PRELIMINARY OFFICIAL STATEMENT DATED MAY 27, 2010

SALE DATE: JUNE 7, 2010
SALE TIME: 9:00 A.M., PACIFIC TIME

RATINGS:
Moody's:
Fitch:
Standard & Poor's:
(See "Other Note Information—Ratings.")

New Issue
Book-Entry Only

As set forth in the opinion of Bond Counsel as of the date of issue of the Notes and assuming compliance by the County with applicable requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes, under existing federal law, interest on the Notes is excludable from gross income for federal income tax purposes and is not subject to the federal alternative minimum tax imposed on individuals and corporations. See "Legal and Tax Information—Tax Exemption for the Notes," and "—Other Federal Tax Matters" herein and Appendix A—Form of Bond Counsel Opinion hereto.

$60,215,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTES, 2010

Dated: Date of Initial Delivery **Due: June 15, 2011**

The King County, Washington, Limited Tax General Obligation Bond Anticipation Notes, 2010 (the "Notes"), are issuable only as fully registered obligations and, when issued, will be registered in the name of Cede & Co., as Note owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Notes. The Notes will be issued initially in book-entry form only in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Notes purchased. The Notes bear interest payable at maturity, and the principal of and interest on the Notes are payable by the fiscal agent of the State of Washington, currently The Bank of New York Mellon in New York, New York (the "Registrar"). For so long as the Notes remain in a "book-entry only" transfer system, the Registrar will make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to the DTC Participants for subsequent disbursement to Beneficial Owners of the Notes as described herein under Appendix E—Book-Entry System.

The Notes are being issued to provide a portion of the interim financing for an upgrade of the County's budget, finance, human resources, payroll, and employee benefits computer systems, and to pay the costs of issuing the Notes.

The Notes are not subject to redemption prior to maturity.

$60,215,000 _____% Notes due June 15, 2011, to yield _____%, CUSIP ___________

The Notes are general obligations of King County, Washington (the "County"). The County has irrevocably covenanted that, for as long as the Notes are outstanding and unpaid, it will include in its budget and levy an *ad valorem* tax within the constitutional and statutory tax limitations provided by law without a vote of the people upon all property within the County subject to taxation in an amount that will be sufficient, together with all other revenues, taxes and money of the County legally available for such purposes, to pay the principal of and interest on the Notes as they become due. The County has irrevocably pledged its full faith, credit and resources for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Notes as they become due.

The Notes are offered when, as and if issued, subject to approval of legality by Gottlieb Fisher PLLC, Seattle, Washington, Bond Counsel, and certain other conditions. The form of Bond Counsel's opinion is attached hereto as Appendix A. It is anticipated that the Notes will be ready for delivery through the facilities of DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about June 22, 2010.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: _____________

No dealer, broker, sales representative, or other person has been authorized by the County to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained by the County from County records and from other sources that the County believes to be reliable, but the County does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of the Official Statement nor any sale of the Notes, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The County makes no representation regarding the accuracy or completeness of the information provided in Appendix E—Book-Entry System, which has been furnished by DTC.

This Official Statement is not to be construed as a contract or agreement between the County and purchasers or owners of any of the Notes.

Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

This Preliminary Official Statement, as of its date, is in a form "deemed final" by the County for purposes of paragraph (b)(1) of Securities and Exchange Commission Rule 15c2-12, except for the omission of offering price, interest rate, selling compensation, principal amount, delivery date, and other terms of the Notes dependent on the foregoing matters.

KING COUNTY, WASHINGTON
500 FOURTH AVENUE
SEATTLE, WASHINGTON 98104

KING COUNTY EXECUTIVE

Dow Constantine

METROPOLITAN KING COUNTY COUNCIL

Bob Ferguson	Chair
Jane Hague	Vice Chair
Jan Drago	Councilmember
Reagan Dunn	Councilmember
Larry Gossett	Councilmember
Kathy Lambert	Councilmember
Julia Patterson	Councilmember
Larry Phillips	Councilmember
Pete von Reichbauer	Councilmember

OTHER ELECTED OFFICIALS

Dan Satterberg	Prosecuting Attorney
Lloyd Hara	Assessor
Sue Rahr	Sheriff
Sherril Huff	Director of Elections

DIRECTOR OF FINANCE AND BUSINESS OPERATIONS DIVISION

Ken Guy

CLERK OF THE COUNCIL

Anne Noris

BOND COUNSEL

Gottlieb Fisher PLLC
Seattle, Washington

FINANCIAL ADVISOR TO THE COUNTY

Seattle-Northwest Securities Corporation
Seattle, Washington

REGISTRAR

The Bank of New York Mellon
New York, New York

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OFFICIAL NOTICE OF SALE

$60,215,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTES, 2010

Electronic bids for the Limited Tax General Obligation Bond Anticipation Notes, 2010 (the "Notes"), of King County, Washington (the "County"), will be received via BiDCOMP/PARITY ("Parity") in the manner described below on

JUNE 7, 2010, AT 9:00 A.M., PACIFIC TIME,

or at such later date or time as may be established by the King County Finance Director (the "Finance Director") and communicated through TM3, the Bond Buyer Wire or the Bloomberg News Network not less than 18 hours prior to the time bids are to be received for the purchase of the Notes. All bids received with respect to the Notes will be considered by the Metropolitan King County Council (the "County Council") at its regularly scheduled meeting on the day bids are received. If the County accepts a bid for the Notes, it will be awarded to the successful bidder and its terms will be approved by the County Council at such meeting.

The Notes will be sold on an all-or-none basis. Bids for the Notes must be submitted electronically via Parity in accordance with its Rules of Participation and this notice, and no bid will be received after the time for receiving bids specified above. For further information about Parity, potential bidders may contact Parity at (212) 849-5021.

By submitting an electronic bid for the Notes, each bidder hereby agrees to the following terms and conditions:

(i) If any provision in this Official Notice of Sale conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments issued by public wire, will control.

(ii) Bids may only be submitted via Parity. The bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting a bid timely and in compliance with the requirements of this Official Notice of Sale.

(iii) The County has no duty or obligation to provide or assure access to Parity, and will not be responsible for the proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, use of Parity.

(iv) The County is using Parity as a communication mechanism, and not as an agent of the County.

(v) Upon acceptance of a bid by the County, this Official Notice of Sale and the information that is electronically transmitted through Parity will form a contract between the bidder and the County.

If all bids for the Notes are rejected, the Finance Director may fix a new date and time for the receipt of bids for the Notes by giving notice communicated through TM3, the Bond Buyer Wire or the Bloomberg News Network not less than 18 hours prior to such new date and time. Any notice specifying a new date and/or time for the receipt of bids, following the rejection of bids received or otherwise, will be considered an amendment to this Official Notice of Sale.

A copy of the County's Preliminary Official Statement (with this Official Notice of Sale), dated May 27, 2010, and further information regarding the details of the Notes may be obtained from i-Deal Prospectus, a service of i-Deal LLC, at *www.i-dealprospectus.com*, or upon request to the King County Finance and Business Operations Division (the "Finance Division") or the County's financial advisor. See "Contact Information."

Contact Information

Finance Division	Nigel Lewis King County (206) 296-1168 *nigel.lewis@kingcounty.gov*
Financial Advisor	Rob Shelley Seattle-Northwest Securities Corporation office (206) 628-2879; cell (206) 601-2249 *rshelley@snwsc.com*
Bond Counsel	Dan Gottlieb Gottlieb Fisher PLLC (206) 654-1999 *dan@goandfish.com*

Description of the Notes

The Notes will be dated the date of their initial delivery. Interest on the Notes will be payable only at maturity. The Notes are not subject to redemption prior to maturity.

The Notes are issuable only as fully registered notes and when issued will be registered in the name of Cede & Co. as Note owner and nominee for DTC. DTC will act as securities depository for the Notes. Purchases of the Notes will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Notes purchased. The principal of and interest on the Notes are payable by the fiscal agency for the State of Washington in New York, New York, currently The Bank of New York Mellon (the "Registrar"), to DTC, which in turn is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to beneficial owners of the Notes.

Security

The Notes are general obligations of the County. The County has irrevocably covenanted that, for as long as any of the Notes are outstanding and unpaid, it will include in its budget and levy an *ad valorem* tax within the constitutional and statutory tax limitations provided by law without a vote of the people upon all property within the County subject to taxation in an amount that will be sufficient, together with bond proceeds and all other revenues, taxes and money of the County legally available for such purposes, to pay the principal of and interest on the Notes as they become due. The County has irrevocably pledged its full faith, credit and resources for the annual levy and collection of such taxes and the prompt payment of the principal and interest on the Notes as they become due.

The County always has met principal and interest payments on outstanding bonds and notes when due.

Bidding Information

Bidders are invited to submit bids for the purchase of the Notes fixing the interest rate that the Notes will bear. The interest rate bid must be in a multiple of 1/8 or 1/20 of one percent. Bids will be without condition and may only be submitted electronically via Parity.

No bid will be considered for the Notes that is less than an amount equal to 98 percent of the par value of the Notes nor more than an amount equal to 104.5 percent of the par value of the Notes, or for less than the entire offering of the Notes.

Bidders are requested to provide a list of any syndicate members with their bids or within 24 hours of submitting their bids. The County strongly encourages the inclusion of women and minority business enterprise firms in bidding syndicates.

Adjustment of Par Amount After Award

The County reserves the right to increase or decrease the total par amount of the Notes by $3,000,000 following the opening of the bids.

The price bid by the successful bidder for the Notes will be adjusted by the County on a proportionate basis to reflect an increase or decrease in the principal amount of the Notes by 3:00 p.m., Pacific Time, on the day of the bid opening. The County will not be responsible in the event and to the extent that any adjustment affects the net compensation to be realized by the successful bidder for the Notes.

Good Faith Deposit

The successful bidder for the Notes is required to deliver a good faith deposit in the amount of $600,000 by federal funds wire transfer to the Treasury Section of the King County Finance Division by no later than 90 minutes following the successful bidder's receipt of the verbal award. Wiring instructions will be provided to the successful bidder at the time of the verbal award.

The good faith deposit of the successful bidder for the Notes will be retained by the County as security for the performance of such bid, and will be applied to the purchase price of the Notes on the delivery of the Notes to the successful bidder. Pending delivery of the Notes, the good faith deposit for the Notes may be invested for the sole benefit of the County.

If the Notes are ready for delivery and the successful bidder fails to complete the purchase of the Notes within 30 days following the acceptance of its bid, the good faith deposit will be forfeited to the County, and, in that event, the County Council may accept the next best bid or call for additional proposals.

Insurance

Bids for the Notes will not be conditioned upon obtaining insurance or any other credit enhancement. If the Notes qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of a bidder, any purchase of such insurance or commitment therefor will be at the sole option and expense of the bidder and any increased costs of issuance of the Notes resulting by reason of such insurance, unless otherwise paid, will be paid by such bidder. Any failure of the Notes to be so insured or of any such policy of insurance to be issued will not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Notes.

Award

The Notes will be sold to the bidder making a bid for the Notes that conforms to the terms of the offering and that, on the basis of the lowest net interest cost, is the best bid. For the purpose of comparing bids only, each bid must state the net interest cost of the bid determined in the manner hereinafter stated. The net interest cost will be equal to the total interest cost plus any premium and minus any discount, divided by the bond year dollars.

If there are two or more equal bids for the Notes and those bids are the best bids received, the County Council will determine by lot which bid will be accepted. The County reserves the right to reject any or all bids submitted and to waive any formality in the bidding or bidding process. If all bids for an offering are rejected, the Notes may be readvertised for sale in the manner provided by law and as provided above.

Issue Price Information

Upon award of the Notes, the successful bidder for the Notes will advise the County and Bond Counsel of the initial reoffering price to the public of the Notes (the "Initial Reoffering Price"). Simultaneously with or before delivery of the Notes, the successful bidder for the Notes is required to furnish to the County and Bond Counsel a certificate in form and substance acceptable to Bond Counsel:

(i) confirming the applicable Initial Reoffering Price;

(ii) certifying that a *bona fide* offering of the Notes has been made to the public (excluding bond houses, brokers and other intermediaries);

(iii) stating the prices at which a substantial amount (at least ten percent) of the Notes was sold to the public (excluding bond houses, brokers and other intermediaries);

(iv) stating the price at which any portion of the Notes that remains unsold at the date of closing would have been sold on the date the Notes were awarded; and

(v) stating the offering price of each portion of the Notes sold to institutional or other investors at discount.

Delivery

The County will deliver the Notes (consisting of one word-processed certificate) to DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer, prior to the date of closing. Closing will occur within 40 days after the sale date. Settlement will be in federal funds available in Seattle, Washington, on the date of delivery. Delivery is expected to be June 22, 2010.

If, prior to the delivery of the Notes, the interest receivable by the owners of the Notes becomes includable in gross income for federal income tax purposes, or becomes subject to federal income tax other than as described in this Preliminary Official Statement, the successful bidder for the Notes, at its option, may be relieved of its obligation to purchase the Notes, and in that case the good faith deposit accompanying its bid will be returned without interest.

The approving legal opinion of Gottlieb Fisher PLLC, Seattle, Washington, Bond Counsel, will be provided to the purchaser at the time of the delivery of the Notes. Bond Counsel's opinion will express no opinion concerning the accuracy, completeness or sufficiency of this Preliminary Official Statement or other offering material relating to the Notes, nor will there be an opinion of Bond Counsel relating to the undertaking of the County to provide ongoing disclosure pursuant to Securities and Exchange Commission ("SEC") Rule 15c2–12 (the "Rule"). A no-litigation certificate will be included in the closing papers of the Notes.

CUSIP Number

It is anticipated that a CUSIP identification number will be printed on the Notes, but neither the failure to print such number on the Notes nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser of the Notes to accept delivery of and pay for the Notes in accordance with the terms of this Official Notice of Sale.

The successful bidder for the Notes is responsible for obtaining a CUSIP number for the Notes. The charge of the CUSIP Service Bureau will be paid by the successful bidder; however, all expenses for printing the CUSIP number on the Notes will be paid by the County.

Ongoing Disclosure Undertaking

To assist bidders in complying with paragraph (b)(5) of the Rule, the County will undertake, pursuant to the Sale Motion, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in this Preliminary Official Statement and will also be set forth in the final Official Statement.

Preliminary Official Statement

The Preliminary Official Statement is in a form that the County expects to deem final for the purpose of paragraph (b)(1) of the Rule, but is subject to revision, amendment and completion in a final Official Statement, which the County will deliver, at the County's expense, to each purchaser through its designated representative not later than seven business days after the County's acceptance of the purchaser's bid, in sufficient quantities to permit the successful bidder to comply with the Rule.

By submitting the successful proposal for the Notes, the purchaser's designated senior representative agrees:

(i) to provide to the King County Finance Division, in writing, within 24 hours after the acceptance of the bid, pricing and other related information, including the Initial Reoffering Price of the Notes, necessary for completion of the final Official Statement;

(ii) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any amendments or supplements prepared by the County;

(iii) to take any and all actions necessary to comply with applicable rules of the SEC and Municipal Securities Rulemaking Board ("MSRB") governing the offering, sale and delivery of the Notes to ultimate purchasers, including the delivery of a final Official Statement to each investor who purchases the Notes; and

(iv) to file the final Official Statement or cause it to be filed with the MSRB within one business day following its receipt from the County.

Official Statement

At closing, the County will furnish a certificate of an official or officials of the County, stating that, to the best knowledge of such official(s) and relying on the opinions of Bond Counsel where appropriate, as of the date of the Official Statement and as of the date of delivery of the Notes,

(i) the information (including financial information) regarding the County contained in the Official Statement was and is true and correct in all material respects and did not and does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, the County will make no representation regarding Bond Counsel's form of opinion or the information provided by DTC, The Bank of New York Mellon, or any entity providing bond insurance, reserve insurance or other credit facility); and

(ii) the descriptions and statements, including financial data, of or pertaining to other bodies and their activities contained in the Official Statement have been obtained from sources that the County believes to be reliable and the County has no reason to believe that they are untrue in any material respect.

DATED at Seattle, Washington, this 27th day of May, 2010.

/s/

Clerk of the Metropolitan King County Council

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PRELIMINARY OFFICIAL STATEMENT

$60,215,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTES, 2010

INTRODUCTION

This Official Statement contains certain information concerning the issuance by King County, Washington (the "County"), of $60,215,000 aggregate principal amount of its Limited Tax General Obligation Bond Anticipation Notes, 2010 (the "Notes"). The Notes are issued under and in accordance with the provisions of chapters 36.67, 39.46 and 39.50 of the Revised Code of Washington ("RCW") and the County Charter, and are authorized under the provisions of County Ordinance 16785 (the "Note Ordinance") and Motion ________ of the County Council (the "Sale Motion").

Information contained herein has been obtained from County officers, employees, records, and other sources the County believes to be reliable. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Notes.

Quotations, summaries and explanations of constitutional provisions, statutes, resolutions, ordinances, and other documents in this Official Statement do not purport to be complete and are qualified by reference to the complete text of such documents, which may be obtained from the King County Finance and Business Operations Division (the "Finance Division"), 500 Fourth Avenue, Room 600, Seattle, Washington 98104. Capitalized terms that are not defined herein have the same meanings as set forth in the Note Ordinance.

THE NOTES

Description

The Notes will be dated and bear interest from the date of their initial delivery, will be fully registered as to both principal and interest, and will be in the denomination of $5,000 or any integral multiple thereof. When issued, the Notes will be registered in the name of Cede & Co. as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC").

Interest on the Notes will be payable at maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes will mature on June 15, 2011.

The principal of and interest on the Notes are payable by the fiscal agent of the State of Washington (the "State"), in New York, New York, currently The Bank of New York Mellon (the "Registrar"). For so long as the Notes remain in a "book-entry only" transfer system, the Registrar is required to make such payments to DTC, which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners of the Notes, as further described herein in Appendix E—Book-Entry System.

No Redemption

The Notes are not subject to redemption prior to maturity.

Book-Entry System

Book-Entry Notes. DTC will act as initial securities depository for the Notes. Individual purchases may be made in book-entry form only, and purchasers will not receive certificates representing their interest in the Notes purchased. The ownership of one fully registered Note in the aggregate principal amount of the Notes will be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the registered owner of the Notes, references herein to the registered owners or Note owners will mean Cede & Co. and will not mean the Beneficial Owners of the Notes. In this Official Statement, the term "Beneficial Owner" will mean the person for whom a DTC participant acquires an interest in the Notes. Neither the County nor the Registrar has any responsibility or obligation to DTC participants or Beneficial Owners with respect to the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on the Notes, any notice which is permitted or required to be given to registered owners under the Note Ordinance (except such notices as are required to be given by the County to the Registrar or to DTC), or any consent given or other action taken by DTC as the registered owner. See Appendix E for additional information.

The County makes no representation as to the accuracy or completeness of information in Appendix E provided by DTC. Purchasers of the Notes should confirm its contents with DTC or its participants.

Termination of Book-Entry System. If DTC resigns as the securities depository, or if the County has determined that it is no longer in the best interest of the Beneficial Owners of the Notes to continue the book-entry system of transfer, the County may appoint a successor depository. If no substitute depository can be obtained, or if the County determines that it is in the best interests of the Beneficial Owners of the Notes that they be able to obtain Note certificates, the ownership of the Notes may be transferred to any person, as described in the Note Ordinance, and the Notes will no longer be held in fully immobilized form. In that event, the interest on the Notes will be paid by checks or drafts mailed, or by wire transfer, to owners of the Notes at the addresses appearing on the Note register maintained by the Registrar on the 15th day of the month preceding the interest payment date. Principal of the Notes will be payable at maturity upon presentation and surrender of the Notes by the owners at the principal office of the Registrar, at the option of such owners. Wire transfer will be made only if so requested in writing and if the owner owns at least $1,000,000 par value of the Notes.

Open Market Purchase

The County has reserved the right to purchase any or all of the Notes in the open market at any time at any price.

Defeasance of Notes

If money and/or noncallable Government Obligations maturing at such time or times and bearing interest in amounts sufficient to redeem and retire, refund or defease part or all of the Notes in accordance with their terms are set aside in a special account to effect such redemption and retirement, and such money and the principal of and interest on such Government Obligations are irrevocably set aside and pledged for such purpose, then such Notes will cease to be entitled to any lien, benefit or security of the related Ordinance except the right to receive the money so set aside and pledged, and such Notes will be deemed to be not outstanding under such related Ordinance.

USE OF PROCEEDS

Purpose

The Notes are being issued to provide a portion of the interim financing for an upgrade of the County's budget, finance, human resources, payroll, and employee benefits computer systems, and to pay the costs of issuing the Notes.

Sources and Uses of Funds

The proceeds from the Notes will be applied as follows:

SOURCES OF FUNDS	
Par Amount of Notes	$
Net Reoffering Premium (Discount)	
Total Sources of Funds	$
USES OF FUNDS	
Deposit to Project Account	$
Costs of Issuance*	
Total Uses of Funds	$

* Includes rating agency fees, financial advisory fees, legal fees, printing costs, and other costs of issuing the Notes.

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

The Notes are general obligations of the County.

