604.00 \$	0.00 \$	36,604.00	
		<b>Direct Total</b>		\$	1,234,747.72 \$	86,817.28 \$	1,321,565.00	
		<b>20.500 Total</b>		\$	1,234,747.72 \$	86,817.28 \$	1,321,565.00	
		Federal Transit Formula Grants	20.507	WA-2019-035 \$	247,778.00 \$	0.00 \$	247,778.00	(11)
		Federal Transit Formula Grants	20.507	WA-2016-035 \$	299,766.62 \$	366,681.38 \$	666,448.00	
		Federal Transit Formula Grants	20.507	WA-2020-105 \$	344,377.00 \$	0.00 \$	344,377.00	
		Federal Transit Formula Grants	20.507	WA-2020-048 \$	0.00 \$	453,674.00 \$	453,674.00	(11)
		Federal Transit Formula Grants	20.507	WA-2019-093 \$	4,713,642.00 \$	0.00 \$	4,713,642.00	(11)
		Federal Transit Formula Grants	20.507	WA-90-X583 \$	80.00 \$	0.00 \$	80.00	
		Federal Transit Formula Grants	20.507	WA-95-X005 \$	106,168.50 \$	6,519.50 \$	112,688.00	
		Federal Transit Formula Grants	20.507	WA-90-X513 \$	875,305.00 \$	0.00 \$	875,305.00	
		Federal Transit Formula Grants	20.507	WA-95-X069 \$	1,005.00 \$	0.00 \$	1,005.00	
		Federal Transit Formula Grants	20.507	WA-90-X522 \$	532.00 \$	0.00 \$	532.00	
		Federal Transit Formula Grants	20.507	WA-2020-087 \$	1,838,965.57 \$	15,213.00 \$	1,854,178.57	(11)
		Federal Transit Formula Grants	20.507	WA-2020-104 \$	988,176.00 \$	0.00 \$	988,176.00	(11)
		Federal Transit Formula Grants	20.507	WA-2016-022 \$	172,503.00 \$	98,558.33 \$	271,061.33	
		Federal Transit Formula Grants	20.507	WA-XXXX-XXX \$	19,100,241.00 \$	0.00 \$	19,100,241.00	(11)
		Federal Transit Formula Grants	20.507	WA-2020-041 \$	5,304.00 \$	0.00 \$	5,304.00	(11)
		Federal Transit Formula Grants	20.507	WA-2016-060 \$	112,104.00 \$	739,912.00 \$	852,016.00	
		Federal Transit Formula Grants	20.507	WA-2019-036 \$	0.00 \$	409,720.00 \$	409,720.00	
		<b>Direct Total</b>		\$	28,805,947.69 \$	2,090,278.21 \$	30,896,225.90	
		<b>20.507 Total</b>		\$	28,805,947.69 \$	2,090,278.21 \$	30,896,225.90	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		State of Good Repair Grants Program	20.525	WA-2019-028 \$	1,204,238.36 \$	6,848,034.24 \$	8,052,272.60	(11)
		State of Good Repair Grants Program	20.525	WA-2019-051 \$	2,758,613.00 \$	0.00 \$	2,758,613.00	(11)
		State of Good Repair Grants Program	20.525	WA-XXXX-XXX \$	9,520,020.00 \$	0.00 \$	9,520,020.00	(11)
		State of Good Repair Grants Program	20.525	WA-54-0002 \$	351,714.00 \$	0.00 \$	351,714.00	
		State of Good Repair Grants Program	20.525	WA-2019-053 \$	561,621.00 \$	0.00 \$	561,621.00	(6)
		<b>Direct Total</b>		\$	14,396,206.36 \$	6,848,034.24 \$	21,244,240.60	
		<b>20.525 Total</b>		\$	14,396,206.36 \$	6,848,034.24 \$	21,244,240.60	
		Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2019-063 \$	3,682,249.00 \$	0.00 \$	3,682,249.00	(11)
		Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-XXXX-XXX \$	3,140,114.00 \$	0.00 \$	3,140,114.00	(11)
		<b>Direct Total</b>		\$	6,822,363.00 \$	0.00 \$	6,822,363.00	
		<b>20.526 Total</b>		\$	6,822,363.00 \$	0.00 \$	6,822,363.00	
		<b>Total Federal Transit Cluster</b>		\$	51,259,264.77 \$	9,025,129.73 \$	60,284,394.50	
	Transit Services Programs Cluster	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2017-044 \$	81,923.00 \$	0.00 \$	81,923.00	
		<b>Direct Total</b>		\$	81,923.00 \$	0.00 \$	81,923.00	
	Washington State Department of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0038 \$	113,175.00 \$	0.00 \$	113,175.00	(11)
		<b>Indirect Total</b>		\$	113,175.00 \$	0.00 \$	113,175.00	
		<b>20.513 Total</b>		\$	195,098.00 \$	0.00 \$	195,098.00	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		Job Access And Reverse Commute Program	20.516	WA-37-X045 \$	131,869.00 \$	0.00 \$	131,869.00	
			<b>Direct Total</b>	\$	131,869.00 \$	0.00 \$	131,869.00	
			<b>20.516 Total</b>	\$	131,869.00 \$	0.00 \$	131,869.00	
		<b>Total Transit Services Programs Cluster</b>		\$	<b>326,967.00 \$</b>	<b>0.00 \$</b>	<b>326,967.00</b>	
		Public Transportation Research, Technical Assistance, and Training	20.514	WA-2017-069 \$	679,308.00 \$	0.00 \$	679,308.00	
			<b>Direct Total</b>	\$	679,308.00 \$	0.00 \$	679,308.00	
		Public Transportation Research, Technical Assistance, and Training	20.514	CA-2016-018 \$	345,000.00 \$	0.00 \$	345,000.00	(6)
	Los Angeles County Metropolitan Transportation Authority		<b>Indirect Total</b>	\$	345,000.00 \$	0.00 \$	345,000.00	
			<b>20.514 Total</b>	\$	1,024,308.00 \$	0.00 \$	1,024,308.00	
		Clean Fuels	20.519	WA-58-0008 \$	206,824.00 \$	0.00 \$	206,824.00	
			<b>Direct Total</b>	\$	206,824.00 \$	0.00 \$	206,824.00	
			<b>20.519 Total</b>	\$	206,824.00 \$	0.00 \$	206,824.00	
		State and Community Highway Safety	20.600	69A375193000004020 \$ WAO	9,000.00 \$	0.00 \$	9,000.00	
			<b>20.600 Total</b>	\$	<b>9,000.00 \$</b>	<b>0.00 \$</b>	<b>9,000.00</b>	
		<b>Department of Transportation</b>		\$	<b>56,235,599.76 \$</b>	<b>9,025,129.73 \$</b>	<b>65,260,729.49</b>	