The County has irrevocably covenanted in the Note Ordinance that each year, for as long as any of the Notes are outstanding and unpaid, it will include in its budget and levy an *ad valorem* tax within the constitutional and statutory tax limitations provided by law without a vote of the people upon all property within the County subject to taxation in an amount that will be sufficient, together with all other revenues, taxes and money of the County legally available for such purposes, to pay the principal of and interest on the Notes as they become due. The County has irrevocably pledged its full faith, credit and resources for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Notes as they become due.

DEBT INFORMATION

Debt Repayment Record

The County has met promptly all principal and interest payments on its outstanding bonds and notes. The County never has defaulted on a payment of principal or interest on any of its bonds and notes. Furthermore, the County never has issued refunding bonds for the purpose of avoiding an impending default.

Debt Limitation

The statutory limitation (RCW 39.36.020) on non-voted general obligation debt of counties is one and one-half percent of the assessed value of all taxable property within the county at the time of issuance. Voter approval is required to exceed this limit. Any election to authorize such 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 vote in the affirmative. The combination of voted and non-voted general obligation debt for county purposes must not exceed two and one-half percent of the assessed value of all taxable property within a county at the time of issuance.

In 1994, the County assumed the rights, powers, functions, and obligations of Metro, including the development and operation of a regional transit system and the regional collection and treatment of sewage. A county that has assumed a metropolitan municipality, such as the County, may issue non-voted debt for its authorized metropolitan functions in an amount up to three-quarters of one percent of the assessed value of taxable property within the metropolitan county. The statutory provisions applicable to a county that has assumed a metropolitan municipality also permit additional voted debt for its authorized metropolitan functions, up to an additional two and one-half percent of the assessed value of taxable property within the county.

Notwithstanding the higher aggregate statutory limitations for a county that has assumed a metropolitan municipality, the State constitution limits non-voted general obligation debt of a county to one and one-half percent of the assessed value of taxable property within the county, and limits all general obligation debt of the county—voted and non-voted debt together—to five percent of the assessed value of taxable property within the county.

Debt Capacity and Debt Service Summary

The assessed value of all property in the County for the 2010 tax year is $341,971,517,465, resulting in a voted and non-voted total general obligation debt capacity of $8,549,287,937 (2.5%) for County purposes and an additional $8,549,287,937 (2.5%) for metropolitan functions. The non-voted general obligation debt capacity within the County's total 2.5% limitation is $5,129,572,762 (1.5%), of which a maximum of $2,564,786,381 (0.75%) may be incurred for metropolitan functions.

The following table shows a computation of the County's debt capacity for voted and non-voted general obligation debt for County purposes and for metropolitan functions. The table reflects general obligation debt of the County as of December 31, 2009, adjusted for subsequent County debt issuances and the issuance of the Notes, and is followed by a table that summarizes the debt service requirements of the County.

COMPUTATION OF STATUTORY LEGAL DEBT MARGIN

2009 Assessed Value (2010 Tax Year)	**$**	**341,971,517,465**
Limited Tax General Obligation Debt Capacity for Metropolitan Functions		
3/4 of 1% of Assessed Value	$	2,564,786,381
Outstanding Limited Sales Tax General Obligation Bonds		134,230,000
Outstanding Limited Tax General Obligation Bonds (Payable from Sewer Revenues)		833,045,000
General Obligation Long-Term Liabilities for Metropolitan Functions		66,058,804
Capital Leases/Installment Purchase Contracts for Metropolitan Functions		-
Less: Amount Legally Available for Payment of all Limited Tax General Obligation Indebtedness for Metropolitan Functions		(24,436,194)
Net Limited Tax General Obligation Debt for Metropolitan Functions	$	1,008,897,610
Remaining Capacity: LTGO Debt For Metropolitan Functions	$	1,555,888,771
Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions		
1 1/2 % of Assessed Value	$	5,129,572,762
Net Limited Tax General Obligation Debt for Metropolitan Functions (From Above)		1,008,897,610
Outstanding Limited Tax General Obligation Bonds for County Purposes		571,991,000
Outstanding Limited Tax General Obligation Bond Anticipation Notes for County Purposes		27,095,000
The Notes*		60,215,000
General Obligation Lease Revenue Bonds for County Purposes		402,455,000
General Obligation Long-Term Liabilities for County Purposes		91,205,302
Capital Leases/Installment Purchase Contracts for County Purposes		-
Less: Amount Legally Available for Payment of All Limited Tax General Obligation Indebtedness for County Purposes		(42,715,695)
Net Limited Tax General Obligation Debt for County Purposes	$	1,110,245,607
Net Limited Tax General Obligation Debt for County Purposes and Metropolitan Functions	$	2,119,143,217
Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions	$	3,010,429,545
Total General Obligation Debt Capacity for County Purposes		
2 1/2 % of Assessed Value	$	8,549,287,937
Outstanding Unlimited Tax General Obligation Debt for County Purposes		204,710,000
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for County Purposes		(10,261,674)
Net Unlimited Tax General Obligation Debt for County Purposes	$	194,448,326
Net Limited Tax General Obligation Debt for County Purposes (from above)		1,110,245,607
Total Net General Obligation Debt for County Purposes	$	1,304,693,933
Remaining Capacity: General Obligation Debt for County Purposes	$	7,244,594,004
Total General Obligation Debt Capacity for Metropolitan Functions		
2 1/2 % of Assessed Value	$	8,549,287,937
Outstanding Unlimited Tax General Obligation Debt for Metropolitan Functions		-
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for Metropolitan Functions		-
Net Unlimited Tax General Obligation Debt for Metropolitan Functions		-
Net Limited Tax General Obligation Debt for Metropolitan Functions (from above)		1,008,897,610
Total Net General Obligation Debt for Metropolitan Functions		1,008,897,610
Remaining Capacity: General Obligation Debt for Metropolitan Functions	$	7,540,390,327

* Preliminary, subject to change.

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

AGGREGATE DEBT SERVICE REQUIREMENTS FOR THE COUNTY PAYABLE FROM PROPERTY TAXES
(Fiscal Years Ending December 31)

	Unlimited Tax General Obligation	Limited Tax General Obligation Bonds					
		General Purpose				LTGO Capital	Total LTGO
Year	Bonds	Outstanding[1]	The Notes[2]	Stadia[3]	Metropolitan[4]	Lease Payments	Debt Service
2010	$ 26,668,869	$ 73,962,006	-	$ 28,420,236	$ 58,799,414	$ 26,154,175	$ 187,335,830
2011	24,564,338	45,299,031	$ 60,516,075	23,823,800	59,107,156	29,855,375	218,601,437
2012	24,165,319	44,023,917	-	27,481,735	59,091,075	29,856,856	160,453,583
2013	21,411,175	41,653,680	-	40,341,025	59,047,575	29,855,173	170,897,453
2014	20,011,156	40,676,120	-	27,141,200	64,750,088	29,854,865	162,422,272
2015	20,049,125	40,813,600	-	23,796,500	64,540,363	29,855,042	159,005,505
2016	18,784,225	39,104,293	-	5,130,600	64,524,963	29,856,563	138,616,418
2017	18,718,081	33,243,686	-		75,715,763	29,858,181	138,817,629
2018	19,140,931	29,214,541	-	-	75,674,538	29,853,112	134,742,190
2019	18,219,563	30,107,484	-	-	75,627,919	29,853,872	135,589,274
2020	16,777,700	27,023,538	-	-	64,347,781	29,853,605	121,224,924
2021	15,503,275	28,022,456	-	-	64,304,094	29,862,162	122,188,712
2022	15,827,100	25,116,469	-	-	64,225,769	29,859,954	119,202,192
2023	16,157,425	26,100,172	-	-	64,173,281	29,859,445	120,132,898
2024	-	22,206,342	-	-	64,113,744	29,853,009	116,173,094
2025	-	19,420,085	-	-	64,054,881	28,086,402	111,561,368
2026	-	12,012,847	-	-	63,980,506	24,683,243	100,676,597
2027	-	13,087,618	-	-	63,903,113	24,682,576	101,673,306
2028	-	8,803,543	-	-	63,827,975	24,684,881	97,316,399
2029	-	6,464,220	-	-	63,762,056	24,686,184	94,912,460
2030	-	-	-	-	63,680,691	24,685,134	88,365,825
2031	-	-	-	-	63,612,772	24,687,707	88,300,478
2032	-	-	-	-	63,566,809	20,296,376	83,863,185
2033	-	-	-	-	63,462,734	15,013,393	78,476,127
2034	-	-	-	-	55,587,147	13,236,756	68,823,903
2035	-	-	-	-	42,773,966	13,237,191	56,011,157
2036	-	-	-	-	26,473,678	13,233,698	39,707,376
2037	-	-	-	-	26,473,588	-	26,473,588
2038	-	-	-	-	26,472,506	-	26,472,506
2039	-	-	-	-	26,473,269	-	26,473,269
2040	-	-	-	-	100,000,000	-	100,000,000
Total	$ 275,998,282	$ 606,355,648	$ 60,516,075	$ 176,135,096	$ 1,856,149,211	$ 695,354,925	$ 3,394,510,954

(1) Includes the Limited Tax General Obligation Bond Anticipation Notes, 2009 Series A and 2009 Series B (Taxable), due on December 1, 2010.

(2) Preliminary, subject to change. Assumes interest rate of 0.50%.

(3) These bonds are comprised of both County bonds originally issued for improvements to the Kingdome, that are additionally secured by a pledge of Hotel/Motel Taxes, and County bonds issued for the construction of the Safeco Field baseball stadium, that are additionally secured by a pledge of other special taxes and revenues.

(4) These bonds are additionally secured by a pledge of certain taxes and revenues of the Metropolitan functions of the County. Includes debt service on the Multi-Modal Limited Tax General Obligation Bonds (Payable From Sewer Revenue), Series 2010A and Series 2010B, at an assumed interest rate of 4%.

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

Net Direct and Overlapping Debt Outstanding

The following table lists the net outstanding direct and overlapping debt of the County payable by taxes on property within the County as of as of December 31, 2009, adjusted for adjusted for subsequent County debt issuances and the issuance of the Notes.

NET DIRECT AND OVERLAPPING DEBT

2009 Assessed Value (2010 Tax Year)	$ 341,971,517,465
Net Direct Debt(1)	$ 1,112,259,340
Estimated Overlapping Debt(2):	
School Districts	$ 2,919,734,551
City of Seattle	690,490,790
Other Cities and Towns	533,051,821
Port of Seattle	357,315,000
Hospital Districts	309,618,585
Fire Districts	56,893,442
Sewer Districts	-
Vashon Maury Park	289,236
King County Library System	126,598,054
Library Capital Facilities	9,070,263
Parks and Recreation Service District	1,666,933
Total Estimated Overlapping	$ 5,004,728,675
Total Net Direct and Estimated Overlapping Debt	$ 6,116,988,015
County Debt Ratios:	
Net Direct Debt to Assessed Value	0.33%
Net Direct and Overlapping Debt to Assessed Value	1.79%
2009 Population (estimated)	1,909,300
Per Capita Net Direct Debt	$ 583
Per Capita Net Direct and Overlapping Debt	$ 3,204
Per Capita Assessed Value	$ 179,108

(1) Total Net General Obligation Debt per Debt Capacity Schedules, as of December 31, 2009:

Net General Obligation Debt for County Purposes	$ 1,304,693,933
Net General Obligation Debt for Metropolitan Purposes	1,008,897,610
Total Net General Obligation Debt	$ 2,313,591,543
General Obligation Debt that is serviced by Proprietary-Type Funds*	(52,650,575)
General Obligation Debt issued for Kingdome Improvements*	(81,843,841)
General Obligation Debt issued for Public Facilities Districts*	(48,417,991)
General Obligation Debt issued for Component Units*	(9,522,186)
General Obligation Debt issued for Metropolitan Functions*	(1,008,897,610)
Net Direct Debt	$ 1,112,259,340

* Payments of the debt service on these bonds are payable first from other revenues of the County.

(2) As of December 31, 2008.

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

FUTURE FINANCING PLANS

The County expects to issue approximately another $150 million of new limited tax general obligation debt through the end of 2010. The proceeds of these debt issues will be used to provide interim or permanent financing for road improvements, the solid waste division's capital improvement program and various facility and technology projects.

The County also expects to issue approximately $350 million of new bonds through the end of 2010 to provide continuing funding for the wastewater capital improvement program. While all of these bonds will be payable from the sewer revenues of the wastewater system, a portion may be additionally secured by a pledge of the full faith and credit of the County.

Lastly, when and if market conditions allow refunding of any outstanding bonds for the purpose of realizing debt service savings, the County may pursue such refundings.

PROPERTY TAX INFORMATION

Authorized Property Taxes

The County is authorized to levy both "regular" property taxes and "excess" property taxes.

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

The information in this Official Statement relating to regular property tax limitations and requirements is based on existing statutes and constitutional provisions. Changes in such laws could alter the impact of other interrelated tax limitations on the County.

(i) *Maximum Rate Limitations.* The County may levy regular property taxes for two purposes: for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to $1.80 per $1,000 of assessed value, and the County currently is levying $1.16171 per $1,000. 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, and the County currently is levying $1.93572 per $1,000. Additional statutory provisions limit the increase in the aggregate amount of taxes levied. See "Regular Property Tax Increase Limitation."

The County is authorized to increase its general municipal purposes levy to a maximum of $2.475 per $1,000 of assessed value if the total combined levies for both general and road district purposes do not exceed $4.05 per $1,000 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:

(a) a voted levy for emergency medical services, limited to $0.50 per $1,000 (authorized by RCW 84.52.069),

(b) a voted levy to finance affordable housing for very low income households, limited to $0.50 per $1,000 (authorized by RCW 84.52.105, although the County has not sought approval from voters for this levy), and

(c) a non-voted levy for conservation futures, limited to $0.0625 per $1,000 (authorized by RCW 84.34.230).

The County's levy rate for conservation futures in 2010 is $0.04918 per $1,000 of assessed value. Emergency medical services is in its second year of a six-year levy with a rate of $0.30000 per $1,000 of assessed value for the 2010 tax year. The Veterans and Family Human Services temporary 6-year lid lift approved by voters in 2005 is levied at a rate of $0.04468 per $1,000 of assessed value for the 2010 tax year. A permanent Regional and Rural Parks lid lift plus a companion lid lift for the Woodland Park Zoo/Open Space and Trails approved by voters in 2007 are currently at a rate of $0.05451 per $1,000 of assessed value for each. Also included in the County's levy rate is another temporary lid lift at $0.04571 for the Automated Fingerprint Identification System approved for six years by voters in 2006. For a discussion of the levy lid lift, see "Regular Property Tax Increase Limitation."

(ii) *One Percent Aggregate Regular Property Tax Levy Limitation.* Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of one percent of the true and fair value of property (or $10.00 per $1,000) by Article VII, Section 2 of the State Constitution and by RCW 84.52.050.

(iii) *$5.90/$1,000 Aggregate Regular Property Tax Levy Limitation.* Within the one 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 (or 0.59 percent) by RCW 84.52.043(2). This limitation is exclusive of levies for emergency medical services, ferry services, transportation, affordable housing for very low income households and acquiring conservation futures.

If aggregate regular property tax levies exceed the one percent or $5.90 per $1,000 limitations, then, in order to bring the aggregate levy into compliance, levies requested by "junior" taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010). Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts, and public utility districts.

(iv) *Regular Property Tax Increase Limitation.* The regular property tax increase limitation (RCW 84.55), limits the total dollar amount of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year's rate. The limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than one percent, the limit factor can be increased to 101 percent, if approved by a majority plus one vote of the governing body of the taxing district, upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the taxing district upon a finding of substantial need and is also approved by the voters at a general or special election within the taxing district. Such election must be held less than 12 months before the date on which the proposed levy will be made, and any tax increase cannot be greater than described above under "Maximum Rate Limitations." The 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.

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 RCW 84.55. This is sometimes referred to as "banked" levy capacity.

With a majority vote of its electors, a taxing district may levy for the following year, within the statutory rate limitations described above, more than what otherwise would be allowed by the tax increase limitation, as allowed by RCW 84.55.050. This is known as a "levy lid lift," which has the effect of increasing the taxing district's levy "base" when calculating permitted levy increases in subsequent years. The new base can apply for a limited or unlimited period, except that if the levy lid lift was approved for the purpose of paying debt service on bonds, the new base can apply for no more than nine years. After the expiration of any limited purpose or limited duration specified in the levy lid lift, the levy is calculated as if the taxing district had levied only up to the limit factor in the interim period.

Since the regular property tax increase limitation applies to the total dollar amount levied rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction) that exceed the growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy.

Excess Property Taxes. The County also may impose "excess" property taxes, which are not subject to limitation, when authorized by a 60 percent majority popular vote, 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 percent of the number of 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 percent of a number equal to 40 percent of the number who voted at the last County general election. Excess levies also may be imposed without a popular vote when necessary to prevent the impairment of the obligation of contracts.

Component Units with Taxing Authority. In 2007, the County Council created a County-wide flood control zone district and a County-wide ferry district with rates of $0.10514 and $0.00348, respectively for the 2010 tax year. The boundaries of each district are coterminous with the boundaries of the County, and the members of the County Council serve (at least initially) as the legislative body for each district, but under State law each district is a separate taxing district with independent taxing authority.

Pursuant to Ordinance 16742, adopted in January 2010, the County Council created a transportation benefit district ("TBD") with boundaries comprised of the unincorporated limits of the County. Pursuant to State law, the members of the County Council serve as the governing body of the TBD, which is a separate taxing district with independent taxing authority. The TBD is not authorized to levy regular property taxes but may levy excess property taxes for a one-year period for any purpose or over multiple years to provide for the retirement of voter-approved general obligation bonds, issued for capital purposes, in either case only when authorized by the voters. The TBD has not sought voter approval for any such excess levies.

Assessed Value 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 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.

The following table presents the assessed value of the County for the last six years.

KING COUNTY
ASSESSED VALUE

Tax Year	Amount	Percentage Change From Previous Year
2010	$ 341,971,517,465	(11.6)%
2009	386,889,727,909	13.5
2008	340,995,439,577	14.1
2007	298,755,199,059	10.4
2006	270,571,110,868	8.7
2005	248,911,782,339	5.5

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

Tax Collection Procedure

Property taxes are levied in specific amounts by the County Council, and the rate for all taxes levied for all taxing districts in the County is determined by the Assessor based upon the assessed value of the property within the various taxing districts. The Assessor extends the tax levied within each taxing district on a tax roll that contains the total amounts of taxes levied and to be collected and assigns a tax account number to each tax lot. The tax roll is delivered to the Finance Division 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 fifty dollars, one-half may be paid then and the balance no later than October 31 of that year (except that the half to be paid on April 30 may be paid at any time prior to October 31 if accompanied by penalties and interest accrued until the date of payment).

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

The following table shows the County's property tax collection record.

PROPERTY TAX COLLECTION RECORD
ALL COUNTY FUNDS
($000)

Tax Year	Original Amount Levied	Amount Collected Year of Levy	Percentage Collected Year of Levy (%)	Percentage Collected As of 12/31/2009 (%)
2009	$ 574,243 *	$ 560,309	97.57	97.57
2008	566,427	542,193	97.44	98.75
2007	500,298	491,209	98.18	99.58
2006	471,552	461,947	97.96	99.48
2005	449,835	439,226	97.64	99.35
2004	436,355	426,591	97.76	99.54

* Amount levied was reduced as a result of the reallocation of a portion of the unincorporated County Roads Fund Levy to certain cities related to recent annexations and incorporations.

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

Principal Taxpayers

The following table lists the ten largest taxpayers in the County and the assessed value of their real and personal property for the 2010 tax collection year.

LARGEST TAXPAYERS IN THE COUNTY
2010 TAX COLLECTION YEAR

Taxpayer	Assessed Value	AV as Percentage of County's AV (%)
Boeing	$ 3,386,716,110	0.99
Microsoft	2,700,648,893	0.79
Puget Sound Energy/Gas/Electric	1,452,831,912	0.42
Qwest Corporation Inc.	831,167,718	0.24
T-Mobile	710,235,996	0.21
AT&T Mobility LLC	682,810,309	0.20
Alaska Airlines	654,705,141	0.19
W2007 Seattle (formerly Archon Group LP)	634,036,754	0.19
Union Square LLC	542,731,107	0.16
Wright Runstad & Company	446,715,920	0.13
Total Assessed Value of Top Ten Taxpayers	$ 12,042,599,860	3.52
Total Assessed Value of All Other Taxpayers	$ 329,928,917,605	96.48
2009 Assessed Value for Taxes Due in 2010	$ 341,971,517,465	100.00

Source: King County Department of Assessments

Allocation of Tax Levies

The following table sets forth the allocation of 2009 and 2010 County-wide, Emergency Medical Services and unincorporated County levies.

ALLOCATION OF 2009 AND 2010 TAX LEVIES

County-wide Levy Assessed Value [1] $341,971,517,465	2010 Original Taxes Levied (in thousands)	2010 Levy Rate ($ per thousand)	2009 Original Taxes Levied (in thousands)	2009 Levy Rate ($ per thousand)
Items Within Operating Levy [2]				
General Fund	$ 274,311	0.80597	$ 268,565	0.69697
River Improvements	0	0.00000	0	0.00000
Veteran's Relief	2,539	0.00746	2,478	0.00643
Human Services	5,640	0.01657	5,510	0.01430
Intercounty River Improvement	50	0.00015	50	0.00013
Limited G.O. Bonds Debt Service	22,850	0.06714	21,814	0.05661
Automated Fingerprint Identification System [3]	15,557	0.04571	17,236	0.04473
Parks Levy [4]	37,103	0.10902	36,598	0.09498
Veterans and Family Human Services [5]	15,207	0.04468	14,859	0.03856
Transportation	22,124	0.06501	0	0.00000
Total Operating Levy	$ 395,381	1.16171	$ 367,110	0.95271
Conservation Futures Levy [6]				
Conservation Futures Levy	9,734	0.02860	9,302	0.02414
Farmland and Park Debt Service	7,004	0.02058	7,059	0.01832
Total Conservation Futures Levy	$ 16,738	0.04918	$ 16,361	0.04246
Unlimited Tax G.O. Bonds (Voter-approved Excess levy)	$ 25,044	0.07410	$ 39,286	0.10255
Total County-wide Levy	$ 437,163	1.28499	$ 422,757	1.09772
EMS Assessed Value[1] $218,287,203,216				
EMS Levy [7]	$ 102,119	0.30000	$ 105,611	0.27404
Unincorporated County Assessed Value[1] $44,013,696,693				
Unincorporated County Levy [8]	84,684	1.93572	83,476	1.58880
Total County Tax Levies	$ 623,966		$ 611,844	

(1) Assessed value for taxes payable in 2010.

(2) The operating levy tax rate is limited statutorily to $1.80 per $1,000 of assessed value.

(3) The Automated Fingerprint Identification System levy is a regular property tax to be assessed for six years beginning in 2006 at a levy rate of not more than $0.05680 per $1,000 of assessed value, as authorized by RCW 84.55.050 and a proposition approved by a majority of voters in the County.

(4) The Parks Levy was renewed as a two-part regular property tax (parks and open space/trails/zoo) to be assessed for six years beginning in 2008 at a levy rate of not more than $0.05 per $1,000 of assessed value for both parts, as authorized by RCW 84.55.050 and approved by a majority of the voters in the County.

(5) The Veterans and Family Human Services Levy is a regular property tax levy to be assessed for six years beginning in 2006 at a rate not to exceed $0.05 per $1,000 of assessed value, as authorized by RCW 84.55.050 and a proposition approved by a majority of voters in the County.

(6) The Conservation Futures Levy tax rate is limited statutorily to $0.0625 per $1,000 of assessed value.

(7) The Emergency Medical Services levy shown excludes that portion of the levy within the City of Seattle, which is paid to the City. The levy was approved by voters in the County in 2007 for a six-year period with collection beginning in 2008.

(8) The tax rate is limited statutorily to a maximum of $2.25 per $1,000 of assessed value.

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

KING COUNTY

General

As a general purpose government, the County provides roads, solid waste disposal, flood control, certain airport facilities, public health and other human services, park and recreation facilities, courts, law enforcement, agricultural services, property tax assessment and collection, fire inspection, planning, zoning, animal control, and criminal detention and rehabilitative services. Certain services are provided on a County-wide basis and certain services only to unincorporated areas.

In 1994, the County assumed the rights, powers, functions, and obligations of the Municipality of Metropolitan Seattle ("Metro"), including the development and operation of a regional transit system and the regional collection and treatment of sewage. Metro's transit function became part of the County's Transportation Department, and the sewer utility function was integrated into the County's Department of Natural Resources. The administrative functions of Metro were merged with those of the County in the appropriate departments.

Organization of the County

The County is organized under the executive-council form of government and operates under a Home Rule Charter adopted by a vote of the electorate in 1968. The County Executive, the County Council, the Prosecuting Attorney, the Assessor, the Director of Elections, and the Sheriff are all elected to four-year terms.

The County Executive. The County Executive serves as the chief executive officer of the County. The County Executive presents to the County Council annual statements of the financial and governmental affairs of the County, budgets and capital improvement plans. The County Executive signs, or causes to be signed on behalf of the County, all deeds, contracts and other instruments. All County employees other than those appointed by the County Council, Prosecuting Attorney, Assessor, Director of Elections, or Sheriff report to the County Executive.

The County Council. The Metropolitan King County Council (the "County Council") is the policy-making legislative body of the County. County Council members are elected by district to four-year staggered terms and serve on a full-time basis. The County Council sets tax levies, makes appropriations, and adopts and approves the annual operating budget for the County.

The Superior and District Courts. The Washington State Constitution provides for the existence of county superior courts as the courts of general jurisdiction. The County currently has 53 superior court judges who are elected to four-year terms. Pursuant to local court rule, the King County Superior Judges appoint the Chief Administrative Officer who is supervised by the Presiding Judge. Superior court employees report to the Chief Administrative Officer, except for superior court commissioners, special masters, referees, and each judge's bailiff.

The Washington State Constitution authorizes the legislature to create other courts of limited jurisdiction. Exercising this authority, the Washington State Legislature has established district courts as one form of courts of limited jurisdiction. The County has 21 district court judges who are elected to four-year terms. Pursuant to the district court local rule, County district court employees report to the district court chief administrative officer, who is under the supervision of the Chief Presiding Judge and reports to the district court executive committee.

County's Budget Process

Pursuant to a charter amendment approved by voters in November 2008, a Forecast Council, composed of representatives of the executive and legislative branches, is responsible for adopting annual economic and revenue forecasts that are the basis for the County's budgeting process. These forecasts are prepared by an Office of Economic and Financial Analysis, which is overseen by the Forecast Council.

The County's Office of Management and Budget, under the direction of the County Executive, has the responsibility for (i) preparation and management of the annual operating and capital budgets, (ii) expenditure and revenue policy, and (iii) planning and growth management. The budget must be presented to the County Council on or before September 27 of each year. The County Council holds public hearings and may increase or decrease proposed appropriations. Any changes in the budget must be within the revenues and reserves estimated as available, or the revenue estimates must be changed by an affirmative vote of at least six members of the County Council. The County Executive has general and line-item veto power over appropriation ordinances approved by the County Council. The appropriation ordinance establishes the budgeted level of authorized expenditures that may not be exceeded without County Council approval of supplemental appropriation ordinances. The County Executive, within the restrictions of any provisos of the appropriation ordinances, may establish and amend line-item budgets as long as the total budget for each appropriation unit does not exceed the budgeted level of authorized expenditures.

Finance and Business Operations Division

The Finance and Business Operations Division is comprised of five sections. The Treasury Section manages the receipt and investment of assigned revenues due to the County or to other agencies for which the Section performs the duties of treasurer. The Financial Management Section is responsible for the accounting and disbursing of assigned public funds. The other sections are responsible for administering the County's payroll and benefits and for managing the County's procurement and contracting practices.

Auditing

Legal compliance and fiscal audits of all County agencies are conducted by examiners from the State Auditor's office. The County is audited annually. The most recent State Auditor's Report is for the year ending December 31, 2008, and is incorporated into the County's 2008 Comprehensive Annual Financial Report.

The County's Comprehensive Annual Financial Report in its entirety may be accessed on the internet at

http://www.kingcounty.gov/operations/Finance/FMServices/CAFR.aspx

or from the Financial Management Section at King County Finance and Business Operations Division, 500 Fourth Avenue, Room 600, Seattle, Washington 98104. See Appendix B—Excerpts from the County's 2008 Comprehensive Annual Financial Report.

County Employees

The number of full and part-time employees of the County at year-end is shown below:

COUNTY EMPLOYEES

Year	Full-time	Part-time
2009	13,799	1,739
2008	13,762	621
2007	13,649	892
2006	13,565	1,487
2005	13,721	983
2004	12,887	1,973

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

The County has collective bargaining agreements with 31 unions representing approximately 12,000 employees. There have been no strikes or work stoppages during the last ten years.

Retirement Programs

Full-time employees are covered by one of the following retirement systems:

NUMBER OF EMPLOYEES AS OF DECEMBER 31, 2009	RETIREMENT SYSTEM
106	City of Seattle*
755	State of Washington—Law Enforcement Officers and Fire Fighters Retirement System ("LEOFF")
346	State of Washington—Public Safety Employees Retirement System ("PSERS")
All Others	State of Washington—Public Employees Retirement System ("PERS")

* Primarily Seattle-King County Health Department employees.

Source: *King County Finance and Business Operations Division—Financial Management and Payroll Systems and Operations Sections*

The County administers payroll deductions under these retirement programs and remits the deductions together with County contributions to the respective retirement systems annually. The County has met its funding obligations to these systems when they have come due. For more information on employee benefit plans, see Appendix B—Excerpts from the County's 2008 Comprehensive Annual Financial Report.

Post-Employment Benefits

In 2007, the County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* (GASB No. 45), which requires the County to accrue other post-employment benefits ("OPEB") expenses related to its post-retirement healthcare plan based on a computed annual required contribution ("ARC") that includes the current period's service cost and an amount to amortize unfunded accrued liabilities. For the year ended December 31, 2008, the County recognized a net OPEB liability of $15.1 million (of which $8.4 million was accrued in 2008) for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. See Appendix B—Excerpts from the County's 2008 Comprehensive Audited Financial Report.

For the purpose of its 2009 financial statements, the County engaged Healthcare Actuaries to prepare an actuarial study quantifying the County's OPEB liability as of December 31, 2009. For the year ended December 31, 2009, the County recognized a net OPEB obligation of $22.9 million (of which $7.8 million was accrued in 2009) for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45.

Risk Management and Insurance

The County has a separate division that is responsible for claims handling, insurance and loss control programs. The County has implemented a program of self-insurance to cover its (i) general and automobile liability, (ii) Health Department professional malpractice, (iii) police professionals, and (iv) public officials' errors and omissions. The County has excess liability coverage that currently provides $97.5 million in limits above a $2.5 million per occurrence self-insured retention for the above exposures, but must satisfy an annual "corridor" deductible of $1.0 million above the $2.5 million self-insured retention.

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

COVERAGE	LIMITS
Combined Property Damage and Extra Expense for covered County property (includes $100 million earthquake, $250 million flood, and $250 million terrorism)	$500 million
Airport Liability	$300 million
Airport Property Damage and Extra Expense for covered airport property (includes $50 million earthquake, $100 million flood, and $100 million terrorism)	$160 million
Fiduciary Liability	$10 million
Employee Dishonesty	$2.5 million
Police Helicopter Program	$50 million
Excess Workers' Compensation	Statutory above $2,500,000 deductible per occurrence
Marine Policies	$50 million

The cash balance in the Insurance Fund was $84.9 million as of December 31, 2009. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2009, was $62.6 million.

In addition to funding reserves for known and incurred, but not reported, cases, the County has adopted a plan to create catastrophic loss reserves to respond to large, non-recurring losses. As of December 31, 2009, $9.3 million of the $84.9 million cash balance in the Insurance Fund has been designated for catastrophic loss reserves.

County Fund Accounting

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

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

The County's obligation to pay debt service on its outstanding general obligation bonds is ultimately a pledge of property taxes and other revenues collected in both the General Fund and in the Limited Tax General Obligation Bond Debt Service Fund, in the case of its limited tax general obligation bonds. Therefore, while the revenue information presented in the following section is for all of the County's governmental funds, the focus of the Management Discussion of Financial Results is confined to the General Fund.

Major Revenue Sources (Governmental Funds Only)

The County's two major revenue sources for general County purposes are taxes and intergovernmental revenues. The General, Special Revenue and Debt Service Funds received approximately 97.9 percent of taxes and 94.8 percent of intergovernmental revenues in 2009. Taxes and intergovernmental revenues provided approximately 77 percent of the total revenue in the governmental funds of the County. Additional sources of revenue are licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues.

Taxes. The following table lists various taxes collected and deposited in the governmental funds of the County excluding the Flood Control Zone District Funds and the Ferry District Fund. A detailed description of each type of tax follows the table.

TAXES COLLECTED
AS OF DECEMBER 31
($000)

Source	2009 (1)	2008	2007	2006	2005
Real and Personal Property Tax	$ 567,955	$ 546,064	$ 497,799	$ 467,745	$ 446,100
Retail Sales and Use Tax(2)	126,769	135,224	106,143	96,467	90,069
Penalty and Interest on Property Taxes	17,679	15,740	15,611	15,323	14,901
Hotel/Motel Tax	16,892	20,702	20,493	18,233	15,702
Real Estate Excise tax	7,918	10,051	18,745	23,560	21,606
E-911 Excise Tax	16,483	16,152	15,513	15,436	14,615
Public Facilities District-Related Taxes	34,673	38,673	39,129	36,235	34,151
Other Taxes	12,777	15,064	19,049	16,953	15,154
Total	$ 801,146	$ 797,670	$ 732,482	$ 689,952	$ 652,298

(1) Preliminary unaudited.

(2) Excludes revenue generated by the 0.9 percent levy to support public transportation.

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

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

RETAIL SALES AND USE TAX. As of December 31, 2009, a sales and use tax of 9.5 percent was charged on all gross retail sales in the County within the boundaries of the Regional Transit Authority and 8.6 percent outside the boundaries (excluding food products for off-premise consumption and certain other exempt items). The resulting tax revenues are allocated 6.5 percent to the State, 0.9 percent to the County to support public transportation, 0.15 percent to the County and 0.85 percent to a city or town if the area is incorporated, or 1.0 percent to the County in unincorporated areas, 0.1 percent to cities within the County and to the County for criminal justice purposes, 0.9 percent collected within the boundaries of the Regional Transit Authority to fund the Regional Transit Authority, and 0.1 percent to the County for the purpose of providing new or expanded chemical dependency or mental health treatment services and for the operation of new or expanded therapeutic court programs.

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

HOTEL/MOTEL TAX. Under the authority of State legislation, the County levies a two percent excise tax on all transient lodging within the County. The tax is collected by the State through its sales tax program and distributed to the County. The revenue has been used for the payment of certain of the County's general obligation bonds.

This tax raised approximately $16.9 million in 2009 and approximately $20.7 million in 2008. The first $5.3 million generated by this tax has always been dedicated to payment of debt service related to the former County stadium, which was imploded in 2000. From January 1, 2001, through December 31, 2012, the taxes collected in excess of $5.3 million are allocated 30 percent to the payment of stadium-related debt service and 70 percent to cultural purposes. From January 1, 2013, through December 1, 2015, all such taxes are to be used to retire the debt on the former County stadium. From January 1, 2016, through December 31, 2020, all such taxes are to be retained by the State and to be used primarily to pay the debt service on bonds issued by the State to finance a new football stadium and exhibition hall.

REAL ESTATE EXCISE TAX. The County imposes a real estate excise tax of one half of one percent on property sales in unincorporated areas. This tax raised about $7.9 million in 2009 and $10.1 million in 2008. The funds are used for capital projects benefiting unincorporated area residents and parks in unincorporated parts of the County. The County's tax is in addition to the current State real estate excise tax of 1.28 percent. A portion of the revenue is used for the payment of certain of the County's general obligation bonds.

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

PUBLIC FACILITIES DISTRICT TAXES. The County levies additional taxes to pay the debt service on bonds issued by the County to provide funds for the construction of a baseball stadium and parking facilities by the Washington State Major League Baseball Stadium Public Facilities District. These taxes include additional food and beverage and car rental taxes, as well as a tax on stadium admissions. The County also receives a tax credit of 0.017 percent of the general sales taxes collected in the County which otherwise would be paid to the State.

OTHER TAXES. Other taxes include an automobile rental sales and use tax, business taxes, a leasehold excise tax, timber harvest tax, and gambling taxes.

Intergovernmental Revenue. The following table lists various intergovernmental revenues. A detailed description of each type of intergovernmental revenue follows the table.

VARIOUS INTERGOVERNMENTAL REVENUES
AS OF DECEMBER 31
($000)

Source	2009*	2008	2007	2006	2005
Grants	$ 191,203	$ 174,361	$ 167,068	$ 190,228	$ 181,867
Revenue Sharing	11,025	10,660	11,072	11,081	11,115
Gas Tax	14,177	14,734	15,594	15,298	14,435
Liquor Tax and Profits	1,719	1,694	1,749	1,718	1,445
Intergovernmental Payments	320,935	291,906	250,074	235,639	205,971
Public Facilities District-Related Lottery Allocation	4,995	4,803	4,618	4,441	4,270
Other Intergovernmental Revenue:	10,330	9,042	7,608	6,765	6,318
Total	$ 554,384	$ 507,200	$ 457,783	$ 465,170	$ 425,421

* Preliminary unaudited.

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

GRANTS. In 2009, operating, health, public employment, and capital improvement grants from the federal government, either directly or indirectly through the State or local governmental agencies, contributed an estimated $141.3 million in intergovernmental revenues to the County. As the following schedule shows, this comprised 73.9 percent of total 2009 grants. A total of 26.1 percent of estimated grant revenue was from the State.

2009 AND 2008 GRANT REVENUE
BY SOURCE AND FUNCTION
($000)

	2009*		2008	
	Actual	**Item as a Percent of Total Actual**	**Actual**	**Item as a Percent of Total Actual**
Federal				
General Government Services	$ 3,073	1.6%	$ 1,827	1.0%
Law, Safety and Justice	17,841	9.3	20,695	11.9
Physical Environment	6,136	3.2	5,440	3.1
Transportation	25,332	13.3	21,951	12.6
Economic Environment	28,289	14.8	21,803	12.5
Mental and Physical Health	60,392	31.6	55,712	32.0
Culture and Recreation	219	0.1	0	0.0
Total Federal	141,282	73.9%	127,428	73.1%
State				
General Government Services	310	0.2	0	0.0
Law, Safety and Justice	6,504	3.4	5,545	3.2
Physical Environment	6,624	3.5	4,234	2.4
Transportation	1,232	0.6	511	0.3
Economic Environment	2,079	1.1	1,482	0.9
Mental and Physical Health	33,124	17.3	35,161	20.1
Culture and Recreation	48	0.0	0	0.0
Total State	49,921	26.1%	46,933	26.9%
Total Grants	$ 191,203	100.0%	$ 174,361	100.0%

* Preliminary unaudited.

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

REVENUE SHARING. In 1996, the State Legislature passed the Public Health Improvement Plan, which included a new framework for allocating public health responsibility between the State and local governments and established a new financing mechanism for allocating funds to fulfill those responsibilities. The State began distributing motor vehicle excise taxes ("MVET") to the County for public health purposes in 1996. In 1999, Washington voters replaced the MVET, imposed by RCW 46.16, with a flat $30 license fee. In 2009, $9.6 million in MVET replacement funds were received by the County for Public Health purposes.

GAS TAX. Counties are entitled to 19.2287 percent of 23 cents of the State motor vehicle fuel tax collected by the State, less amounts for State supervision and studies and amounts withheld for the County Road Administration Board (RCW 46.68.090(2)(h)). The motor vehicle fuel tax is allocated to counties by the County Road Administration Board according to a formula based on population, needs and financial resources. The County received 9.9022 percent of the tax distributed to counties in 2009.

In addition, the County Road Administration Board program allocates funds to the County for the construction of arterial streets in urban areas. The State's County Arterial Preservation Program receives 1.9565 percent of the 23 cents of the State motor vehicle fuel tax (RCW 46.68.090(2)(i)). The

County received 4.456 percent and 4.435 percent of these funds in 2008 and 2009, respectively, based on the County's share of State-wide arterial preservation funds.

Effective July 1, 2005, the State Legislature increased the state motor vehicle fuel tax by three cents per gallon State-wide and allowed 8.33 percent of the three cents for counties. This translates to approximately a 1/4-cent increase for counties beginning in 2005. An additional 1/4-cent increase became effective for counties on July 1, 2006.

LIQUOR TAX AND PROFITS. A county's share of State Liquor Excise Taxes and State Liquor Board profits is based on four variables: (i) the county's unincorporated population, (ii) total unincorporated population in the balance of the State, (iii) liquor sales, and (iv) Liquor Board profits. Counties are entitled to ten percent of the Liquor Board profits, which, together with 20 percent of the money made available from the liquor excise tax, is allocated among the counties on the basis of each county's proportion of the total unincorporated population in the State.

INTERGOVERNMENTAL PAYMENTS. These are payments made to one unit of government for performing a service that is a statutory responsibility of another unit of government. In 2009, these payments were primarily related to the County's provision of mental health, public health, law enforcement, jail, and flood control services.

PUBLIC FACILITIES DISTRICT LOTTERY ALLOCATION. The State granted authority to the State Lottery Commission to issue two to four scratch games with sports themes per year. Since 1996, lottery revenues of $3 million, plus an additional four percent per year, have been allocated to the County and committed to debt service on the limited tax general obligation bonds issued by the County for the baseball stadium.

OTHER INTERGOVERNMENTAL REVENUE. Other sources of intergovernmental revenue include distributions from the State for criminal justice purposes and criminal justice costs related to aggravated murder cases, vessel registration fees and other miscellaneous items.

Investment Policy

A summary of the County's investment policy, including the definitions of certain terms used herein, is included as Appendix C.