**Highway Safety Cluster**

Washington Association of Sheriffs & Police Chiefs

## KING COUNTY, WASHINGTON

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	Number	Identification Number	Agency Expenditures	Expenditures	Total Expenditures	Notes	
Environmental Protection Agency	Washington State Department of Fish and Wildlife Washington State Department of Ecology Washington State Department of Ecology Washington State Department of Health Washington State Department of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	01122301	\$ 47,459.46	0.00	\$ 47,459.46		
		Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	01118101	\$ 338,228.90	0.00	\$ 338,228.90		
		Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00189401	\$ 790,000.00	14,606.23	\$ 804,606.23		
		Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	01118001	\$ 256,971.52	0.00	\$ 256,971.52		
		Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	00188801	\$ 114,961.60	0.00	\$ 114,961.60		
		Indirect Total		\$ 1,547,621.48	14,606.23	\$ 1,562,227.71			
		66.123 Total		\$ 1,547,621.48	14,606.23	\$ 1,562,227.71			
		National Estuary Program	66.456	01165401	\$ 14,506.21	0.00	\$ 14,506.21		
		National Estuary Program	66.456	01131901	\$ 32,474.27	0.00	\$ 32,474.27		
	Indirect Total		\$ 46,980.48	0.00	\$ 46,980.48				
	66.456 Total		\$ 46,980.48	0.00	\$ 46,980.48				
	Clean Water State Revolving Fund Cluster Washington State Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	53000119	\$ 21,629,553.71	0.00	\$ 21,629,553.71	(5)	
		Indirect Total		\$ 21,629,553.71	0.00	\$ 21,629,553.71			
66.458 Total			\$ 21,629,553.71	0.00	\$ 21,629,553.71				
Washington State Department of Health	Beach Monitoring and Notification Program Implementation Grants	66.472	01149701	\$ 22,000.00	0.00	\$ 22,000.00			
	Indirect Total		\$ 22,000.00	0.00	\$ 22,000.00				
	66.472 Total		\$ 22,000.00	0.00	\$ 22,000.00				

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
Department of Health and Human Services	Washington State Department of Health	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	01J28401 \$	415,623.38 \$	65,764.49 \$	481,387.87	
			<b>Direct Total</b>	\$	415,623.38 \$	65,764.49 \$	481,387.87	
			<b>66.802 Total</b>	\$	415,623.38 \$	65,764.49 \$	481,387.87	
			66.815	01J51701 \$	9,368.42 \$	65,010.00 \$	74,378.42	
			<b>Indirect Total</b>	\$	9,368.42 \$	65,010.00 \$	74,378.42	
			<b>66.815 Total</b>	\$	9,368.42 \$	65,010.00 \$	74,378.42	
			66.958	WIFIA N17107WA \$	13,179,671.42 \$	0.00 \$	13,179,671.42	(10)
			<b>Direct Total</b>	\$	13,179,671.42 \$	0.00 \$	13,179,671.42	
			<b>66.958 Total</b>	\$	13,179,671.42 \$	0.00 \$	13,179,671.42	
			<b>Environmental Protection Agency</b>	\$	<b>36,850,818.89 \$</b>	<b>145,380.72 \$</b>	<b>36,996,199.61</b>	
		Public Health Emergency Preparedness	93.069	NU90TP921889/92204 \$	1,911,029.56 \$	0.00 \$	1,911,029.56	
			<b>Indirect Total</b>	\$	1,911,029.56 \$	0.00 \$	1,911,029.56	
			<b>93.069 Total</b>	\$	1,911,029.56 \$	0.00 \$	1,911,029.56	



KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		Sodium Reduction in Communities	93.082	NU58DP000018 \$	137,963.66 \$	154,509.21 \$	292,472.87	
		<b>Direct Total</b>		\$	137,963.66 \$	154,509.21 \$	292,472.87	
		<b>93.082 Total</b>		\$	137,963.66 \$	154,509.21 \$	292,472.87	
	Washington State Department of Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	NU52PS910221-01-00 \$	379,139.91 \$	0.00 \$	379,139.91	
		<b>Indirect Total</b>		\$	379,139.91 \$	0.00 \$	379,139.91	
		<b>93.116 Total</b>		\$	379,139.91 \$	0.00 \$	379,139.91	
	Washington State Department of Health	Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	NU65PS923691 \$	35,670.34 \$	0.00 \$	35,670.34	
		<b>Indirect Total</b>		\$	35,670.34 \$	0.00 \$	35,670.34	
		<b>93.118 Total</b>		\$	35,670.34 \$	0.00 \$	35,670.34	
	Washington State Department of Health	Injury Prevention and Control Research and State and Community Based Programs	93.136	NU17CE925007 \$	67,543.31 \$	0.00 \$	67,543.31	
		<b>Indirect Total</b>		\$	67,543.31 \$	0.00 \$	67,543.31	
		<b>93.136 Total</b>		\$	67,543.31 \$	0.00 \$	67,543.31	
	Washington State Department of Social and Health Services	Projects for Assistance in Transition from Homelessness (PATH)	93.150	SM016048 \$	0.00 \$	244,994.59 \$	244,994.59	
		<b>Indirect Total</b>		\$	0.00 \$	244,994.59 \$	244,994.59	
		<b>93.150 Total</b>		\$	0.00 \$	244,994.59 \$	244,994.59	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	NUE2EH001365 \$	417,399.95 \$	141,738.96 \$	559,138.91	
		<b>Direct Total</b>		\$	417,399.95 \$	141,738.96 \$	559,138.91	
		<b>93.197 Total</b>		\$	417,399.95 \$	141,738.96 \$	559,138.91	
	Washington State Department of Health	Family Planning Services	93.217	FPHPA006462 \$	395,076.58 \$	0.00 \$	395,076.58	(3)
	Washington State Department of Health	Family Planning Services	93.217	FPHPA006359 \$	314,543.32 \$	0.00 \$	314,543.32	(3)
		<b>Indirect Total</b>		\$	709,619.90 \$	0.00 \$	709,619.90	
		<b>93.217 Total</b>		\$	709,619.90 \$	0.00 \$	709,619.90	
		Health Care Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS00056 \$	12,682,991.71 \$	123,940.54 \$	12,806,932.25	(3)
		<b>Direct Total</b>		\$	12,682,991.71 \$	123,940.54 \$	12,806,932.25	
		<b>93.224 Total</b>		\$	12,682,991.71 \$	123,940.54 \$	12,806,932.25	
		<b>Total Health Center Program Cluster</b>		\$	12,682,991.71 \$	123,940.54 \$	12,806,932.25	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SP080958 \$	189,943.14 \$	21,579.56 \$	211,522.70	
		Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	T1081494 \$	193,809.07 \$	114,517.82 \$	308,326.89	
		Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SM063319 \$	21,899.52 \$	648,191.90 \$	670,091.42	
		Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SM080623 \$	54,892.72 \$	105,217.50 \$	160,110.22	
		<b>Direct Total</b>		\$	460,544.45 \$	889,506.78 \$	1,350,051.23	
		Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	T1025995 \$	0.00 \$	84,983.70 \$	84,983.70	
		Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SP020155 \$	0.00 \$	4,400.00 \$	4,400.00	
		Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	T1025570 \$	0.00 \$	20,800.00 \$	20,800.00	
		<b>Indirect Total</b>		\$	0.00 \$	110,183.70 \$	110,183.70	
		<b>93.243 Total</b>		\$	460,544.45 \$	999,690.48 \$	1,460,234.93	
		Immunization Cooperative Agreements	93.268	NH23IP922619 \$	185,091.87 \$	0.00 \$	185,091.87	
		Immunization Cooperative Agreements	93.268	NH23IP000762 \$	278,041.92 \$	0.00 \$	278,041.92	
		<b>Indirect Total</b>		\$	463,133.79 \$	0.00 \$	463,133.79	
		<b>93.268 Total</b>		\$	463,133.79 \$	0.00 \$	463,133.79	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		Viral Hepatitis Prevention and Control	93.270	U51PS004601 \$	394,680.22 \$	267,527.86 \$	662,208.08	
			<b>Direct Total</b>	\$	394,680.22 \$	267,527.86 \$	662,208.08	
	Washington State Department of Health	Viral Hepatitis Prevention and Control	93.270	5NU51PS005133 \$	54,621.00 \$	0.00 \$	54,621.00	
			<b>Indirect Total</b>	\$	54,621.00 \$	0.00 \$	54,621.00	
			<b>93.270 Total</b>	\$	449,301.22 \$	267,527.86 \$	716,829.08	
		Teenage Pregnancy Prevention Program	93.297	TP2AH000031 \$	473,910.97 \$	660,239.82 \$	1,134,150.79	
			<b>Direct Total</b>	\$	473,910.97 \$	660,239.82 \$	1,134,150.79	
			<b>93.297 Total</b>	\$	473,910.97 \$	660,239.82 \$	1,134,150.79	
	Washington State Department of Health	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health	93.305	U58DP006004 \$	79,948.82 \$	0.00 \$	79,948.82	
			<b>Indirect Total</b>	\$	79,948.82 \$	0.00 \$	79,948.82	
			<b>93.305 Total</b>	\$	79,948.82 \$	0.00 \$	79,948.82	
	Washington State Department of Health	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000515 \$	5,990.37 \$	0.00 \$	5,990.37	
	Washington State Department of Health	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000388 \$	881,788.21 \$	0.00 \$	881,788.21	
	Washington State Department of Health	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000383/515 \$	135,978.38 \$	0.00 \$	135,978.38	
			<b>Indirect Total</b>	\$	1,023,756.96 \$	0.00 \$	1,023,756.96	
			<b>93.323 Total</b>	\$	1,023,756.96 \$	0.00 \$	1,023,756.96	