Operating Deficits

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

Financial Results

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

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

	2008	2007	2006	2005	2004
ASSETS					
Cash and cash equivalents	$ 43,815	$ 86,877	$ 122,561	$ 124,658	$ 97,003
Taxes receivable - delinquent	6,460	5,789	5,949	6,158	6,165
Accounts receivable	73,817	75,941	71,717	66,081	61,956
Estimated uncollectible accounts receivable	(64,742)	(67,510)	(63,944)	(59,007)	(54,528)
Interest receivable	18,941	26,150	10,415	9,470	10,110
Due from other funds	11,282	9,921	9,907	11,111	12,670
Interfund short-term loans receivable	11,548	4,475	7,612	19,124	6,483
Due from other governments	37,377	43,230	35,549	37,441	29,243
Estimated uncollectible due from other governments	(157)	(264)	(738)	(272)	(296)
Advances to other funds	3,800	3,800	3,800	3,800	300
TOTAL ASSETS	$ 142,141	$ 188,409	$ 202,828	$ 218,564	$ 169,106
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	$ 8,792	$ 8,400	$ 10,138	$ 7,001	$ 6,735
Due to other funds	3,456	8,079	7,222	3,213	3,298
Due to other governments	234	3,086	1,351	398	237
Wages payable	19,075	14,388	13,149	12,803	11,808
Taxes payable	112	200	152	122	117
Deferred revenues	11,781	11,706	11,402	11,443	11,910
Obligations under reverse repurchase agreements	0	0	13,228	36,495	9,226
Custodial accounts	866	1,002	1,222	1,598	1,317
Advances from other funds	600	900	1,200	1,500	1,500
Total Liabilities	$ 44,916	$ 47,761	$ 59,064	$ 74,573	$ 46,148
Fund Balance					
Reserved for encumbrances	$ 7,087	$ 10,130	$ 11,193	$ 7,545	$ 5,100
Reserved for advances to other funds	3,800	3,800	3,800	3,800	300
Reserved for animial services	66	562	503	450	402
Reserved for crime victim compensation program	95	65	66	268	717
Reserved for drug enforcement program	1,587	780	147	100	39
Reserved for antiprofiteering program	95	95	195	295	393
Reserved for dispute resolution	157	105	93	83	96
Reserved for inmate welfare	1,326	954	466	432	433
Reserved for laptop replacement	0	292	292	353	310
Reserved for real property title assurance	25	25	25	25	25
Reserved for criminal justice	1,826	10,538	7,439	5,342	0
Unreserved; designated for:					
Capital projects	5,268	4,534	3,636	7,013	2,536
Reappropriation	280	588	0	3,550	1,452
Net unrealized gains	0	0	0	0	0
Contingencies	0	15,903	15,704	15,276	15,058
Children and family services programs	1,848	2,294	3,890	2,842	2,376
Unreserved and undesignated	73,765	89,983	96,315	96,617	93,721
Total Fund Balance	$ 97,225	$ 140,648	$ 143,764	$ 143,991	$ 122,958
TOTAL LIABILITIES AND FUND BALANCE	$ 142,141	$ 188,409	$ 202,828	$ 218,564	$ 169,106

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

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

	2008	2007	2006	2005	2004
REVENUES					
Property taxes	$ 258,417	$ 250,348	$ 239,421	$ 233,330	$ 231,937
Penalties and interest - delinquent taxes	15,740	15,611	15,322	14,901	16,790
Sales, excise and other taxes	109,596	119,823	108,591	100,795	81,711
Licenses and permits	7,045	7,133	6,770	6,397	6,106
Federal grants	10,475	11,615	9,020	10,423	11,181
State grants	2,278	2,307	2,217	2,160	2,634
Entitlements and shared revenues	9,592	8,571	7,741	7,374	2,731
Intergovernmental services	68,055	63,975	64,170	56,842	55,531
Charges for services	108,400	110,413	101,952	96,793	90,139
Fines and forfeits	9,064	9,292	7,809	6,122	7,106
Interest earnings	15,313	17,706	23,191	15,498	10,023
Rents and royalties	10,821	11,530	10,425	9,838	9,887
Other miscellaneous revenues	2,693	3,668	1,872	3,492	2,190
TOTAL REVENUES	$ 627,489	$ 631,992	$ 598,501	$ 563,965	$ 527,966
EXPENDITURES					
Current					
Personal services	$ 415,311	$ 390,241	$ 366,693	$ 338,273	$ 315,098
Supplies	13,771	13,759	12,977	10,909	10,078
Contract services and other charges	88,068	85,855	79,200	70,207	68,290
Contributions	1,944	4,105	1,832	1,629	1,136
Interfund service support	78,135	72,010	68,154	61,629	52,632
Debt service	0	0	0	1	0
Capital outlay	607	2,396	1,948	1,987	1,448
TOTAL EXPENDITURES	$ 597,836	$ 568,366	$ 530,804	$ 484,635	$ 448,682
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 29,653	$ 63,626	$ 67,697	$ 79,330	$ 79,284
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	$ 139	$ 570	$ 75	$ 73	$ 381
Transfers in	5,272	72	236	252	427
Transfers out	(78,487)	(67,384)	(68,235)	(57,607)	(53,382)
TOTAL OTHER FINANCING SOURCES (USES)	$ (73,076)	$ (66,742)	$ (67,924)	$ (57,282)	$ (52,574)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (43,423)	$ (3,116)	$ (227)	$ 22,048	$ 26,710
FUND BALANCE - JANUARY 1 (RESTATED)	140,648	143,764	143,991	121,943	96,248
FUND BALANCE - DECEMBER 31	$ 97,225	$ 140,648	$ 143,764	$ 143,991	$ 122,958

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

GENERAL GOVERNMENT FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE [1]
(Years Ended December 31) ($000)

	2008	2007	2006	2005	2004
REVENUES					
Taxes	$ 830,891	$ 703,810	$ 656,957	$ 622,837	$ 602,353
Licenses and permits	23,384	30,765	24,654	22,477	25,920
Intergovernmental revenues	477,595	428,014	414,789	391,977	390,007
Charges for services	219,761	230,251	213,719	214,038	209,157
Fines and forfeits	9,454	9,612	8,084	6,362	7,349
Interest earnings	24,274	24,417	31,776	20,520	13,249
Miscellaneous revenues	24,467	28,794	23,637	21,044	19,170
TOTAL REVENUES	$ 1,609,826	$ 1,455,663	$ 1,373,616	$ 1,299,255	$ 1,267,205
EXPENDITURES					
Current					
General government services [2]	$ 112,908	$ 109,959	$ 101,903	$ 115,632	$ 92,845
Law, safety and justice [3]	534,237	496,374	466,949	429,411	423,495
Physical environment [4]	73,732	46,709	42,817	41,620	41,522
Transportation [5]	87,999	77,668	74,728	63,063	61,494
Economic environment [6]	84,002	83,554	78,552	73,987	72,733
Mental and physical health [7]	415,840	381,745	361,252	339,361	331,711
Culture and recreation [8]	41,822	36,219	32,153	27,174	27,065
Total Current	$ 1,350,540	$ 1,232,228	$ 1,158,354	$ 1,090,248	$ 1,050,865
Debt Service [9]					
Redemption of long-term debt	$ 78,796	$ 86,935	$ 79,942	$ 75,985	$ 63,173
Interest and other debt service costs	38,565	41,616	46,574	51,193	61,107
Payment to escrow agent	14,946	12,000	17,993	0	0
Total Debt Service	$ 132,307	$ 140,551	$ 144,509	$ 127,178	$ 124,280
Capital Outlay [10]					
Capital projects	$ 32	$ 49	$ 31	$ 963	$ 1,635
Capitalized expenditures	12,697	9,250	10,077	8,460	5,380
Capitalized expenditures - capital leases	0	0	0	184	265
Total Capital Outlay	$ 12,729	$ 9,299	$ 10,108	$ 9,607	$ 7,280
TOTAL EXPENDITURES	$ 1,495,576	$ 1,382,078	$ 1,312,971	$ 1,227,033	$ 1,182,425
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 114,250	$ 73,585	$ 60,645	$ 72,222	$ 84,780
OTHER FINANCING SOURCES (USES)					
General obligation bonds issued	$ 0	$ 0	$ 1,568	$ 0	$ 0
General long-term debt - capital leases	0	0	0	184	265
Refunding bonds issued	0	54,565	38,330	22,510	102,315
Premium on bonds sold	0	2,973	1,633	2,112	12,027
Sale of capital assets	732	2,773	151	791	1,313
Transfers in	90,754	71,551	65,973	46,722	45,320
Transfers out	(168,299)	(129,766)	(120,634)	(102,346)	(95,179)
Payment to refunded bond escrow agent	0	(57,133)	(39,579)	(24,360)	(107,317)
TOTAL OTHER FINANCING SOURCES (USES)	$ (76,813)	$ (55,037)	$ (52,558)	$ (54,387)	$ (41,256)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ 37,437	$ 18,548	$ 8,087	$ 17,835	$ 43,524
FUND BALANCE - JANUARY 1 - RESTATED	$ 336,644	$ 318,096	$ 310,034	$ 292,199	$ 249,761
FUND BALANCE - DECEMBER 31	$ 374,081	$ 336,644	$ 318,121	$ 310,034	$ 293,285

FOOTNOTES TO TABLE:

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

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

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

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

(5) Road construction and maintenance and traffic planning.

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

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

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

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

(10) Capital project and other capital expenditures, of which some will be capitalized in the general fixed asset account group.

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

Management Discussion of Financial Results

Revenues. Revenues to the General Fund grew slightly more than 1.0 percent between 2008 and 2009 after essentially no growth the prior year. Revenues from property taxes and other sources, such as contract payments, increased, while revenues from sales taxes decreased due to the national recession and the effect of annexations. General Fund revenues grew 6.7 percent, 6.1 percent, 6.8 percent, and 4.9 percent, in 2007, 2006, 2005, and 2004, respectively.

Two factors accounted for the slow General Fund revenue growth in 2008 and 2009: the effects of the national and regional recessions and tax limitation measures. The Puget Sound area's economy performed better than the State or the nation as a whole, but still experienced the most severe recession since the early 1970s. As of March 2010, the seasonally adjusted unemployment rate was 8.5 percent in the Seattle metropolitan area, compared with 9.5 percent for the State and 9.7 percent for the nation. The region's relatively better performance was driven by the strength of major industry sectors, including aerospace, software, and health services. Housing prices in the region declined, but the downturn was not as severe as in many other metropolitan areas.

Tax Limitation Legislation and Initiatives. Future property tax revenue growth will remain low due to State legislation limiting annual property tax revenue growth to the lesser of inflation or one percent, plus new construction, without voter approval.

Annexations and Incorporations. In 2009, the State Legislature expanded a credit against the State sales tax for annexing cities that is expected to aid the County's efforts to move all urban unincorporated residents into cities. Under both the previous and the expanded legislation, cities that annex areas with over 10,000 residents would be eligible for the credit, which is effectively a sales tax rate of 0.1 percent, applied in both the newly annexed area and within the prior city boundaries. Annexations of over 20,000 residents are eligible for a credit of 0.2 percent. The credit is available for a period of ten years, although the date by which an annexation must occur is 2015. Under the expanded legislation, the City is now eligible to impose a reduced credit following successful annexation, and the City of Bellevue is eligible for a 0.1 percent credit in the event an area with fewer than 10,000 residents is successfully annexed. An additional 0.1 percent credit, on top of the 0.2 percent credit already authorized, is now available to cities that have commenced an annexation of enough areas prior to 2010.

In the August 2009 election, 55 percent of voters approved the annexation of a significant portion of North Highline to the City of Burien. This annexation became effective on April 1, 2010. The annexation area has approximately 14,350 residents.

In November 2009, residents of the Juanita, Finn Hill and Kingsgate neighborhoods approved annexation to the City of Kirkland by 56.23 percent of the vote. Although a measure to assume Kirkland's bonded indebtedness narrowly failed, the Kirkland City Council agreed to the annexation without this condition. The annexation will be effective as of June 1, 2011.

Also in November 2009, the residents of the Panther Lake neighborhood approved annexation to the City of Kent by 56.44 percent of the vote. The proposed annexation area has approximately 20,000 residents. The effective date for this annexation is July 1, 2010.

Annexations of the Fairwood neighborhood in southeast King County and the remainder of the North Highline neighborhood between Burien and Seattle are currently being considered.

With continued urbanization of unincorporated areas in the County and the implementation of the State's Growth Management Act, more areas are expected to pursue annexation to existing cities or incorporation as new cities. The fiscal impacts of annexation and incorporation on the County depend on the revenue-generating capacity of an area compared with its service demands. Many of the remaining unincorporated urban areas of the County do not have significant commercial activity and sales tax revenues, although these areas do have relatively high service demands.

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

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

The County's fiscal policies provide that the undesignated balance for the General Fund be maintained between six percent and eight percent of estimated annual revenues. This fund balance has been maintained above six percent each year without exception over the last two decades.

The County also continues to maintain a \$15.7 million balance in the Rainy Day Reserve Fund, which was first established in 2008. Use of this fund requires a declaration of emergency by the County Council.

Enterprise Funds. The County has four enterprises that fund operations from sources other than the General Fund: the Transit, Water Quality, Solid Waste, and Airport Enterprise Funds. Each enterprise functions under different fiscal policies designed to make it self-sustaining with minimal risk that General Fund subsidies will be necessary during financial hardship.

2010 Adopted Budget

The County Council adopted the 2010 budget on November 23, 2009. The budget totals \$4.8 billion (including double-budgeted expenditures).

The 2010 Adopted Budget includes \$627.2 million in the General Fund and addressed an estimated \$56.4 million General Fund shortfall. Reserves totaling \$7.4 million are established to address anticipated extraordinary future costs for pension benefits and preparation for a potential Green River flood. As noted above, the Rainy Day Reserve Fund and the target undesignated ending fund balance were maintained.

The budget utilizes 30 percent of newly available Mental Illness and Drug Dependency ("MIDD") revenue to relieve pressure on the General Fund by supporting existing mental health and drug dependency programs. This level of support is available for three years, after which MIDD revenue can no longer supplant funding for existing programs.

The 2010 budget includes reductions in some optional County services, such as animal control. The County is working with cities to create new funding models for these services. As of April 2010, approximately half the cities served by the animal control program have entered into contracts for service or have indicated they intend to do so. Others are still considering their options.

Despite prudent cost cutting measures, additional deficits are forecast for 2011 and 2012. Absent a new funding structure for counties, the County will be left with no choice but to seek additional reductions to functions such as criminal justice, public health, and basic governmental services in order to balance the 2011 budget.

The 2010 adopted budget includes an additional $1,622.5 million for transit, solid waste and wastewater treatment (enterprise funds—includes biennial expenditures for transit), $1,131.9 million for public health, emergency medical services, human services and roads (special revenue funds), and $594.9 million allocated to capital improvements for roads, parks and other major public facilities (includes biennial expenditures for transit).

In early March 2010, the County Executive launched a new program to reduce the growth rate of all County expenses to approximately the rate of inflation and population growth over the next few years. This initiative includes several specific actions. One action is to create a new executive Office of Labor Relations to bargain contracts. The County Executive and County Council will identify bargaining interests in advance of negotiations with unions. Another action is to implement the first-ever Countywide Strategic Plan, which identifies specific objectives and performance measures for County programs. The plan was transmitted to the County Council on April 29, 2010. A third action was to implement a series of short-term cost reduction measures, including a continued hiring freeze, vehicle utilization review, and out-of-state travel ban. This last set of actions is intended to reduce 2010 costs and create options for permanent reductions in the 2011 budget.

King County Investment Pool

The King County Investment Pool (the "Pool") invests cash reserves for all County agencies and approximately 100 special districts and other public entities such as fire, school, sewer and water districts and other public authorities. It is one of the largest investment pools in the State, with an asset balance of about $4.1 billion. On average, County agencies comprise 40 percent of the pool and outside districts 60 percent, with assets of the County's Sewer System comprising approximately five percent of the balance in the pool.

The Committee establishes County investment policies and oversees the investment portfolio to ensure that specific investments comply with both those investment policies and State law. The Pool is only allowed to invest in certain types of highly-rated securities, including certificates of deposit, U.S. treasury obligations, federal agency obligations, municipal obligations, repurchase agreements and commercial paper. The Pool has averaged almost a five percent rate of return over the past 15 years.

As a result of unprecedented turmoil and uncertainty in global credit markets surfacing in late August 2007, the County halted all purchases of commercial paper. In early September 2007, the County commissioned an outside financial consultant, Public Financial Management ("PFM"), to review the Pool's remaining investments in commercial paper and make recommendations going forward. PFM validated the County's strategy of halting the purchase of any new commercial paper and recommended holding remaining assets to their maturity dates, while monitoring new developments in the commercial paper markets.

In early 2008, the Pool held four impaired commercial paper investments in its portfolio with an outstanding par value of $207 million. For three of the four impaired investments (Cheyne, Rhinebridge and Mainsail), the County participated in restructuring auctions in 2008 and has recovered a total of $75.2 million, or about 50 percent of the adjusted par value of these securities. Since December 2008, the County has been receiving monthly *pro rata* cash payments from the receiver of Victoria, the County's last remaining impaired commercial paper investment, totaling about $16.8 million through April 2010. These cash payments have reduced the County's outstanding principal value in Victoria from $52.9 million (adjusted par value) to $36.1 million.

In September 2009, the County completed the restructuring process for Victoria and, based on consultations with legal and financial experts representing the County, elected to participate in an "Exchange Offer" in which the County's *pro rata* share of assets in Victoria are transferred to a new company titled VFNC Trust. The financial analysis indicated that the Exchange Offer may result in a potential recovery in the range of $26.3 million to $40.4 million, which accounts for cash collected to date and the bulk of anticipated monthly cash flow payments expected over the next five to six years (with some cash receipts extended beyond this time). The VFNC Trust investment will replace Victoria in the "impaired pool," and it will continue to be separated from the larger "performing pool." The impaired pool was established in 2008 by the County to help account for the recovery of funds from the various restructuring auctions and post-auction residual cash payments.

The County has asked PFM to conduct quarterly reviews of all assets in the pool. In its most recent assessment, dated March 31, 2010, PFM concluded that "the county's investment pool is of sound credit quality, well diversified, and appears to provide ample liquidity. Nearly all assets are rated at the highest quality and pose minimal risk to principal." The most recent portfolio review can be obtained at the following web site link:

http://www.kingcounty.gov/operations/Finance/Treasury/InvestmentPool.aspx.

Standard & Poor's ("S&P") first rated the Pool in 2005 and granted the Pool its highest rating of AAAf. In mid-January 2008, S&P took the temporary action of suspending its rating of the Pool with the understanding that the County could request a restored rating by separating any impaired investments into an impaired pool, which the County subsequently completed. S&P has since modified its rating criteria for investment pools, and the County is reconsidering the benefits and costs associated with a pool rating. The County is also in the process of upgrading its investment system software, which will be a component of any new pool rating. The County will make a final decision regarding pursuit of a new pool rating after it completes the installation of the new investment system software, expected by the end of the second quarter of 2010.

INITIATIVE AND REFERENDUM

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the Legislature and then, if not enacted, to the voters) and require the Legislature to refer legislation to the voters through the power of referendum. Any law approved through the power of initiative by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws. The Washington State Constitution may not be amended by initiative.

Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election.

In recent years, several state-wide initiative petitions to repeal or reduce the growth of taxes and fees, including County taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts. Tax and fee initiative measures continue to be filed, but it cannot be predicted whether any such initiatives might gain sufficient signatures to qualify for submission to the Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Under the County Charter, County voters may initiate County legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the County Council from becoming law. The County Charter also permits legislation to be proposed by at least one half of the cities in the County.

Future Initiatives and Legislative Action

Additional initiative petitions may be filed in the future. The County cannot predict whether any such initiatives will qualify to be submitted to the voters or, if submitted, will be approved. Likewise, the County cannot predict what actions the Legislature might take, if any, regarding any future initiatives approved by the voters.

LEGAL AND TAX INFORMATION

Litigation

There is no litigation pending questioning the validity of the Notes or the power and authority of the County to issue the Notes.

The County is party to litigation in its normal course of business. The excerpts from the County's 2008 Comprehensive Annual Financial Report attached as Appendix B include Note 17 concerning non-tort legal matters. As to tort litigation, the County and its agencies are a party to litigation involving tort claims. Information under the heading "King County—Risk Management and Insurance" herein describes the County's self insurance program and the insurance policies that cover pending tort litigation. The County expects that the amount of the Insurance Fund and County insurance coverage, together with routinized budget practices, are sufficient to cover all costs associated with known tort litigation pending. Although the County cannot predict the amount of damages that may be payable, if any, in its litigation, the County does not believe that any pending litigation would materially adversely affect the ability of the County to pay when due the principal of or interest on the Notes.

Recent Developments in Non-Tort Litigation

The following provides additional information concerning two lawsuits identified in Note 17 to the excerpts from the County's 2008 Comprehensive Annual Financial Report attached as Appendix B.

Dolan v. King County. In this case, a public defender sued the County on behalf of a class of employees alleging that he should have been enrolled in the State retirement system. The Pierce County Superior Court (the "Court") has certified a class of approximately 400 public defender attorneys and staff who had worked for four nonprofit public defender entities under contract with the County within three years prior to filing the complaint (*i.e.*, since January 24, 2003). The County has vigorously defended the action, denying liability and damages.

On February 9, 2009, the Court issued a written opinion stating that "the Plaintiff and the class he represents should be enrolled in the PERS Retirement System." On April 19, 2009, the Court certified that its February 9, 2009, written decision involved "a controlling issue of law as to which there is substantial ground for a difference of opinion" and indicated that "immediate review by an appellate court" would assist the Court in resolving the litigation. The Court also stayed further action in the matter in the superior court. The County filed a motion for discretionary review with the State Supreme Court on May 8, 2009. The State Supreme Court granted the County's motion for discretionary review, and the parties have submitted their briefing to the Court. The State Supreme Court has not set a date for oral argument.

Cedar River Water and Sewer District v. King County. In August 2008, the Cedar River and Soos Creek Water and Sewer Districts filed a lawsuit in the Pierce County Superior Court alleging that certain Sewer System expenditures constitute a breach of the basic sewage disposal agreement and violate the King County Charter and the local government accounting statute, RCW 43.09.210. Plaintiffs are asking that these expenditures be repaid by the County general fund to the Water Quality Enterprise Fund and from the Water Quality Enterprise Fund to the Plaintiffs and participating defendants. The County disagrees with the districts' allegations and is vigorously defending this lawsuit. Thus far, the parties have filed multiple motions and cross-motions for partial summary judgment which, when taken together, would decide each of the issues in the case. The Court has ruled in favor of the County on two of the motions. As to the other issues, the Court ruled that there are issues of fact which must be resolved at trial. Trial is scheduled to commence on October 4, 2010.

Although the County cannot estimate the amount of damages that may be payable pursuant to this litigation, if any, the County does not believe that the amount of any such damages would materially adversely affect the ability of the County to make payments on the Bonds when due.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of the Notes by the County are subject to the unqualified approving legal opinion of Gottlieb Fisher PLLC, Seattle, Washington, Bond Counsel. A form of the opinion of Bond Counsel is attached to this Preliminary Official Statement as Appendix A.

Conflicts of Interest

The fees of Bond Counsel are contingent upon the sale of the Notes.

Tax Exemption

In the opinion of Gottlieb Fisher PLLC, Bond Counsel, as of the Date of Issue and assuming compliance by the County with the applicable requirements of the Code that must be met subsequent to the issuance of the Notes, under existing federal law, interest on the Notes is excludable from gross income for federal income tax purposes and is not subject to the federal alternative minimum tax imposed on individuals and corporations.

Continuing Requirements. The Code contains certain requirements that must be satisfied subsequent to the issuance of the Notes in order to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes, including requirements relating to application of the proceeds of the Notes, use of facilities financed with such proceeds, limitations on income derived from the investment of gross proceeds of the Notes (as defined in Section 148 of the Code), and rebate to the United States Treasury of certain investment earnings on such gross proceeds. The County has covenanted to comply with these requirements. However, if the County should fail to comply with such requirements, interest on the Notes could become includable in gross income for federal income tax purposes and could become subject to the federal alternative minimum tax imposed on individuals and corporations, in each case, retroactive to the Date of Issue. Bond Counsel does not undertake to monitor the County's compliance with such requirements.

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

Continuing Disclosure Undertaking

In accordance with paragraph (b)(5)(i)(c) of the Rule, the County has agreed pursuant to the Sale Motion to the following written undertaking for the benefit of the Owners and Beneficial Owners of the Notes (the "Undertaking").

Material Events. The County further agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of the occurrence of any of the following events with respect to the Notes, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the Notes;

(vii) modifications to the rights of Noteholders;

(viii) optional, contingent or unscheduled calls of any Notes other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Notes; and

(xi) rating changes.

Solely for purposes of disclosure and not intending to modify this undertaking, the County advises with reference to items (iii) and (x) that no debt service reserves secure payment of the Notes and no property secures repayment of the Notes.

Electronic Format; Identifying Information. The County agrees that all documents provided to the MSRB pursuant to this undertaking will be provided in an electronic format and accompanied by identifying information, each as prescribed by the MSRB.

Termination of Undertaking. The County's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance or payment in full of the Notes. These obligations, or any provision hereof, shall be null and void if the County:

(i) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require these obligations, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Notes; and

(ii) notifies the MSRB of such opinion and the cancellation of these obligations.

Remedies, Beneficiaries. A Noteowner's or Beneficial Owner's right to enforce the provisions of the Undertaking shall be limited to a right to obtain specific enforcement of the County's obligations under the Sale Motion, and any failure by the County to comply with the provisions of the Undertaking shall not be an event of default with respect to the Notes. For purposes of this section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note, including persons holding Notes through nominees or depositories.

Prior Compliance. The County has entered into written undertakings under the Rule with respect to all of its obligations subject thereto. In 2008, the County filed its 2007 CAFR on August 5th, five days later than the seven-month deadline included in its undertakings. With this exception, the County believes that it has complied with the obligations contained within its undertakings and is currently in compliance with all such undertakings.

OTHER NOTE INFORMATION

Ratings

The Notes have been rated "_____," "____" and "____" by Moody's Investors Service, Fitch Ratings and Standard & Poor's, a Division of The McGraw-Hill Companies, respectively. The ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from each rating agency. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Notes.

Financial Advisor

The County has retained Seattle-Northwest Securities Corporation, Seattle, Washington, as financial advisor (the "Financial Advisor") in connection with the preparation of the County's financing plans and with respect to the authorization and issuance of the Notes. The Financial Advisor is not obligated to undertake and has not undertaken to make any independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Seattle-Northwest Securities Corporation is a full service investment banking firm that provides financial advisory and underwriting services to state and local governmental entities in the Pacific Northwest. While under contract to the County, the Financial Advisor may not participate in the underwriting of any County debt.

Purchaser of the Notes

The Notes are being purchased by _________________ (the "Purchaser") at a price of $______________, and will be reoffered at a price of $_____________, as set forth on the cover of this Official Statement. The Purchaser may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts) and others at prices lower than the initial offering price set forth on the inside cover hereof, and such initial offering price may be changed from time to time, by the Purchaser. After the initial public offering, the public offering price may be varied from time to time.

Official Statement

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the County and the purchasers or holders of any of the Notes. The information contained in this Official Statement is presented for the guidance of prospective purchasers of the Notes described herein. The information has been compiled from official sources and, while not guaranteed by the County, is believed to be correct.

At the time of the delivery of the Notes, one or more officials of the County will furnish a certificate stating that to the best of his or her knowledge and belief at the time of delivery of the Notes, this Official Statement and supplemental information furnished by the County did not and does not contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in any material respect.

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

KING COUNTY, WASHINGTON

By: ____

Ken Guy
Director of Finance and Business Operations Division

APPENDIX A

FORM OF BOND COUNSEL OPINION

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Form of Approving Opinion of
Gottlieb Fisher PLLC
Bond Counsel to the County

[Date of Issue]

County Executive and County Council
King County, Washington
Seattle, Washington 98104

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

$__________
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION
BOND ANTICIPATION NOTES, 2010
Dated: [Date of Issue]

The Notes are issued under and in accordance with the provisions of chapters 36.67, 39.46 and 39.50 RCW; the County Charter; and County Ordinance 16785 (the "Note Ordinance") and Motion _____ of the Metropolitan King County Council (the "Sale Motion" and, together with the Note Ordinance, the "Note Legislation"). The Notes are issued to provide interim financing for the ABT Project, including costs and expenses incurred in issuing the Notes. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Note Ordinance.

The Notes, in the aggregate principal amount of $__________, are issued as fully registered notes under a book-entry only system, in the denomination of $5,000 each or any integral multiple thereof. The Notes mature on June 15, 2011, and bear interest at the rate of ____% per annum, payable at maturity.

The Notes are not subject to redemption prior to maturity.

In rendering this opinion letter, we have examined the following: (i) the Note Legislation; (ii) a copy of one executed and authenticated Note (we assume that all other Notes are in the same form and have been similarly executed and authenticated); and (iii) the certified proceedings of the County and other certificates of public officials and representatives of the

County and __________________ (the "Underwriter") that have been furnished to us and which comprise the transcript of proceedings (the "Transcript") pertaining to the issuance of the Notes.

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

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

1. The Notes are lawfully authorized and issued pursuant to and in full compliance with the Constitution and applicable statutes of the State, the County Charter and the Note Ordinance.

2. The Notes are legal, valid and binding limited tax general obligations of the County, enforceable against the County in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, and also to the exercise of judicial discretion in accordance with general principles of equity.

3. The County has irrevocably covenanted in the Note Ordinance that, for as long as the Notes are outstanding and unpaid, each year it will include in its budget and levy an *ad valorem* tax within the constitutional and statutory tax limitations provided by law without a vote of the people upon all the property within the County subject to taxation in an amount that will be sufficient, together with all other revenues, taxes and money of the County legally available for such purposes, to pay the principal of and interest on the Notes as the same shall become due. The County has irrevocably pledged its full faith, credit and resources for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Notes as the same shall become due.

4. Assuming compliance by the County with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Notes, under existing federal law, interest on the Notes is excludable from gross income for federal income tax purposes and is not subject to the federal alternative minimum tax imposed on individuals or corporations.

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

The Code contains certain requirements that must be satisfied subsequent to the issuance of the Notes in order to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes, including requirements relating to application of the proceeds of the Notes, use of facilities financed with such proceeds, limitations on income derived from the investment of gross proceeds of the Notes (as defined in Section 148 of the Code), and rebate to the United States Treasury of certain investment earnings on such gross proceeds. The County has covenanted to comply with these requirements to the extent applicable, and the opinion expressed in paragraph 4 assumes such compliance. However, we have not undertaken and do not undertake to monitor compliance by the County with such requirements; and if the County should fail to comply with such requirements, interest on the Notes could become includable in gross income for federal income tax purposes and could become subject to the federal alternative minimum tax imposed on individuals and corporations, in each case, retroactively to the date of issue of the Notes.

We have not been engaged to participate in the preparation or review of, or express any opinion concerning the completeness or accuracy of, the official statement or other disclosure documentation used by any person in connection with the offer or sale of the Notes, and thus express no opinion concerning the completeness or accuracy thereof.

Copies of this opinion letter may be delivered to the owners of the Notes, who may rely on this opinion letter as if it were addressed to them on the date hereof. Subject to the foregoing, this opinion letter may be relied upon by you only in connection with the issuance of the Notes and may not be used or relied upon by you or any other person for any other purpose whatsoever, without in each instance our prior written consent. We expressly disclaim any responsibility to advise you or any Note owners of any developments in areas covered by this opinion letter that occur after the date hereof.

Respectfully submitted,

GOTTLIEB FISHER PLLC

By

Daniel S. Gottlieb

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APPENDIX B

EXCERPTS FROM THE COUNTY'S 2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

October 19, 2009

Council
King County
Seattle, Washington

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 the King County, Washington, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Building Development and Management Corporations fund which represents 12 percent, -0.5 percent, and 0 percent, respectively of the assets, net assets and revenues of the governmental activities, and 6 percent, 0 percent and 1 percent, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Building Development and Management Corporations fund, is based on the report 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 of material misstatement. The financial statements of the Building Development and Management Corporations fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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 the King County, Washington, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Public Health funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2008, the County implemented Governmental Accounting Standards Board Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations.

In accordance with *Government Auditing Standards*, we will also issue our report dated October 19, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 19, infrastructure modified approach information on pages 122 through 124 and information on postemployment benefits other than pensions on page 124 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 125 through 230 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of King County's (the County) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2008. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

- As of December 31, 2008, the assets of the County exceeded its liabilities by $4,141.2 million (net assets). Because all of the County's net assets are either invested in capital assets or restricted as to use, the combined unrestricted net assets showed a $320.3 million deficit at the end of the year.
- In 2008 the County's total net assets increased by 5.7 percent or $222.5 million. The governmental net assets increased by 7.0 percent or $126.2 million, and the business-type net assets increased by 4.5 percent or $96.3 million.
- As of December 31, 2008, the County's governmental funds reported combined ending fund balances of $516.6 million. Approximately 78.8 percent or $407.0 million is unreserved fund balance available for spending at the government's discretion within the purposes specified for the County's funds.
- At the end of 2008 the unreserved, undesignated fund balance for the General Fund was $73.8 million, amounting to 12.3 percent of total General Fund expenditures for 2008. Total fund balance for the General Fund decreased 30.9 percent or $43.4 million for the year.
- The County's total bonded debt increased by 4.1 percent or $147.8 million in 2008 due to new bond issuance of $398.8 million offset by $128.1 million of debt service principal payments and $114.7 million of early principal payments made during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business. The statements provide short-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. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses, taking into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The **statement of net assets** presents all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement 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 and sick leave.

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

Governmental activities. The activities in this section are principally supported by taxes and intergovernmental revenues. Most of the County's basic services fall into this category, including general government; law, safety and justice; physical environment; transportation; economic environment; mental and physical health; culture and recreation; and debt service. Also included within the governmental activities are the 2008 operations of the County's flood control zone district and ferry district. Although legally separate from the County, these component units are blended with the primary government (King County) because of their governance relationship with the County. Four Washington state nonprofit corporations, each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings, are reported as blended component units of the County. A single internal service fund, the Building Development and Management Corporations Fund, is used to blend the four nonprofit corporations' activities and balances with the primary government.

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 of goods and services. These business-type activities include the operation of the County's public transportation system, wastewater treatment facilities, solid waste disposal facilities, airport, and other services.

Discretely presented component units. The government-wide financial statements include not only King County itself as the primary government, but also six legally separate entities for which the County is financially accountable: the Harborview Medical Center (HMC), the Washington State Major League Baseball Stadium Public Facilities District (PFD), the Cultural Development Authority (CDA) of King County, doing business as 4Culture, Flood Control Zone District, King County Ferry District, and four Washington state nonprofit corporations each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings. Financial information for the first three of these component units is reported separately from the financial information presented for the primary government itself in a single, aggregated presentation in the government-wide financial statements. Individual financial statements for the HMC, the PFD, and the CDA can be found immediately following the fiduciary funds financial statements in the Basic Statements section of this report.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other 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 basic services provided by the County are financed through 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 the government-wide financial statements, however, the governmental funds financial statements focus on how cash and other financial assets can readily be converted to available resources, and the balances left at year-end that are available for future spending. Such information may be useful in determining whether there will be adequate financial resources available to meet the current needs of the County.

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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a general fund and several other individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Two governmental funds, the General Fund and the Public Health Fund, are considered to be major funds for financial reporting purposes. Each of the major funds is presented in a separate column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining and subcombining statements in the Governmental Funds section of this report, following the Basic Statements section.

The County adopts an annual budget appropriated at the department/division level for the General Fund and at the fund level for the Public Health Fund. A budgetary comparison statement has been provided for each of the two major governmental funds.

The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary funds. Proprietary funds are generally used to account for services for which the County charges customers a fee. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. 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 maintains the following two types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Water Quality Enterprise and the Public Transportation Enterprise, both considered to be major funds of the County for financial reporting purposes. All other enterprise funds are aggregated into a single presentation within the proprietary funds financial statements.

Internal service funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County uses internal service funds to account for its motor pool, information and telecommunications services, facilities management, risk management, employee benefits, building development and construction, and financial and various other administrative services. These services predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements. One internal service fund that provides equipment and fleet maintenance and procurement for the Water Quality Enterprise is included within the business-type activities in the government-wide financial statements but is combined with all other internal service funds into a single aggregated presentation in the proprietary funds financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds include the investment trust funds, used to report investment activity conducted by the County on behalf of legally separate entities, such as special districts and public authorities that are not part of the County's reporting entity, and the agency funds. 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 used 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 Statements section of this report.

Other information

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements in the Basic Statements section of this report.

Combining Statements. The combining and subcombining statements, referred to earlier, are presented in separate sections immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. As indicated in the condensed financial information on the following page, which was derived from the government-wide Statement of Net Assets, the County's combined net assets (governmental and business-type activities) were $4,141.2 million at the end of 2008. This is an increase of 5.7 percent or $222.5 million over the net assets of the previous year, as restated.

Governmental activities. Although net assets of the County's governmental activities increased 7.0 percent to $126.2 million, all of the net assets are either subject to external restrictions as to how they may be used, or are invested in capital assets (e.g., land, buildings, infrastructure, right-of-way, equipment, and work in progress) less any related outstanding debt used to acquire those assets. Consequently, unrestricted net assets for governmental activities showed a $334.8 million deficit at the end of 2008. This is a 6.5 percent or $23.1 million decrease in the deficit in unrestricted net assets from that of fiscal year-end 2007.

Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	$ 1,012,265	$ 1,080,590	$ 901,225	$ 951,698	$ 1,913,490	$ 2,032,288
Capital assets	2,538,928	2,416,437	4,555,836	4,123,272	7,094,764	6,539,709
Total Assets	3,551,193	3,497,027	5,457,061	5,074,970	9,008,254	8,571,997
Liabilities						
Long-term liabilities	1,444,180	1,475,758	2,921,465	2,658,464	4,365,645	4,134,222
Other liabilities	181,632	222,119	319,716	292,423	501,348	514,542
Total Liabilities	1,625,812	1,697,877	3,241,181	2,950,887	4,866,993	4,648,764
Net Assets						
Invested in capital assets, net of related debt	1,805,977	1,762,158	1,764,400	1,551,017	3,570,377	3,313,175
Restricted	454,219	394,932	436,969	419,118	891,188	814,050
Unrestricted	(334,815)	(357,940)	14,511	153,948	(320,304)	(203,992)
Total net assets	$ 1,975,381	$ 1,799,150	$ 2,215,880	$ 2,124,083	$ 4,141,261	$ 3,923,233

This deficit does not mean that the County's governmental activities do not have resources available to pay their obligations in the coming year. The increase in net assets for governmental activities in 2008 reflects the County's ability, on an annual basis, to meet its current obligations in those activities including the related debt service requirements. The deficit in unrestricted net assets is the result of the governmental activities having long-term commitments that are greater than currently available resources. Specifically, the County's governmental activities include general obligation debt of $391.6 million, $70.2 million less than at the end of 2007, for which no corresponding assets are recorded but for which future revenues are obligated.

Of the amount of debt with no corresponding assets, 70.1 percent or $274.4 million is related to assets that are recorded on the books of two of the County's three discretely presented component units: the Washington State Major League Baseball Stadium PFD ($96.7 million), and the Harborview Medical Center ($177.7 million). As discretely presented component units, these entities are not part of the primary government or incorporated into this analysis. The remainder of the debt, for which there are no corresponding assets, consists of $92.8 million associated with the Kingdome facility, which was demolished to make room for the Seahawks (Qwest) Football Stadium, and $24.4 million used to finance assets that have been contributed by the County to other programs and services that benefit the citizens of the County.

Business-type activities. There was an increase of 4.5 percent to $2,215.9 million in the net assets of business-type activities. Of the total net assets for business-type activities, 79.6 percent or $1,764.4 million is invested in capital assets (e.g., land, buildings, vehicles, plant assets, equipment, and work in progress), net of related debt. The business-type activities use these capital assets to provide services to their customers; consequently, these assets are not available for future spending. The resources needed to repay the debt incurred to acquire

KING COUNTY, WASHINGTON

these assets must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities. Another 19.7 percent of the total net assets of business-type activities is restricted as to use for capital construction ($380.4 million), debt service ($45.6 million), and litigation ($11.0 million). The remaining 0.7 percent or $14.5 million is unrestricted net assets that may be used to finance the continuing operations of the County's business-type activities. Any balance in the unrestricted net assets for business-type activities cannot be used to reduce the unrestricted net asset deficit in governmental activities.

The combination of the $334.8 million deficit in the governmental activities unrestricted net assets and the $14.5 million positive balance in the business-type activities unrestricted net assets resulted in the deficit of $320.3 million in total unrestricted net assets for the County as a whole.

Analysis of Changes in Net Assets

The increase in the County's total net assets in 2008 resulted from revenues exceeding related expenses and reflects the County's ability to meet its ongoing obligations including its debt service requirements. Approximately 45.1 percent of the County's total revenues came from taxes, primarily Property taxes and the Retail sales and use taxes. Charges for various goods and services provided 39.4 percent of the total revenues, while 13.5 percent was derived from operating and capital grants and contributions (including state and federal assistance). The County's expenses cover a range of services, the largest of which were for law, safety and justice; mental and physical health; public transportation; and water quality.

The condensed financial information on the following page is derived from the government-wide Statement of Activities and reflects how the County's net assets changed during the 2008 fiscal year.

Governmental activities. Governmental activities accounted for 56.7 percent of the total growth in net assets of the County, resulting in an increase in the County's governmental activities net assets of $126.2 million. Program revenues for governmental activities total $805.8 million and include the amount paid by those who directly benefited from the programs ($538.9 million), and by other governments and organizations that subsidized certain programs with operating grants and contributions ($188.6 million), and capital grants and contributions ($78.3 million). In 2008 the cost of all governmental activities was $1,568.0 million. The County paid for the $762.2 million remaining "public benefit" portion of governmental activities with $599.6 million in property taxes, $193.8 million in retail sales and use taxes, and $92.2 million in other revenues, including other taxes and interest earnings. As discussed earlier, all of the increase in governmental activities net assets was either restricted as to use or used to acquire capital assets to provide services to the County's citizens.

The growth in net assets of governmental activities of $126.2 million is primarily due to the following factors: the collection of revenues (mostly taxes) to fund repayments of long-term debt ($79.1 million), the collection of revenues for the acquisition of capital assets ($40.5 million), donations of capital assets (primarily infrastructure) to the county ($63.8 million), taxes collected by Special Revenue Funds ($18.4 by the Flood Control Zone District, $16.2 million by the Ferry District, $14.0 million by Mental Illness and Drug Dependency, and $13.4 million by Emergency Medical Services) in excess of the services provided in 2008 ($62.0 million). In addition, book value of capital assets sold/retired/transferred ($91.5 million) and depreciation expense ($38.2 million) were negative factors in the change in net assets.