## KING COUNTY, WASHINGTON

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes	
	Washington State Department of Health	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP921990	\$ 499,398.07	\$ 0.00	\$ 499,398.07		
			Indirect Total				\$ 499,398.07	\$ 0.00	\$ 499,398.07
			93.354 Total				\$ 499,398.07	\$ 0.00	\$ 499,398.07
		Nurse Education, Practice Quality and Retention Grants (NEPQR)	93.359	UK1HP31698	\$ 637,691.85	\$ 0.00	\$ 637,691.85		
			Direct Total				\$ 637,691.85	\$ 0.00	\$ 637,691.85
			93.359 Total				\$ 637,691.85	\$ 0.00	\$ 637,691.85
	Washington State Department of Social and Health Services	Child Support Enforcement	93.563	1804WACSES	\$ 2,981,470.00	\$ 0.00	\$ 2,981,470.00		
			93.563	1604WACSES	\$ 184,053.00	\$ 0.00	\$ 184,053.00		
93.563			2001WACSES	\$ 1,593,197.00	\$ 0.00	\$ 1,593,197.00			
93.563			1901WACSES	\$ 1,118,956.00	\$ 0.00	\$ 1,118,956.00			
93.563			1901WACSES/2001WA CSES	\$ 261,357.00	\$ 0.00	\$ 261,357.00			
Indirect Total				\$ 6,139,033.00	\$ 0.00	\$ 6,139,033.00			
93.563 Total				\$ 6,139,033.00	\$ 0.00	\$ 6,139,033.00			
	Child Abuse and Neglect Discretionary Activities	93.670	90CA1825	\$ 194,121.59	\$ 0.00	\$ 194,121.59			
		Direct Total				\$ 194,121.59	\$ 0.00	\$ 194,121.59	
		93.670 Total				\$ 194,121.59	\$ 0.00	\$ 194,121.59	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	58DP006583 \$	387,282.43 \$	344,579.27 \$	731,861.70	
		<b>Direct Total</b>		\$	387,282.43 \$	344,579.27 \$	731,861.70	
		<b>93.738 Total</b>		\$	387,282.43 \$	344,579.27 \$	731,861.70	
	Washington State Department of Health	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	NB01OT009234 \$	37,020.28 \$	0.00 \$	37,020.28	
		<b>Indirect Total</b>		\$	37,020.28 \$	0.00 \$	37,020.28	
		<b>93.758 Total</b>		\$	37,020.28 \$	0.00 \$	37,020.28	
	<b>Medicaid Cluster</b>							
	Washington State Health Care Authority	Medical Assistance Program	93.778	1605WASADM \$	10,480.08 \$	0.00 \$	10,480.08	
	Washington State Health Care Authority	Medical Assistance Program	93.778	1905WASADM \$	4,821,556.10 \$	0.00 \$	4,821,556.10	(8)
		<b>Indirect Total</b>		\$	4,832,036.18 \$	0.00 \$	4,832,036.18	
		<b>93.778 Total</b>		\$	4,832,036.18 \$	0.00 \$	4,832,036.18	
		<b>Total Medicaid Cluster</b>		\$	4,832,036.18 \$	0.00 \$	4,832,036.18	
	Washington State Department of Social and Health Services	Opioid STR	93.788	T1080249 \$	0.00 \$	199,740.00 \$	199,740.00	
	Washington State Health Care Authority	Opioid STR	93.788	T1081705 \$	3,682.50 \$	36,825.00 \$	40,507.50	
		<b>Indirect Total</b>		\$	3,682.50 \$	236,565.00 \$	240,247.50	
		<b>93.788 Total</b>		\$	3,682.50 \$	236,565.00 \$	240,247.50	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
	Washington State Department of Health	Organized Approaches to Increase Colorectal Cancer Screening	93.800	NU90TP21990 \$	240,337.54 \$	44,441.46 \$	284,779.00	
			Indirect Total	\$	240,337.54 \$	44,441.46 \$	284,779.00	
			93.800 Total	\$	240,337.54 \$	44,441.46 \$	284,779.00	
	University of Washington	Allergy and Infectious Diseases Research	93.855	R01AI127232 \$	18,650.66 \$	0.00 \$	18,650.66	
	University of Washington	Allergy and Infectious Diseases Research	93.855	P30AI027757 \$	1,363.03 \$	0.00 \$	1,363.03	
			Indirect Total	\$	20,013.69 \$	0.00 \$	20,013.69	
			93.855 Total	\$	20,013.69 \$	0.00 \$	20,013.69	
	Washington State Department of Early Learning	Maternal, Infant and Early Childhood Home Visiting Grant	93.870	17X10MC31177/18X10 \$ MC32742	518,926.69 \$	0.00 \$	518,926.69	
			Indirect Total	\$	518,926.69 \$	0.00 \$	518,926.69	
			93.870 Total	\$	518,926.69 \$	0.00 \$	518,926.69	
	Washington State Department of Health	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	NUS8DP006326 \$	1,461,080.53 \$	229,222.34 \$	1,690,302.87	
			Indirect Total	\$	1,461,080.53 \$	229,222.34 \$	1,690,302.87	
			93.898 Total	\$	1,461,080.53 \$	229,222.34 \$	1,690,302.87	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
		HIV Emergency Relief Project Grants	93.914	H89HA00022 \$	2,191,595.72 \$	4,432,854.50 \$	6,624,450.22	
			<b>Direct Total</b>	\$	2,191,595.72 \$	4,432,854.50 \$	6,624,450.22	
			<b>93.914 Total</b>	\$	2,191,595.72 \$	4,432,854.50 \$	6,624,450.22	
		HIV Prevention Activities Non-Governmental Organization Based	93.939	U65PS004387 \$	12,609.10 \$	0.00 \$	12,609.10	
			<b>Indirect Total</b>	\$	12,609.10 \$	0.00 \$	12,609.10	
			<b>93.939 Total</b>	\$	12,609.10 \$	0.00 \$	12,609.10	
		HIV Prevention Activities Health Department Based	93.940	NU62PS924528 \$	1,746,656.50 \$	0.00 \$	1,746,656.50	
			<b>Indirect Total</b>	\$	1,746,656.50 \$	0.00 \$	1,746,656.50	
			<b>93.940 Total</b>	\$	1,746,656.50 \$	0.00 \$	1,746,656.50	
		Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	NU62PS004966 \$	407,478.46 \$	0.00 \$	407,478.46	
		Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	NU62PS005094 \$	1,382,353.39 \$	0.00 \$	1,382,353.39	
			<b>Indirect Total</b>	\$	1,789,831.85 \$	0.00 \$	1,789,831.85	
			<b>93.944 Total</b>	\$	1,789,831.85 \$	0.00 \$	1,789,831.85	



KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
	Washington State Department of Social and Health Services	Block Grants for Community Mental Health Services	93.958	SM010056 \$	287,412.45 \$	1,529,852.65 \$	1,817,265.10	
	Washington State Health Care Authority	Block Grants for Community Mental Health Services	93.958	SM010056-01 \$	0.00 \$	455,120.00 \$	455,120.00	
			Indirect Total	\$	287,412.45 \$	1,984,972.65 \$	2,272,385.10	
			93.958 Total	\$	287,412.45 \$	1,984,972.65 \$	2,272,385.10	
	Washington State Department of Social and Health Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010056 \$	237,618.98 \$	853,836.75 \$	1,091,455.73	
	Washington State Department of Social and Health Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	SM010056 \$	0.00 \$	3,160,956.24 \$	3,160,956.24	
	Washington State Health Care Authority	Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010056 \$	0.00 \$	374,675.00 \$	374,675.00	
			Indirect Total	\$	237,618.98 \$	4,389,467.99 \$	4,627,086.97	
			93.959 Total	\$	237,618.98 \$	4,389,467.99 \$	4,627,086.97	
	Washington State Department of Health	Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	NH25PS005146 \$	518,808.41 \$	0.00 \$	518,808.41	
	Washington State Department of Health	Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	NH25PS004271/NH25 PS005185	108,988.61 \$	0.00 \$	108,988.61	
			Indirect Total	\$	627,797.02 \$	0.00 \$	627,797.02	
			93.977 Total	\$	627,797.02 \$	0.00 \$	627,797.02	
	Washington State Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	B04MC32578 \$	1,082,532.84 \$	15,837.93 \$	1,098,370.77	
			Indirect Total	\$	1,082,532.84 \$	15,837.93 \$	1,098,370.77	
			93.994 Total	\$	1,082,532.84 \$	15,837.93 \$	1,098,370.77	
		Department of Health and Human Services		\$	42,238,633.36 \$	14,270,582.60 \$	56,509,215.96	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
Department of Homeland Security	Washington State Department of Parks	Boating Safety Financial Assistance	97.012	3316FAS160153	\$ 24,591.00	\$ 0.00	\$ 24,591.00	
			Indirect Total	\$	24,591.00	0.00	24,591.00	
			97.012 Total	\$	24,591.00	0.00	24,591.00	
	Washington State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4309-DR-WA	\$ 40,865.54	\$ 0.00	\$ 40,865.54	(7)
			97.036	FEMA-1963-DR-WA	\$ 79,083.22	\$ 0.00	\$ 79,083.22	(7)
			Indirect Total	\$	119,948.76	0.00	119,948.76	
			97.036 Total	\$	119,948.76	0.00	119,948.76	
	Washington State Military Department	Hazard Mitigation Grant	97.039	FEMA DR-4309-15-P	\$ 51,691.20	\$ 0.00	\$ 51,691.20	
			Indirect Total	\$	51,691.20	0.00	51,691.20	
			97.039 Total	\$	51,691.20	0.00	51,691.20	
	Washington State Military Department	Emergency Management Performance Grants	97.042	EMS-2018-EP-00004	\$ 229,180.66	\$ 0.00	\$ 229,180.66	(7)
			97.042	EMS-2019-EP-00003	\$ 80,476.16	\$ 0.00	\$ 80,476.16	
			Indirect Total	\$	309,656.82	0.00	309,656.82	
			97.042 Total	\$	309,656.82	0.00	309,656.82	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
	Washington State Military Department	Pre-Disaster Mitigation	97.047	EMS-2017-PC-0003	\$ 97,145.07	\$ 0.00	\$ 97,145.07	
			Indirect		\$ 97,145.07	\$ 0.00	\$ 97,145.07	
			Total					
			97.047 Total		\$ 97,145.07	\$ 0.00	\$ 97,145.07	
	Port Security Grant Program		97.056	EMW-2018-PU-00266	\$ 174,073.99	\$ 0.00	\$ 174,073.99	
			Direct Total		\$ 174,073.99	\$ 0.00	\$ 174,073.99	
			Total					
			97.056 Total		\$ 174,073.99	\$ 0.00	\$ 174,073.99	
Washington State Military Department	Homeland Security Grant Program	97.067	EMW-2018-SS-00088	\$ 487,401.03	\$ 236,479.46	\$ 723,880.49		
		97.067	EMW-2016-SS-00005	\$ 130,970.01	\$ 13,840.68	\$ 144,810.69		
		97.067	EMW-2017-SS-00101	\$ 729,539.99	\$ 522,064.31	\$ 1,251,604.30		
		Indirect Total		\$ 1,347,911.03	\$ 772,384.45	\$ 2,120,295.48		
Rail and Transit Security Grant Program	Rail and Transit Security Grant Program	97.075	EMW-2018-RA-00035	\$ 741,703.00	\$ 0.00	\$ 741,703.00		
		97.075	EMW-2017-RA-00030	\$ 228,726.00	\$ 0.00	\$ 228,726.00		
		Direct Total		\$ 970,429.00	\$ 0.00	\$ 970,429.00		
		97.075 Total		\$ 970,429.00	\$ 0.00	\$ 970,429.00		
Preparing for Emerging Threats and Hazards		97.133	EMW-2016-GR-00145	\$ 399,146.38	\$ 382,751.19	\$ 781,897.57		
		Direct Total		\$ 399,146.38	\$ 382,751.19	\$ 781,897.57		
		97.133 Total		\$ 399,146.38	\$ 382,751.19	\$ 781,897.57		
Department of Homeland Security								
					\$ 3,494,593.25	\$ 1,155,135.64	\$ 4,649,728.89	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
State Justice Institute		Court Clerk Workload Assessment	99, U01	SJI-18-T-010	\$ 21,888.43	\$ 0.00	\$ 21,888.43	
			Direct Total		\$ 21,888.43	\$ 0.00	\$ 21,888.43	
			99, U01 Total	\$ 21,888.43	\$ 0.00	\$ 21,888.43		
		State Justice Institute		\$	\$ 21,888.43	\$ 0.00	\$ 21,888.43	
			Grand Total	\$	\$ 156,515,360.45	\$ 48,000,704.24	\$ 204,516,064.69	