Changes in Net Assets
(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	$ 538,951	$ 539,165	$ 581,089	$ 538,791	$ 1,120,040	$ 1,077,956
Operating grants and contributions	188,597	180,215	72,458	55,771	261,055	235,986
Capital grants and contributions	78,259	82,908	43,155	15,846	121,414	98,754
General revenues						
Property taxes	599,583	499,339	-	-	599,583	499,339
Retail sales and use taxes	193,827	164,804	432,934	442,042	626,761	606,846
Other taxes	57,297	69,356	-	-	57,297	69,356
Unrestricted interest earnings	34,897	36,348	22,850	22,718	57,747	59,066
Total revenues	1,691,411	1,572,135	1,152,486	1,075,168	2,843,897	2,647,303
Expenses [a]						
General government [b]	168,271	95,864	-	-	168,271	95,864
Law, safety and justice	580,105	544,838	-	-	580,105	544,838
Physical environment	75,638	63,326	-	-	75,638	63,326
Transportation	115,090	107,471	-	-	115,090	107,471
Economic environment	99,839	94,555	-		99,839	94,555
Mental and physical health	421,355	381,286	-	-	421,355	381,286
Culture and recreation	56,785	50,100		-	56,785	50,100
Interest and other debt service costs	51,455	53,299	-	-	51,455	53,299
Airport	-		15,842	14,620	15,842	14,620
Public transportation	-	-	667,651	588,234	667,651	588,234
Solid waste	-	-	110,348	116,252	110,348	116,252
Water quality	-	-	251,910	242,808	251,910	242,808
Other enterprises activity	-	-	7,540	8,025	7,540	8,025
Total expenses	1,568,038	1,390,739	1,053,291	969,939	2,621,329	2,360,678
Increase in net assets before transfers	123,373	181,396	99,195	105,229	222,568	286,625
Transfers	2,858	1,200	(2,858)	(1,200)	-	
Increase in net assets	126,231	182,596	96,337	104,029	222,568	286,625
Net assets, beginning of year (restated) [c]	1,799,150	1,616,554	2,119,543	2,020,054	3,918,693	3,636,608
Net assets, end of year	$ 1,925,381	$ 1,799,150	$ 2,215,880	$ 2,124,083	$ 4,141,261	$ 3,923,233

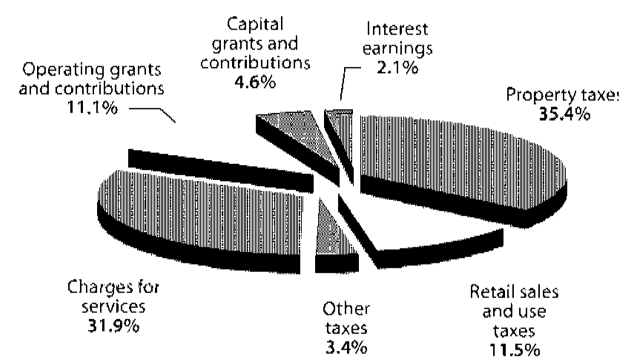
(a) Expenses for all functions include the allocation of indirect expenses from the general government function. The amount of indirect general government expenses allocated to each function is shown in a separate column on the County's government-wide Statement of Activities alongside the column that reflects the direct operating expenses incurred by each function. As a result of this allocation, the $168.3 million in General government expense above consists of $137.3 million in direct program expenses and loss on the disposal (transfer) of capital assets of $91.6 million reduced by a net allocation of $60.6 million to other County functions.

(b) General government expenses includes loss on sale/disposal/transfer of capital assets of $91.6 million and $12.6 million in 2008 and 2007, respectively.

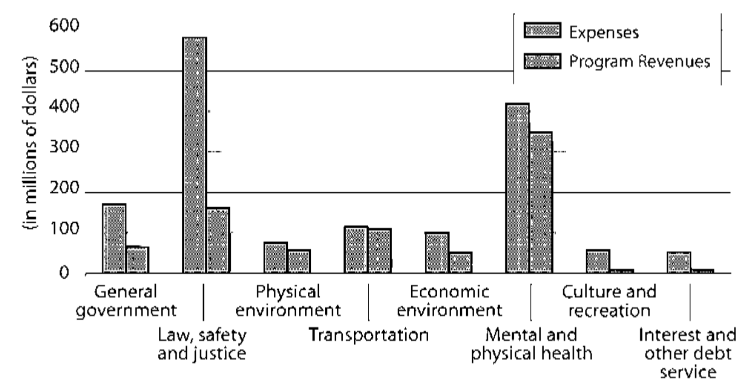
(c) Net assets, beginning of year has been restated, see Note 16, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

The charts below illustrate the County's revenues by source and its expenses and program revenues by function for its governmental activities:

Revenues by Source — Governmental Activities
2008



Expenses and Program Revenues — Governmental Activities
2008



Charges for services provided 31.9 percent, and property taxes 35.4 percent, of total revenues for governmental activities. One of the most significant expense amounts is for Law, safety and justice, a function that requires the greatest usage of general government revenues. The primary revenue sources for Mental and physical health are charges for services and operating grants and contributions, which paid for 83.1 percent of the activities for that function. In 2008 Transportation received $63.8 million in infrastructure and right-of-way capital assets from developers, which enabled program revenues to fall short of expenses by only $4.9 million. These capital contributions accounted for 50.5 percent of the 2008 increase in governmental activities net assets.

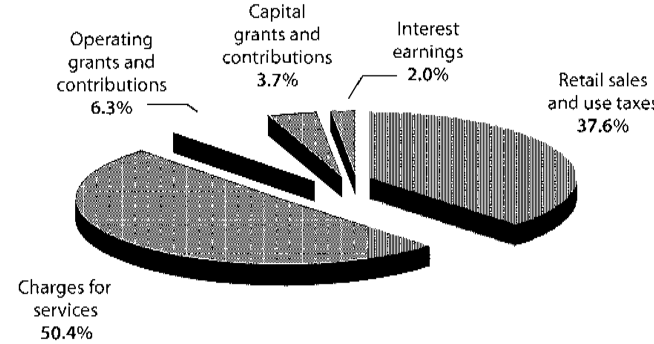
A comparison of the cost of services by function for the County's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (in thousands):

(Expenses) Net of Program Revenues	
General government	$ (105,391)
Law, safety and justice	(419,534)
Physical environment	(18,937)
Transportation	(4,904)
Economic environment	(48,344)
Mental and physical health	(71,197)
Culture and recreation	(48,341)
Interest and other debt service costs	(45,583)
Total expenses	(762,231)
General revenues	
Property taxes	599,583
Retail sales and use taxes	193,827
Other taxes	57,297
Unrestricted interest earnings	34,897
Other	2,858
Increase in net assets	$ 126,231

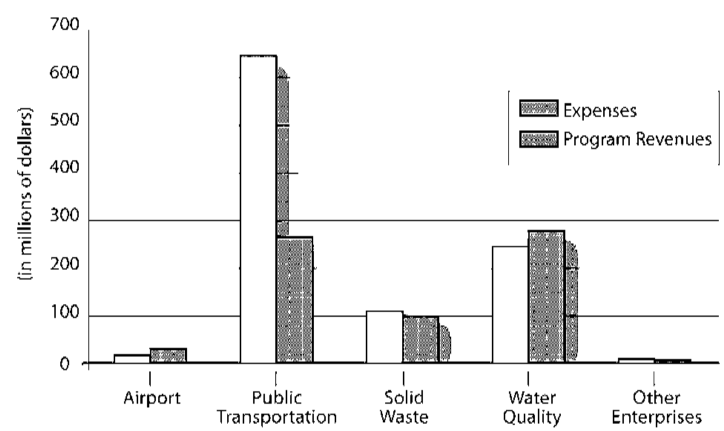
Business-type activities. Business-type activities increased the County's net assets by $96.3 million in 2008, accounting for 43.3 percent of the total growth in net assets of the County. Total revenues for business-type activities were $1,152.5 million. The cost of all business-type activities for 2008 was $1,053.3 million. Of that amount, 66.1 percent or $696.7 million was funded from program revenues, including $581.1 million in charges for services, $72.5 million from other governments and organizations that subsidized certain programs with operating grants, and $43.1 million in capital grants and contributions. The Public Transportation program operations are subsidized with retail sales and use tax revenues, which amounted to $432.9 million in 2008. In addition, business-type activities earned $22.8 million in unrestricted interest earnings.

The charts on the following page illustrate the County's business-type revenues by source and business-type expenses and program revenues by function:

Revenues by Source — Business-type Activities 2008



Expenses and Program Revenues — Business-type Activities 2008



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, 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 resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net financial resources available for spending at the end of the fiscal year.

As of December 31, 2008, the County's governmental funds reported combined ending fund balances of $516.6 million, an increase of $44.6 million in comparison with the prior year. Approximately 78.8 percent ($407.0 million) constitutes unreserved fund balance which is available for spending in the coming year at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to the liquidation of outstanding contracts and purchase orders of the prior fiscal year ($73.9 million), to pay debt service ($14.2 million), for prepayments ($6.8 million), and for a variety of other restricted purposes ($14.7 million).

Overall governmental fund revenues totaled approximately $1,691.2 million for 2008, which represents an increase of 8.5 percent, or $133.2 million, over the fiscal year ended December 31, 2007. The increase was primarily due to strong growth in Property taxes (up $99.0 million), Retail sales and use taxes (up $29.0 million due to $35.2 million in revenue for the new 1/10 of one percent retail sales and use tax imposed April 1, 2008 for the purpose of providing new or expanded chemical dependency or mental health treatment services and for the operation of new or expanded therapeutic court programs), and Intergovernmental revenues (up $40.1 million). Charges for services were down $12.9 million, Business and other taxes were down $12.2 million, and Licenses and permits were down $7.4 million. In 2008, expenditures for governmental funds totaled $1,702.7 million, an increase of 8.9 percent or $138.9 million from the previous fiscal year. Current expenditures were up 8.5 percent or $114.2 million from the previous fiscal year, Debt service expenditures (excluding the payment to escrow agent) were down $9.8 million (7.6 percent), and Capital outlay expenditures were up $31.5 million (42.5 percent). Total expenditures for governmental funds exceeded revenues by $11.5 million in 2008 compared to $5.8 million for the 2007 fiscal year.

The **General Fund** is the chief operating fund for the County. At the end of the fiscal year, total fund balance for the General Fund equaled $97.2 million. Unreserved fund balance, the amount considered available to spend, totaled $81.2 million. Of that amount, $7.4 million has been designated and is not considered available to spend. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.6 percent of total General Fund expenditures, a decrease from the 19.9 percent of a year ago. Total fund balance represents 16.3 percent of total General Fund expenditures, a decrease from the 24.7 percent of a year ago.

The fund balance of the County's General Fund decreased by $43.4 million during 2008, while the fund balance decrease in 2007 was a modest $3.1 million. Revenues were down $4.5 million (0.7 percent) in 2008, expenditures were up $29.5 million (5.2 percent) and Other Financing Uses were up $11.1 million. While property tax revenues were up $8.1 million and intergovernmental revenues were up $3.9 million, several other revenue categories were down

in 2008 (including retail sales and uses taxes down $6.1 million, business and other taxes down $4.2 million, charges for services down $2.0 million, miscellaneous revenues down $1.7 million and interest earnings down $2.4 million), which resulted in the net decline of $4.5 million. $24.4 million of the $29.5 million in the increase in expenditures were in the Law, safety, and justice function, including increased expenditures of $9.6 million in the Sheriff's Office, $4.8 million in Adult and Juvenile Detention, $3.7 million for courts, $3.1 million in the Office of the Prosecuting Attorney and $2.0 million in the Office of the Public Defender. The $11.1 million increase in Other Financing Uses included a one-time transfer of $15 million to the new Rainy Day Fund.

The **Public Health Fund**, a special revenue fund, is used to finance health service centers located throughout the County and other public health programs to promote health and prevent disease to King County residents. At the end of 2008 it had a total fund balance of $4.4 million (down from $6.4 million at the end of 2007), of which $3.3 million was unreserved and available for spending. While revenues were up $9.2 million in 2008 (including an increase of $7.9 million in intergovernmental revenues) and other financing sources were up $1.1 million, expenditures were up $10.9 million in 2008 resulting in a decrease in fund balance of $2.0 million in 2008 vs. $1.4 million in 2007.

Proprietary Funds
The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

As previously discussed in the business-type activities, the County's net assets increased by $96.3 million as a result of operations in the proprietary funds adjusted to reflect the consolidation of internal service fund activities related to the enterprise funds. Of the two major proprietary funds, the Public Transportation Enterprise provided $47.8 million of this increase while the net assets of the Water Quality Enterprise increased by $38.6 million. In 2008, net assets of the Solid Waste Enterprise declined by $8.3 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance, capital improvements, and expansion of public transportation and related facilities in the County. At the end of 2008 the Public Transportation Enterprise had total net assets of $1,424.7 million of which 69.1 percent or $985.1 million was invested in capital assets, net of related debt; 27.1 percent or $386.0 million was restricted as to use for capital purposes and bond reserves; and 3.8 percent or $53.6 million was unrestricted and available for spending. Net assets of Metro Transit increased in years 2008 and 2007. The increase was $47.8 million (3.5%) in 2008 and $87.6 million (6.8%) in 2007. The change in 2008 is primarily attributed to an increase in cash balances held for future fleet replacement and future capital investments that are currently projected to occur over the next few years. On December 31, 2008, cash balances were used to support interfund loans of $208.7 million. The reserve for future fleet replacement continued to be replenished consistent with existing policies and in anticipation of upcoming fleet replacements over the next several years. In 2007, the increase was attributed to growth in cash balances resulting from increased sales tax due to an increase of 0.1% in the amount collected as well as funds held for future fleet replacement.

The **Water Quality Enterprise** accounts for the operations, maintenance, capital improvements, and expansion of the County's water pollution control facilities. Total net assets in the Water Quality Enterprise were $577.3 million at the end of 2008 of which 101.0 percent or $582.8 million was invested in capital assets, net of related debt; 7.9 percent or $45.8 million was restricted as to use for debt service and litigation; and the remaining negative 8.9 percent or $(51.3) million was unrestricted. Water Quality operating revenues increased by 8.1 percent to $284.2 million, while operating expenses net of depreciation increased by 2.9 percent to $98.4 million. This compares to operating revenues increasing 9.0 percent in 2007 to $262.9 million and operating expenses net of depreciation increasing by 4.9 percent to $95.6 million. Water Quality collected a monthly sewage treatment charge of 27.95 per Residential Customer Equivalents (RCE) in 2008 and 2007. The decline in unrestricted net assets of $103.4 million in 2008 to a negative $51.3 million was due to the use of an interfund loan of $184.0 million to provide temporary financing for early debt retirement and capital construction in anticipation of bond issuance.

General Fund Budgetary Highlights

The County's final General Fund budget differs from the original budget in that it reflects an increase in appropriations of $10.5 million during the year due to 2008 supplemental budget appropriations for General Fund support for children and family services, public health, and capital projects. However, actual budgetary basis expenditures were $8.0 million less than the original budget. This resulted in an underutilization of the total final appropriation authority by $18.5 million, including $4.9 million of underexpenditures in General governmental services; $4.4 million in Law, safety and justice (however the Sheriff's Office expenditures exceeded appropriations by $1.1 million); and $6.7 million in Transfers out. During the year total revenues were less than budgetary estimates by $27.9 million with a net impact of reducing the fund balance by $43.4 million in 2008.

CAPITAL ASSETS, INFRASTRUCTURE, AND DEBT ADMINISTRATION

Capital assets

The King County primary government's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to $7.1 billion (net of accumulated depreciation). Capital assets include land, right-of-way, conservation easements and development rights, buildings, improvements other than buildings, roads and bridges infrastructure, vehicles, machinery, computers and other equipment, and construction work-in-progress. The total increase in the investment in capital assets over the previous year was 8.5 percent (5.1 percent increase for governmental activities and 10.5 percent increase for business-type activities).

Major capital asset events during 2008 included the following:

- Construction of the Brightwater treatment system continued in its third full year in 2008. This project comprised the bulk of the 21.5 percent increase in business-type work in progress during the year. Construction activities are simultaneously ongoing in the treatment plant, the conveyance systems (portals and conveyance pipes), and ancillary facilities. Construction is expected to be completed in 2010, with operations starting in 2011.
- Significant construction activity is also occurring in the Public Transportation and Solid Waste enterprises. Public transportation continued to do improvements, additions, or remodels of bus bases, transit centers, and park-and-ride facilities. For the Solid Waste Enterprise improvements to existing transfer stations and development of landfill ancillary systems continued.

A summary of the 2008 capital assets activity follows (in millions). More detailed information on the County's capital assets can be found in Note 6 – Capital Assets.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 771.5	$ 735.9	$ 346.6	$ 332.0	$ 1,118.1	$ 1,067.9
Buildings*	546.4	540.8	740.0	679.9	1,286.4	1,220.7
Improvements other than buildings*	16.6	16.5	1,308.6	1,260.2	1,325.2	1,276.7
Infrastructure	909.5	927.9	-	-	909.5	927.9
Equipment*	72.3	79.7	503.3	480.9	575.6	560.6
Construction in progress	222.6	115.6	1,657.4	1,370.3	1,880.0	1,485.9
Total	$ 2,538.9	$ 2,416.4	$ 4,555.9	$ 4,123.3	$ 7,094.8	$ 6,539.7

* Net of depreciation

Infrastructure

The County has elected to use the modified approach in reporting roads and bridges. Under the modified approach, asset condition is reported rather than recording depreciation. The rating scales for pavements (roads) and bridges are further explained in the required supplementary information which follows the notes to the basic financial statements.

The County performs condition assessments on its network of roads through the King County Pavement Management System, which generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index on a 100-point scale that represents the pavement's functional condition based on the quantity, severity, and type of visual distress. Condition assessments are undertaken every three years.

It is the policy of the King County Road Services Division to maintain at least 80.0 percent of the road system at a PCI of 40 or better. In the most recent condition assessments, 91.1 percent of the arterial roads in the County and 89.1 percent of the local access roads in the County had a PCI rating at 40 and above. The majority of roads that fall below the established rating are local access roads that are situated in rural areas. The amount budgeted in 2008 for road preservation and maintenance was $69.4 million. The amount actually expended was $57.7 million. Underspending of the budgeted amount is a result of the removal of roads from the project list because of conflicts with anticipated utility work, cost efficiencies related to a relatively few roads to be resurfaced in remote locations, and weather-related work reductions or stoppages.

The County currently maintains 178 bridges. Physical inspections to uncover deficiencies are carried out at least every two years and documented. There is also an annual evaluation to determine which bridges are due for replacement or rehabilitation using a 10-point priority scale based on various factors of bridge condition. A key element in the priority scale is the sufficiency rating, which is a numerical rating (on a 100-point scale) of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 12 (6.5 percent) will have a sufficiency rating of 20 or less. The most current complete assessment showed 8 bridges at or below this threshold. The amount budgeted in 2008 for bridge preservation and maintenance was $18.9 million. Actual amount expended was $11.8 million. Underspending of the budgeted amount is due to the construction schedule of certain projects extending beyond the budget year.

Debt Administration

At the end of 2008, King County Primary Government had a total of $3,769.1 million in bonds and notes outstanding for its governmental and business-type activities. Of this amount, $1,821.2 million is comprised of debt backed by the full faith and credit of the County. The $1,947.9 million remainder of the County's bonded debt represents bonds secured solely by specified revenue sources (revenue bonds).

King County's Outstanding Debt
General Obligation and Revenue Bonds
(In millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	$ 725.7	$ 819.2	$ 638.1	$ 663.4	$ 1,363.8	$ 1,482.6
General obligation bond anticipation notes	48.8	-	-	-	48.8	-
Lease revenue bonds [a]	408.6	414.5	-	-	408.6	414.5
Revenue bonds	-	-	1,947.9	1,724.2	1,947.9	1,724.2
Total	$ 1,183.1	$ 1,233.7	$ 2,586.0	$ 2,387.6	$ 3,769.1	$ 3,621.3

(a) Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County.

The total bonded debt was increased over 2007 by 4.08 percent or $147.8 million (a 4.1 percent or $50.6 million decrease for governmental activities and an 8.3 percent or $198.4 million increase for business-type activities). The decrease of bonded debt outstanding in the governmental activities was primarily due to the $84.8 million of debt service payments in 2008. The business-type activities' bonded debt was increased primarily due to the issuance of $350 million of sewer revenue bonds to finance the capital needs of the Water Quality Enterprise.

During 2008 the County refinanced one of its existing debts through advance refunding to take advantage of favorable interest rates. The County issued general obligation bonds to refinance $244.3 million of previously outstanding general obligation bonds (payable from sewer revenue) that are expected to decrease future aggregate debt service payments by $13.8 million over the life of the bonds.

Using excess proceeds from special taxes and revenues, the County paid off $14.7 million of general obligation (baseball stadium) bonds that are expected to decrease debt service payments by $824.9 thousand.

The County also paid off $100 million of junior lien sewer revenue variable rate bonds that were insured by MBIA, after the downgrade of MBIA resulted in highly unfavorable interest rates.

The County maintains a rating of "Aa1" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AA+" 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 its Water Quality Enterprise's revenue debt are "Aa3" 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 ½ percent of its total assessed valuation for general county purposes and 2½ percent for metropolitan functions. The current debt limitation of total general obligations for general county purposes is $9,672.2 million which is significantly higher than the County's outstanding net general obligation long-term liabilities of $1,231.1 million. For metropolitan functions, the debt limitation is $9,672.2 million and the County's outstanding net general obligation debt is $682.6 million.

Additional information on King County's long-term debt can be found in Note 14 – Debt.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Economic factors have a direct impact on the County's revenues and the demand for services. The County's revenue sources include taxes, charges for services, and intergovernmental revenues. The largest single source is taxes, which comprise approximately 45 percent of total revenues and consist primarily of retail sales and use taxes. Property taxes tend to be stable because levy rates are calculated months in advance and King County establishes assessed value from the preceding four years of real estate sales. Other tax sources, such as retail sales and use taxes, are more volatile and directly influenced by economic conditions in the region.

Property assessed valuation increased by 13.5 percent and 14.1 percent in 2008 and 2007, respectively. General Fund property tax collections grew by 3.5 percent in 2008 compared with 4.1 percent growth in 2007. Total regional employment growth and regional population growth are expected to be 1.8 percent. Unemployment in King County was 4.3 percent in 2008 compared with 3.7 percent in 2007. Personal income growth is estimated to be less than 2.0 percent for 2008 compared with 8.0 percent on average between 2005 and 2007. These and other factors were considered in the budget enacted for 2008.

By law, the County is required to adopt a balanced budget. The 2008 budget for the County, adopted by the County Council in November 2008, totals $4.9 billion. Of this amount, $627.9 million is appropriated for the General Fund; $1,019.1 million for enterprise funds (including public transportation, solid waste and wastewater treatment); and $970.5 million for special revenue funds (including public health, emergency medical services, human services, and road funds). The budget also includes $1.0 billion committed to capital improvements for wastewater treatment, transit (2008-09), roads, parks and other major public facilities. The general fund budget maintained a six percent budgetary undesignated fund balance as a percentage of revenues.

Other considerations

King County will continue to face numerous challenges including volatile energy prices, rising employee and programmatic healthcare costs, the cost of providing services to urban unincorporated areas, and the need to raise sufficient revenues to support utility, transit system and general government activities.

Property tax is the largest revenue source in the County general fund at 40 percent of total general fund revenues. The council approved property tax levy is limited to one percent growth each year plus the property tax on new construction.

The County is in the sixth year of an annexation initiative and will face operational and budgetary adjustments as annexations are completed. Ten major urban unincorporated areas are identified that by County Planning Policies should be incorporated into or annexed into cities by 2012. Incorporation or annexation is also encouraged by the Washington State

Growth Management Act. Major annexation areas are in various stages of the annexation process. In 2008, there were two large annexations implemented: the City of Auburn annexed the Lea Hill area with an effective date of January 1, 2008, and assessed valuation of $815.8 million and the City of Renton annexed the Benson Hill area with an effective date of March 1, 2008, and assessed valuation of $1.2 billion. The completion dates of other major annexations are not currently known. The fiscal impacts of incorporation and annexation depend upon the revenue generating capacity of an area compared to its service demands.

In early 2006, the Washington State Legislature enacted a credit against the state sales tax for cities that annex areas with over ten thousand residents. The annexing city is eligible for the credit, which is effectively a sales tax rate of 0.1 percent, applied to the newly annexed area and within the prior city. If the annexed area population exceeds twenty thousand, the applicable credit is 0.2 percent. Annexing cities must complete annexations by January 1, 2010 to be eligible for the credit.

REQUESTS FOR INFORMATION

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

STATEMENT OF NET ASSETS
DECEMBER 31, 2008
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 810,858	$ 633,163	$ 1,444,021	$ 243,187
Investments	4,247	-	4,247	32,141
Receivables, net	191,392	164,164	355,556	113,788
Due from primary government	-	-	-	1,212
Internal balances	(18,787)	18,787	-	-
Inventories	2,029	21,920	23,949	6,635
Prepayments and other assets	13,927	4,460	18,387	1,991
Capital assets				
Land	771,495	346,603	1,118,098	40,084
Infrastructure	909,511	-	909,511	-
Buildings	782,484	1,161,949	1,944,433	681,667
Improvements other than buildings	22,190	2,175,543	2,197,733	27,564
Furniture, machinery and equipment	189,367	1,496,564	1,685,931	298,243
Accumulated depreciation	(358,767)	(2,282,180)	(2,640,947)	(410,032)
Work in progress	222,648	1,657,357	1,880,005	216,268
Deferred charges	8,599	19,225	27,824	-
Deposits with other governments	-	-	-	600
Regulatory assets - environmental remediation	-	39,506	39,506	-
Other assets	-	-	-	9,818
TOTAL ASSETS	3,551,193	5,457,061	9,008,254	1,263,096
LIABILITIES				
Accounts payable and other current liabilities	101,301	83,383	184,684	80,479
Due to component unit	1,212	-	1,212	-
Accrued liabilities	44,600	79,547	124,147	30,435
Notes payable		100,000	100,000	-
Unearned revenues	34,519	43,743	78,262	6,675
Retainage payable	-	13,043	13,043	-
Noncurrent liabilities				
Due within one year	224,625	67,651	292,276	3,222
Due in more than one year	1,219,555	2,853,814	4,073,369	57,724
TOTAL LIABILITIES	1,625,812	3,241,181	4,866,993	178,535
NET ASSETS				
Invested in capital assets, net of related debt	1,805,977	1,764,400	3,570,377	800,785
Restricted for:				
Capital projects	166,092	380,341	546,433	-
Debt service	71,663	45,638	117,301	-
General government	13,148	-	13,148	-
Law, safety and justice	59,562	-	59,562	-
Physical environment	19,341	-	19,341	
Transportation	16,173	-	16,173	-
Economic environment	40,349	-	40,349	
Mental and physical health	54,609		54,609	-
Culture and recreation	13,282	-	13,282	-
Litigation	-	10,990	10,990	
Expendable	-	-	-	38,194
Nonexpendable	-	-	-	22,084
Unrestricted	(334,815)	(4,511)	(320,304)	223,498
TOTAL NET ASSETS	$ 1,925,381	$ 2,215,880	$ 4,141,261	$ 1,084,561

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008
(IN THOUSANDS)

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	$ 43,815	$ 4,236	$ 472,927	$ 520,978
Taxes receivable - delinquent	6,460	-	8,975	15,435
Accounts receivable, net	9,075	1,397	23,070	33,542
Other receivables, net	-	-	617	617
Interest receivable	18,941	-	-	18,941
Due from other funds	11,282	3,508	41,028	55,818
Interfund short-term loans receivable	11,548	-	-	11,548
Due from other governments, net	37,220	18,781	57,635	113,636
Inventory of supplies	-	534	-	534
Prepayments	-	-	6,840	6,840
Advances to other funds	3,800	-	-	3,800
TOTAL ASSETS	$ 142,141	$ 28,456	$ 611,092	$ 781,689
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	$ 8,792	$ 15,753	$ 37,666	$ 62,211
Due to other funds	3,456	776	53,837	58,069
Interfund short-term loans payable	-	-	35,118	35,118
Due to other governments	234	-	4,487	4,721
Due to component unit	-	-	1,212	1,212
Interest payable	-	-	1,753	1,753
Wages payable	19,075	5,125	7,672	31,872
Taxes payable	112	-	50	162
Bonds payable	-	-	3,035	3,035
Deferred revenues	11,781	1,278	39,994	53,053
Custodial accounts	866	1,173	10,939	12,978
Advances from other funds	600	-	300	900
Total liabilities	44,916	24,105	196,063	265,084
Fund balances				
Reserved	16,064	1,076	92,488	109,628
Unreserved				
Designated, reported in				
General Fund	7,396			7,396
Public Health Fund		2,695		2,695
Special Revenue Funds			40,987	40,987
Undesignated, reported in				
General Fund	73,765			73,765
Public Health Fund		580		580
Special Revenue Funds			154,100	154,100
Debt Service Funds			32,762	32,762
Capital Projects Funds			94,692	94,692
Total fund balances	97,225	4,351	415,029	516,605
TOTAL LIABILITIES AND FUND BALANCES	$ 142,141	$ 28,456	$ 611,092	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds.				2,179,599
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.				27,614
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net assets.				77,367
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(875,804)
Net assets of governmental activities				$ 1,925,381

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

KING COUNTY, WASHINGTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(IN THOUSANDS)

			Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
						Primary Government			Component Units Total
Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:									
Governmental activities:									
General government	$ 228,901	$ (60,630)	$ 57,139	$ 5,457	$ 284	$ (105,391)	$	$ (105,391)	$
Law, safety & justice	551,333	28,772	128,424	32,147	-	(419,534)		(419,534)	
Physical environment	74,799	839	48,286	4,290	4,125	(18,937)		(18,937)	
Transportation	112,586	2,504	18,716	17,721	73,749	(4,904)		(4,904)	
Economic environment	98,120	1,719	29,148	22,347	-	(48,344)		(48,344)	
Mental & physical health	415,351	6,004	248,617	101,541	-	(71,197)		(71,197)	
Culture & recreation	55,503	782	7,710	133	101	(48,341)		(48,341)	
Interest and other debt service costs	51,455	-	911	4,961	-	(45,583)		(45,583)	
Total governmental activities	1,588,048	(20,010)	538,951	188,597	78,259	(762,231)		(762,231)	
Business-type activities:									
Airport	15,529	313	18,075	-	11,513		13,746	13,746	
Public Transportation	653,038	14,613	173,011	72,458	28,474		(393,708)	(393,708)	
Solid Waste	108,108	2,240	98,821	-	857		(10,670)	(10,670)	
Water Quality	249,143	2,767	284,214	-	2,311		34,615	34,615	
Institutional Network	4,170	49	2,999	-	-		(1,220)	(1,220)	
Radio Communications Services	4,317	28	3,969	-	-		(376)	(376)	
Stadium	(1,024)	-	-	-	-		1,024	1,024	
Total business-type activities	1,033,281	20,010	581,089	72,458	43,155	-	(356,589)	(356,589)	
Total primary government	$ 2,621,329	$ -	$ 1,120,040	$ 261,055	$ 121,414	(762,231)	(356,589)	(1,118,820)	
Component units	$ 647,229		$ 627,694	$ 21,100	$ 4,846				6,411
General revenues									
Property taxes						599,583	-	599,583	-
Retail sales and use taxes						193,827	432,934	626,761	-
Business and other taxes						41,557	-	41,557	-
Penalties and interest - delinquent taxes						15,740	-	15,740	-
Interest earnings						34,897	22,850	57,747	7,871
Transfers						2,858	(2,858)	-	-
Total general revenues and transfers						888,462	452,926	1,341,388	7,871
Change in net assets						126,231	96,337	222,568	14,282
Net assets - January 1, 2008 (Restated)						1,799,150	2,119,543	3,918,693	1,070,279
Net assets - December 31, 2008						$ 1,925,381	$ 2,215,880	$ 4,141,261	$ 1,084,561

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, 2008
(IN THOUSANDS)

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property taxes	$ 258,417	$ -	$ 339,875	$ 598,292
Retail sales and use taxes	100,062	-	93,765	193,827
Business and other taxes	9,534	-	32,023	41,557
Penalties and interest - delinquent taxes	15,740	-	-	15,740
Licenses and permits	7,045	12,266	4,173	23,484
Intergovernmental revenues	90,400	127,265	276,017	493,682
Charges for services	108,400	10,751	111,849	231,000
Fines and forfeits	9,064	-	472	9,536
Interest earnings	15,313	-	12,664	27,977
Miscellaneous revenues	13,514	4,820	37,737	56,071
TOTAL REVENUES	627,489	155,102	908,575	1,691,166
EXPENDITURES				
Current				
General government	106,209	-	41,424	147,633
Law, safety and justice	443,360	-	90,878	534,238
Physical environment	5,109	-	86,192	91,301
Transportation	-	-	116,322	116,322
Economic environment	15,703	-	83,762	99,465
Mental and physical health	26,848	188,112	205,093	420,053
Culture and recreation	-	-	53,194	53,194
Debt Service				
Principal	-	48	79,023	79,071
Interest and other debt service costs	-	14	40,750	40,764
Payment to escrow agent	-	-	14,946	14,946
Capital outlay	607	563	104,503	105,673
TOTAL EXPENDITURES	597,836	188,737	916,087	1,702,660
Excess (deficiency) of revenues over (under) expenditures	29,653	(33,635)	(7,512)	(11,494)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,272	31,755	181,119	218,146
Transfers out	(78,487)	(136)	(134,380)	(213,003)
General government debt issued	-	-	48,755	48,755
Premium on bonds sold	-	-	170	170
Sale of capital assets	139	2	1,939	2,080
TOTAL OTHER FINANCING SOURCES (USES)	(73,076)	31,621	97,603	56,148
Net changes in fund balances	(43,423)	(2,014)	90,091	44,654
Fund balances - January 1, 2008 (Restated)	140,648	6,365	324,938	471,951
Fund balances - December 31, 2008	$ 97,225	$ 4,351	$ 415,029	$ 516,605

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, 2008
(IN THOUSANDS)

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

Net change in fund balances – total governmental funds	$ 44,654
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.	67,463
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets.	(27,683)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,081
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 assets. 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.	44,234
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.	(8,680)
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	5,162
Change in net assets of governmental activities	$ 126,231

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

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes				
Property taxes	$ 278,674	$ 278,674	$ 258,417	$ (20,257)
Retail sales and use taxes	108,866	108,866	100,062	(8,804)
Business and other taxes	11,249	11,249	9,534	(1,715)
Penalties and interest - delinquent taxes	17,000	17,000	15,740	(1,260)
Licenses and permits	7,152	7,152	7,045	(107)
Intergovernmental revenues	84,716	84,854	90,400	5,546
Charges for services	110,215	110,570	108,400	(2,170)
Fines and forfeits	8,547	8,577	9,064	487
Interest earnings	23,577	23,577	14,729	(8,848)
Miscellaneous revenues	15,020	15,007	14,009	(998)
Sale of capital assets	50	50	139	89
Transfers in	15,409	15,409	25,536	10,127
TOTAL REVENUES	680,475	680,985	653,075	(27,910)
EXPENDITURES				
Current				
General government services	112,241	112,644	107,724	4,920
Law, safety and justice	445,598	449,312	444,901	4,411
Physical environment	4,933	5,118	5,141	(23)
Economic environment	20,263	20,430	18,988	1,442
Mental and physical health	26,705	26,897	26,924	(27)
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	-	3
Capital outlay	2,801	2,249	1,245	1,004
Transfers out	84,445	90,789	84,051	6,738
TOTAL EXPENDITURES	697,023	707,476	688,974	18,502
Deficiency of revenues under expenditures (budgetary basis)	$ (16,548)	$ (26,491)	(35,899)	$ (9,408)
Adjustment from budgetary basis to GAAP basis			(7,524) [a]	
Net change in fund balance			(43,423)	
Fund balance – January 1, 2008			140,648	
Fund balance – December 31, 2008			$ 97,225	

(a) Elements of adjustment from budgetary basis to GAAP basis:	
Adjustments to revenues	
Recognition of unrealized gains on investments on a GAAP basis	$ 584
Recognition of donation revenue on a budgetary basis previously recognized as revenue on a GAAP basis	(495)
Budgeted intrafund transfers in, eliminated on a GAAP basis	(20,264)
Adjustments to expenditures	
Encumbrances, not included in GAAP basis expenditures	7,087
Budgeted transfers out reported as a reduction of advance on a GAAP basis	300
Non-budgeted transfer out	(15,000)
Budgeted intrafund transfers out, eliminated on a GAAP basis	20,264
Adjustment from budgetary basis to GAAP basis	$ (7,524)

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

PUBLIC HEALTH FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Licenses and permits	$ 12,802	$ 12,802	$ 12,266	$ (536)
Intergovernmental revenues	126,096	133,636	127,265	(6,371)
Charges for services	13,251	11,946	10,751	(1,195)
Miscellaneous revenues	9,049	5,623	4,797	(826)
Transfers in	31,585	31,755	31,755	-
Sale of capital assets	-	-	2	2
Total revenues	192,783	195,762	186,836	(8,926)
EXPENDITURES				
Current				
Mental and physical health	191,530	197,052	188,548	8,504
Debt service				
Interest and other debt service costs	30	30	62	(32)
Capital outlay	1,373	1,418	584	834
Transfers out	139	139	136	3
Total expenditures	193,072	198,639	189,330	9,309
Deficiency of revenues under expenditures (budgetary basis)	$ (289)	$ (2,877)	(2,494)	$ 383
Adjustment from budgetary basis to GAAP basis			480 [a]	
Net change in fund balance			(2,014)	
Fund balance – January 1, 2008			6,365	
Fund balance – December 31, 2008			$ 4,351	

(a) Elements of adjustment from budgetary basis to GAAP basis:	
Nonbudgeted proceeds from Emergency Medical Service – donations	$ 23
Encumbrances not included in GAAP basis expenditures	457
Adjustment from budgetary basis to GAAP basis	$ 480

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets					
Cash and cash equivalents	$ 45,505	$ 35,331	$ 72,488	$ 153,324	$ 221,159
Restricted cash and cash equivalents	20,593	108,811	1,719	131,123	51,428
Investments	-	-	-	-	4,247
Accounts receivable	16,899	23,048	6,357	46,304	199
Estimated uncollectible accounts receivable	(83)	(1,484)	(56)	(1,623)	(1)
Due from other funds	182	3,900	3,619	7,701	4,961
Due from other governments, net	76,902	-	781	77,683	582
Inventory of supplies	15,199	5,572	1,146	21,917	1,498
Prepayments and other assets	273	117	-	390	7,313
Total current assets	175,470	175,295	86,054	436,819	291,386
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	130,588	140,044	71,540	342,172	23,837
Accounts receivable	1,475	406	22	1,903	-
Due from other funds	885	-	182	1,067	-
Interfund loans receivable	208,670	-	-	208,670	-
Due from other governments	37,487	-	1,241	38,728	-
Assessments receivable	1,169	-	-	1,169	-
Advances to other funds	600	-	-	600	-
Notes receivable and other assets	800	-	-	800	-
Total restricted assets	381,674	140,450	72,985	595,109	23,837
Capital assets					
Land	151,076	152,498	43,029	346,603	20,395
Buildings	311,906	754,373	95,670	1,161,949	196,799
Improvements other than buildings	647,805	1,358,718	169,020	2,175,543	2,509
Furniture, machinery and equipment	823,021	584,447	76,580	1,484,048	88,727
Accumulated depreciation and amortization	(1,000,614)	(1,077,580)	(194,445)	(2,272,639)	(83,413)
Work in progress	199,975	1,394,646	62,736	1,657,357	137,287
Total capital assets	1,133,169	3,167,102	252,590	4,552,861	362,304
Other noncurrent					
Prepayments	2,949	-	-	2,949	-
Regulatory assets - environmental remediation	-	39,506	-	39,506	-
Deferred charges	841	18,080	304	19,225	5,259
Other assets	321	-	-	321	-
Total other noncurrent	4,111	57,586	304	62,001	5,259
Total noncurrent assets	1,518,954	3,365,138	325,879	5,209,971	391,400
TOTAL ASSETS	1,694,424	3,540,433	411,933	5,646,790	682,786

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities					
Accounts payable	$ 28,930	$ 44,370	$ 9,446	$ 82,746	$ 8,614
Claims and judgments payable	-	-	-	-	2,600
Estimated claim settlements	-	-	-	-	89,037
Due to other funds	569	2,761	4,622	7,952	3,526
Interest payable	489	55,832	357	56,680	1,673
Interfund short-term loans payable	-	184,041	-	184,041	1,059
Wages payable	18,411	2,741	1,715	22,867	3,317
Compensated absences payable	7,429	547	113	8,089	741
Taxes payable	33	-	190	223	32
Unearned revenues	20,034	-	3,959	23,993	865
Revenue bonds payable	-	30,540	-	30,540	6,185
General obligation bonds payable	7,710	3,905	4,607	16,222	175
Assessments payable	-	-	-	-	15
Capital leases payable	85	-	-	85	-
State revolving loan payable	-	7,029	-	7,029	-
Notes payable	-	100,000	-	100,000	-
Landfill closure and post-closure care liability	-	-	5,686	5,686	-
Other liabilities	-	-	403	403	12,594
Total current liabilities	83,690	431,766	31,100	546,556	130,433
Noncurrent liabilities					
Retainage payable	-	13,043	-	13,043	-
Rate stabilization reserve	-	19,750	-	19,750	-
Compensated absences payable	39,678	8,824	4,574	53,076	9,249
Other postemployment benefits	2,277	336	277	2,890	505
Advances from other funds	3,500	-	-	3,500	-
General obligation bonds payable	136,285	433,045	52,513	621,843	245
Revenue bonds payable	-	1,917,365	-	1,917,365	402,455
Deferred bond premium, discount and refunding loss	616	(17,245)	1,910	(14,719)	-
Capital leases payable	3,368	-	-	3,368	-
Assessments payable	-	-	-	-	30
State revolving loans payable	-	122,157	-	122,157	-
Landfill closure and post-closure care liability	-	-	106,816	106,816	-
Estimated claim settlements	-	-	-	-	56,749
Environmental remediation	346	34,141	6,531	41,018	-
Total noncurrent liabilities	186,070	2,531,416	172,621	2,890,107	469,233
TOTAL LIABILITIES	269,760	2,963,182	203,721	3,436,663	597,666
NET ASSETS					
Invested in capital assets, net of related debt	985,104	582,761	193,560	1,761,425	10,936
Restricted for:					
Capital projects	375,156	-	5,185	380,341	798
Debt service	10,813	34,825	-	45,638	24,662
Litigation	-	10,990	-	10,990	-
Unrestricted	53,591	(51,325)	9,467	11,733	46,724
TOTAL NET ASSETS	$ 1,424,664	$ 577,251	$ 208,212	2,210,127	$ 83,120
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				5,753	
Net assets of business-type activities				$2,215,880	