KING COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Federal Grantor Agency	Pass-through Agency Name	Federal Program Name	CFDA Number	Federal Award Identification Number	Agency Expenditures	Subrecipient Expenditures	Total Expenditures	Notes
------------------------	--------------------------	----------------------	-------------	-------------------------------------	---------------------	---------------------------	--------------------	-------

**Notes**

- (1) Basis of Accounting. The SEFA is prepared on the same basis of accounting as the county's financial statements. The county's financial statements are prepared on a modified accrual or full accrual basis, depending on the type of fund.
- (2) Program Costs. The amounts shown as current year expenditures represent only the federal portion of program costs. The full cost may include state or local funds in addition to the amounts shown.
- (3) Program Income. These programs generate income used to cover expenses. For only HOME and CDBG programs, Note 3 relates to program income on deferred payment loans - The County has a deferred payment loan program for low income housing repairs. The amount of loan funds disbursed to program participants for the year was \$951,112 and is presented in this schedule. The amount of program income and interest received in loan repayments for the year was \$781,932.
- (4) Indirect cost rate plans. The County did not elect to use the 10% de minimis rate but instead develops indirect cost rate plans for individual departments and divisions.
- (5) Federal Grant. State Revolving Loan Fund. The outstanding balances are not reported for these loans. The DNRP Waste Water Treatment division received a new loan effective 7/1/2019 for the Georgetown project. The original loan agreement has been amended to reflect the additional of new loan funds, federal funding distribution of \$27,631,000 and state funding distribution of \$9,510,994. The loan agreement has not been signed yet and will be going through the council ordinance process to amend ordinance for the original loan. Expenditures for the federal portion represents construction contracts designated to this loan for FY 2019.
- (6) Prior year's expenditures are reported in this SEFA. They were not reported on prior year's SEFAs.
- (7) Expenditures are reported on this year's SEFA due to the uncertainty of funding status in the prior year. They were not reported on prior year's SEFAs.
- (8) Per guidance received from the State Auditor's Office and from the grantor (Health Care Authority), PHSKC is reporting the revenues recorded in 2019 for the Medicaid Administrative Claiming (MAC) program, rather than the expenditures. Per the guidance received in 2016, "regardless of the date the reimbursement is actually received and regardless of the time period covered by the request...all reimbursement requests submitted during 2016 will be reported on the 2016 SEFA." During the 2019 fiscal year, PHSKC submitted reimbursement requests totaling \$5,880,931.74 for the MAC program. However, of this, \$1,059,375.64 was billed during the 2020 calendar year. As such, these will need to get excluded from the 2019 SEFA, and will be reportable on the 2020 SEFA. This results in \$4,821,556.10 of revenues to report on the 2019 SEFA. As such, we have entered the corresponding SEFA adjustments to reflect this.
- (9) The County's Department of Community and Human Services makes loans to developers and non-profit organizations for the purchase and rehabilitation of existing buildings or new construction of affordable housing units. Some of the funding for these loans come from Federal sources from the HOME Investment Partnerships Program (HOME), and the Community Development Block Grant (CDBG). The County's responsibility over these loans is to ensure that a specified percentage of total rental units are rented to low-income individuals. The balance of the loans outstanding as of December 31, 2019 consists of:

HOME	67,053,234.54
CDBG	11,088,123.43
	<u>78,141,357.97</u>
- (10) Federal Loans. No proceeds were used during the year. The County was approved by the EPA to receive a loan totaling \$134,500,000 to improve its wastewater infrastructure. The Water Infrastructure Finance and Innovation Act (WIFIA) program accelerates investment in our nation's water and wastewater infrastructure by providing long-term, low-cost, supplemental credit assistance under customized terms to creditworthy water and wastewater projects of national and regional significance. For FY18, the County reported \$59,696,838.53 costs on their FY18 SEFA.
- (11) Preaward costs. Although the grant has not been awarded yet by the Federal Transit Administration, King County Metro Transit management considers reimbursements these expenditures to be certain based on historical trends and experience. Therefore, the pre-award costs have been recorded in the year incurred.

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**King County**  
**January 1, 2019 through December 31, 2019**

This schedule presents the corrective action planned by the County for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2019-001	<b>Finding caption:</b> The County's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting of fiduciary activities.
<b>Name, address, and telephone of County's contact person:</b> Cheryl Lee, Chief Accountant Financial Management Section Finance and Business Operations Division 500 Fourth Avenue, Room 650 Seattle, WA 98104 (206) 263-8595	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The County corrected the presentation concern in the Fiduciary Statements raised by the Auditor in its 2019 Comprehensive Annual Financial Report (CAFR) prior to issuance. The County will increase its internal controls over the implementation of new GASB standards, and will consider using private sector accounting firms to assist with future large, complex pronouncements.</i>	
<b>Anticipated date to complete the corrective action:</b> 6/30/2021	

<b>Finding ref number:</b> 2019-002	<b>Finding caption:</b> The County improperly charged the program for expenditures incurred outside the period of performance. In addition, the County did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.
<b>Name, address, and telephone of County contact person:</b> Cheryl Lee, Chief Accountant Financial Management Section Finance and Business Operations Division 500 Fourth Avenue, Room 650 Seattle, WA 98104 (206) 263-8595	
<b>Corrective action the auditee plans to take in response to the finding:</b> We agree with the finding and recommendations and have taken the following actions: <u>Period of Performance</u> Effective October 1, 2020, the County required all Continuum of Care subrecipients to clearly provide the pay periods included in their request for payment. Additionally, the County will be amending subrecipient contracts to clearly state that all charges, including payroll, must fall within the grant period of performance. Lastly, the County staff who manage and administer this grant, will review all invoice service and/or purchase dates against the grant start and end dates. This will ensure that charges from another grant period are not included. The process was implemented in the fourth quarter of 2020. <u>Suspension and debarment</u> The County would like to emphasize that there was only one contract in the audit selection that did not include a suspension and debarment clause and did not follow established procedures. This was an isolated incident. In this particular case, the local government acting as a subrecipient was the City of Seattle. The verification process to confirm that the City of Seattle was not suspended or debarred was completed in the fourth quarter of 2020. The County has trained all divisional grants administrators to follow federal requirements for suspension and debarment.	
<b>Anticipated date to complete the corrective action:</b> December 2020	

## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>