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
I-Net fees	$ -	$ -	$ 2,999	$ 2,999	$ -
Radio services	-	-	3,969	3,969	-
Solid waste disposal charges	-	-	94,070	94,070	-
Airfield fees	-	-	3,611	3,611	-
Hangar, building, and site rentals and leases	-	-	13,942	13,942	-
Reimbursement for services to tenants	-	-	488	488	-
Passenger	150,670	-	-	150,670	-
Special service contracts	4,821	-	-	4,821	-
Sewage disposal fees	-	240,001	-	240,001	-
Other service revenues	17,520	44,172	34	61,726	420,268
Total operating revenues	173,011	284,173	119,113	576,297	420,268
OPERATING EXPENSES					
Personal services	362,377	38,476	46,482	447,335	82,627
Materials and supplies	69,630	8,790	10,058	88,478	10,923
Contract services and other charges	20,310	12,276	23,398	55,984	270,783
Utilities	4,890	9,970	3,194	18,054	-
Purchased transportation	46,064	-	-	46,064	-
Internal services	51,702	28,858	13,169	93,729	22,953
Landfill closure and post closure care	-	-	11,960	11,960	-
Depreciation and amortization	93,959	76,861	18,464	189,284	14,463
Total operating expenses	648,932	175,231	126,725	950,888	401,749
OPERATING INCOME (LOSS)	(475,921)	108,942	(7,612)	(374,591)	18,519
NONOPERATING REVENUES					
Sales tax	432,934	-	-	432,934	-
Intergovernmental	72,458	-	-	72,458	50
Interest earnings	13,341	5,066	4,233	22,640	7,110
DNR administration	-	-	3,098	3,098	-
Rental income	-	-	1,084	1,084	-
Miscellaneous	-	-	589	589	1,097
Total nonoperating revenues	518,733	5,066	9,004	532,803	8,257
NONOPERATING EXPENSES					
Interest	2,386	63,594	2,843	68,823	10,884
DNR administration	-	-	3,493	3,493	-
(Gain) Loss on disposal of capital assets	19,273	7,838	304	27,415	(313)
Miscellaneous	1,483	6,538	1,178	9,199	511
Total nonoperating expenses	23,142	77,970	7,818	108,930	11,082
Income (loss) before contributions and transfers	19,670	36,038	(6,426)	49,282	15,694
Capital grants and contributions	28,474	2,311	12,370	43,155	1,060
Transfers in	-	-	40	40	1,366
Transfers out	(370)	(219)	(2,358)	(2,947)	(6,613)
CHANGE IN NET ASSETS	47,774	38,130	3,626	89,530	11,507
NET ASSETS - JANUARY 1, 2008 (RESTATED)	1,376,890	538,659	204,586		71,613
NET ASSETS - DECEMBER 31, 2008	$ 1,424,664	$ 576,789	$ 208,212		$ 83,120
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				6,345	
Change in net assets of business-type activities				$ 95,875	

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, 2008
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 162,332	$ 280,324	$ 119,274	$ 561,930	$ 427,818
Cash payments to suppliers for goods and services	(193,379)	(45,058)	(49,004)	(287,441)	(299,947)
Cash payments for employee services	(353,216)	(37,675)	(45,631)	(436,522)	(82,059)
Other receipts	-	-	4,771	4,771	762
Other payments	-	-	(4,671)	(4,671)	-
Net cash provided (used) by operating activities	(384,263)	197,591	24,739	(161,933)	46,574
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	518,466	-	-	518,466	1,171
Grants to other governments	(1,402)	-	-	(1,402)	-
Advances to other funds	345	-	-	345	-
Interfund loan principal paid	(208,670)	-	-	(208,670)	-
Interest paid on short-term loans	-	(2,128)	-	(2,128)	(46)
Interfund loan principal received	-	184,041	-	184,041	(571)
Transfers in	-	-	40	40	1,366
Transfers out	(370)	(219)	(2,358)	(2,947)	(3,883)
Net cash provided (used) by noncapital financing activities	308,369	181,694	(2,318)	487,745	(1,963)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(97,695)	(467,528)	(37,960)	(603,183)	(92,365)
Principal paid on general obligation bonds	(7,405)	(250,540)	(4,361)	(262,306)	(170)
Proceeds from new revenue bond issue	-	586,950	-	586,950	-
Interest paid on general obligation bonds	(7,904)	(15,986)	(2,767)	(26,657)	(25)
Assessment principal and interest paid	-	-	-	-	(20)
Principal paid on revenue bonds	-	(126,315)		(126,315)	(5,895)
Interest paid on revenue bonds	-	(87,948)	-	(87,948)	(20,373)
Principal paid on capital leases	(81)	-	-	(81)	-
Interest paid on capital leases	(174)	-	-	(174)	-
Assessment principal, interest, and penalties received	378	-	-	378	-
Interest paid on notes payable	-	(2,170)	-	(2,170)	-
Principal paid on state loans	-	(6,253)	-	(6,253)	-
Interest paid on state loans	-	(1,565)	-	(1,565)	-
Proceeds from new state loans	-	16,914	-	16,914	-
Capital grants and contributions	13,490	2,311	11,638	27,439	45
Other capitalized payments	-	2,250	(6,481)	(4,231)	-
Proceeds from disposal of capital assets	242	-	1,976	2,218	543
Net cash used by capital and related financing activities	(99,149)	(349,880)	(37,955)	(486,984)	(118,260)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	13,341	5,066	4,233	22,640	8,379
Purchase of investments	-	-	-	-	(1,106)
Net cash provided by investing activities	13,341	5,066	4,233	22,640	7,273
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(161,702)	34,471	(11,301)	(138,532)	(66,376)
CASH AND CASH EQUIVALENTS – JANUARY 1, 2008	358,388	249,715	157,048	765,151	362,800
CASH AND CASH EQUIVALENTS – DECEMBER 31, 2008	$ 196,686	$ 284,186	$ 145,747	$ 626,619	$ 296,424

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, 2008
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (475,921)	$ 108,942	$ (7,612)	$ (374,591)	$ 18,519
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and amortization	93,959	76,861	18,464	189,284	14,463
Landfill closure and post-closure care	-	-	11,960	11,960	-
Other nonoperating revenue/expense	-	-	1,601	1,601	-
Changes in assets - (increase) decrease					
Accounts receivable, net	(5,063)	(851)	1,038	(4,876)	588
Due from other funds	24,477	-	(3,072)	21,405	(549)
Due from other governments, net	(7,068)	-	22	(7,046)	(160)
Inventory of supplies	(1,453)	(322)	113	(1,662)	(69)
Prepayments	292	-	-	292	1,469
Changes in liabilities - increase (decrease)					
Accounts payable	(1,180)	9,586	159	8,565	71
Due to other funds	(23,178)	(2,939)	463	(25,654)	(206)
Retainage payable	-	8,513	-	8,513	-
Rate Stabilization	-	(3,000)	-	(3,000)	-
Wages payable	2,608	801	83	3,492	427
Taxes payable	(45)	-	(3)	(48)	(11)
Unearned revenues	1,479	-	1,906	3,385	29
Claims and judgments payable	-	-	-	-	2,600
Estimated claim settlements	-	-	-	-	9,241
Compensated absences	5,120	-	(509)	4,611	(162)
Other postemployment benefits	1,414	-	(122)	1,292	303
Customer deposits and other liabilities	296	-	248	544	14
Total adjustments	91,658	88,649	32,351	212,658	28,055
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (384,263)	$ 197,591	$ 24,739	$ (161,933)	$ 46,574
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Contributions of capital assets from government	$ 833	$ 211	$ -	$ 1,044	$ 1,060

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008
(IN THOUSANDS)

	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS		
Cash and cash equivalents	$ -	$ 121,176
Assets held in trust - external investment pool	-	2,363,969
Assets held in trust - external impaired investment pool	-	4,424
Investments	2,415,515	1,224
Assets held in trust - individual investment accounts	-	52,880
Taxes receivable - delinquent	-	65,277
Accounts receivable	-	4,760
Interest receivable	5,758	-
Assessments receivable	-	9,095
Notes and contracts receivable	-	53
TOTAL ASSETS	2,421,273	$ 2,622,858
LIABILITIES		
Warrants payable	-	$ 94,322
Accounts payable	-	8,265
Wages payable	-	4,798
Custodial accounts - County agencies	-	54,532
Due to special districts/other governments	-	2,460,941
TOTAL LIABILITIES	-	$ 2,622,858
NET ASSETS		
Held in trust for pool/individual investment account participants	$ 2,421,273	

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(IN THOUSANDS)

	INVESTMENT TRUST FUNDS
ADDITIONS	
Contributions	$ 6,971,428
Net investment earnings (losses)	
Interest	77,826
Decrease in the fair value of investments	(3,451)
TOTAL ADDITIONS	7,045,803
DEDUCTIONS	
Distributions	7,103,286
Change in net assets	(57,483)
Net assets - January 1, 2008	2,478,756
Net assets - December 31, 2008	$ 2,421,273

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2008
(IN THOUSANDS)

	Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
ASSETS				
Cash and cash equivalents	$ 222,114	$ 8,288	$ 12,785	$ 243,187
Investments	-	-	32,141	32,141
Receivables, net	113,119	22	647	113,788
Due from primary government	-	-	1,212	1,212
Inventories	6,635	-	-	6,635
Prepayments	1,920	1	-	1,921
Capital assets				
Land	1,586	38,498	-	40,084
Buildings	191,784	489,883	-	681,667
Improvements other than buildings	1,858	25,706	-	27,564
Furniture, machinery and equipment	298,178	65	-	298,243
Accumulated depreciation	(290,922)	(119,110)	-	(410,032)
Work in progress	216,268	-	-	216,268
Deposits with other governments	600	-	-	600
Other assets	9,818	-	-	9,818
Total assets	772,958	443,353	46,785	1,263,096
LIABILITIES				
Accounts payable and other current liabilities	79,899	140	440	80,479
Accrued liabilities	30,435	-	-	30,435
Unearned revenues	424	-	6,251	6,675
Noncurrent liabilities				
Due within one year	848	1,963	411	3,222
Due in more than one year	11,478	43,371	2,875	57,724
Total liabilities	123,084	45,474	9,977	178,535
NET ASSETS				
Invested in capital assets, net of related debt	411,077	389,708	-	800,785
Restricted for:				
Expendable	18,172	-	20,022	38,194
Nonexpendable	2,012	-	20,072	22,084
Unrestricted	218,613	8,171	(3,286)	223,498
Total net assets	$ 649,874	$ 397,879	$ 36,808	$ 1,084,561

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

KING COUNTY, WASHINGTON
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2008
(IN THOUSANDS)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Harborview Medical Center**	**WSMLB Stadium Public Facilities District**	**Cultural Development Authority**	**Total**
Component units:								
Harborview Medical Center	$ 625,083	$ 626,532	$ 7,740	$ 4,846	$ 14,035	$ -	$ -	$ 14,035
WSMLB Stadium	13,601	1,086	-	-	-	(12,515)	-	(12,515)
Cultural Development Authority	8,545	76	13,360	-	-	-	4,891	4,891
Total component units	$ 647,229	$ 627,694	$ 21,100	$ 4,846	14,035	(12,515)	4,891	6,411
	General revenues							
	Interest earnings				5,444	(397)	2,824	7,871
	Change in net assets				19,479	(12,912)	7,715	14,282
	Net assets - January 1, 2008				630,395	410,791	29,093	1,070,279
	Net assets - December 31, 2008				$ 649,874	$ 397,879	$ 36,808	$ 1,084,561

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008
(DOLLARS IN THOUSANDS)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The reporting entity "King County" consists of King County Government as the primary government; the Harborview Medical Center (HMC), the Washington State Major League Baseball Stadium Public Facilities District (PFD), and the Cultural Development Authority of King County (CDA) as "discretely presented" component units. "Blended" component units include the new King County Ferry District, the Flood Control Zone District, and four Building Development and Management Corporations. Most funds in this report pertain to the entity King County Government or component units. Certain agency funds, referred to as Agency Funds – Special Districts/Other Governments, pertain to the County's custodianship of assets belonging to independent governments and special districts. Under the County's Home Rule Charter, the King County Executive is the *ex officio* treasurer of all special districts of King County, other than cities and towns and the Port of Seattle. Pursuant to County ordinance, the Director of the Finance and Business Operations Division (FBOD) is responsible for the duties of the comptroller and treasurer. Money received from or for the special districts is deposited in a central bank account. The Director of the FBOD invests or disburses money pursuant to the instructions of the respective special districts.

Component Units – Discretely Presented

Harborview Medical Center (HMC)

The Harborview Medical Center (HMC), a 413 licensed-bed hospital with extensive ambulatory services, is located in Seattle, Washington. HMC is managed by the University of Washington (UW). The HMC Board of Trustees is appointed by the County Executive. The County Director of the Finance and Business Operations Division is the Treasurer of HMC. HMC staff members are employees of UW. 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 the King County Government'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 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 Government 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 is a separate legal entity having its own corporate powers; (2) the County Executive appoints HMC's Board of Trustees, who may be removed only for statutorily defined causes and subject to legal appeal; and (3) although the County cannot impose its will on HMC, the unit creates a financial burden on the County because the County is responsible for the issuance and debt service of all general obligation bonds for HMC capital improvements. HMC's financial presentation is on the discrete component unit basis because the County and HMC's governing bodies are not substantively the same, and HMC does not provide services solely to King County. HMC

NOTE 1 – CONTINUED

financial data is as of its fiscal year-end, June 30, 2008, rather than the County's fiscal year-end of December 31, 2008.

Although the primary classification of HMC in this report is that of a component unit, the County is the issuer of HMC's general obligation bonds. Therefore, Note 14 "Debt," reports on all the general obligation bonds issued by the County as of December 31, 2008, including bonds reported by HMC as a component unit as of June 30, 2008.

HMC hires independent auditors other than the County's independent auditors and prepares its own audited financial statements. These statements may be obtained from the Finance Section of the Harborview Medical Center, 325 9th Ave., Seattle, Washington, 98104.

Washington State Major League Baseball Stadium Public Facilities District (PFD)

The Washington State Major League Baseball Stadium Public Facilities District (PFD) is the agency created by the Metropolitan King County Council (Ordinance 12000) on October 24, 1995, as authorized under chapter 36.100 Revised Code of Washington (RCW). The PFD operates as a municipal corporation of the State of Washington and was formed to site, design, build, and operate a major league baseball park. The PFD is governed by a seven-member board of directors, four of whom are appointed by the County Executive. The other three are appointed by the Governor of the State of Washington. The County, as the *ex officio* treasurer for the PFD, maintains several funds to account for construction, debt redemption, and special revenue collection. Construction was financed by 1997 general obligation bond issues and contributions from the Baseball Club of Seattle. Debt service on the bonds is supported by sales and use taxes, special lottery proceeds, special license plate sales, and an admissions tax. The stadium was completed in 1999 and is reported as an asset of the PFD.

The PFD is a component unit of the County for the following reasons: (1) it is a separate legal entity; (2) a majority of its board of directors (4 of 7) are appointed by the County Executive; and (3) there exists an indirect financial burden relationship between the PFD and the County since the County issued the bonds for the construction of the stadium, thereby making the County ultimately responsible for the debt. The PFD's financial statements are discretely presented because the two governing boards are not substantively the same, and the PFD does not provide services solely to King County government.

The PFD 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. These statements may be obtained from the Public Facilities District, PO Box 94445, Seattle, Washington 98124.

Cultural Development Authority of King County (CDA)

The Cultural Development Authority of King County (CDA), dba 4Culture, is a public authority organized pursuant to chapters 35.21.730 through 35.21.759 RCW and King County Ordinance 14482. The CDA commenced operations on January 1, 2003, and began doing business as "4Culture" effective April 4, 2004. Per King County Ordinance 14482, the CDA was created "exclusively to support, advocate for and preserve the cultural resources of the region in a manner that fosters excellence, vitality, and diversity. The authority shall further the goals and objectives of the King County Comprehensive Plan, establish cultural resource policies, and operate in a manner that ensures King County citizens and visitors have access to high quality cultural programs and experiences."

The 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

NOTE 1 – CONTINUED

confirmed by the County Council. The CDA receives various funds from King County and other sources that are designated for arts, cultural and public art use, including a portion of the revenue generated by the King County lodging tax and one percent of King County expenditures for certain construction projects.

The CDA is a component unit of the County for the following reasons: (1) it is a separate legal entity (public authority); (2) the CDA's board of directors is appointed by the County Executive (from a non-restrictive pool of candidates) and confirmed by the County Council; and (3) the County is able to impose its will on the CDA, for example, the County has the power to remove a director from the CDA board and the power to dissolve the CDA. The CDA's financial presentation is as a discrete component unit because the County and CDA's governing bodies are not substantively the same and the CDA does not provide services solely to King County.

The 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. These statements may be obtained from the Cultural Development Authority of King County at 4Culture, 101 Prefontaine Place South, Seattle, Washington 98104.

Component Units – Blended

King County Ferry District

The King County Ferry District (KCFD) is administered by the Marine Division of the King County Department of Transportation. The KCFD was created pursuant to ordinance 15739 to expand transportation options for county residents through water taxi services. By statute, the King County Council serves as the Board of Supervisors for the KCFD.

The KCFD 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, in effect, appoints the voting majority of the KCFD board because the County Council are the ex *officio* supervisors of the KCFD; and (3) the County can impose its will on the KCFD. The KCFD financial presentation is on a blended basis because the two governing boards are substantively the same. The KCFD does not issue independently audited financial statements. Financial statements for the KCFD are included with other Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR.

Flood Control Zone District (FCZD)

The new Flood Control Zone District (FCZD) in King County is administered by the Water and Land Resources Division of the Department of Natural Resources and Parks through an interlocal agreement between King County and the FCZD. The FCZD was created under 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 the FCZD.

The former Flood Control Zone Districts in King County were dissolved in 2007 and the County was directed to transfer all remaining funds to the new Flood Control Zone District. The only financial activity in the dissolved districts in 2008 was associated with closing out those funds.

The FCZD is a component unit of the County for the following reasons: (1) it is a legally separate entity established as quasi-municipal corporation and independent taxing authority; (2) King County, in effect, appoints the voting majority of the FCZD board because the County Council

NOTE 1 – CONTINUED

members are the *ex officio* supervisors of the FCZD; and (3) the County can impose its will on the FCZD. FCZD financial presentation is on a blended basis because the two governing boards are substantively the same. The FCZD does not issue independently audited financial statements. The financial statements for the FCZD are included with other Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR.

<u>Building Development and Management Corporations</u>

King County has project lease agreements with four Washington state nonprofit corporations each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings. Each agreement provided for the design and construction of a specific building to be financed with tax-exempt bonds issued on behalf of the County by each of the corporations in accordance with I.R.S. Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the agreements, the buildings are to be leased by the County from the nonprofit corporations under guaranteed monthly rent payments throughout the term of the lease or until the debt is retired after which ownership transfers to the County.

These nonprofit corporations are recognized as component units of the County in accordance with GASB Statement 14. Although they have independently appointed boards, the nature and significance of their relationships with the County's primary government are such that their exclusion will cause the King County reporting entity's financial statements to be misleading or incomplete. Because they provide services (develop and manage office facilities) exclusively to the County, these corporations are reported using the "blended" method. A single internal service fund, the Building Development and Management Corporations Fund, is used to blend the four nonprofit corporations' activities and balances at December 31, 2008 with the primary government.

The nonprofit corporations and the related buildings under their management include: 1) CDP-King County III for the King Street Center building; 2) Broadway Office Properties for the Patricia Steel Memorial building; 3) Goat Hill Properties for the Goat Hill Parking Garage and the Chinook Building; and 4) NJB Properties for the Ninth and Jefferson Building (currently under construction). Separately issued and independently audited financial statements for each of these corporations may be obtained from the National Development Council, 425 4th Avenue, Suite 608, Seattle, WA 98101.

<u>Joint Venture</u>

The 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 (CEO) 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 the CEO is potentially liable to grantors for disallowed costs. If expenditure of funds is disallowed by a grantor agency, the 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 the City of Seattle, each being responsible for one-half of the disallowed amount. As of December 31, 2008, there are no outstanding program eligibility issues that might lead to a King County liability.

NOTE 1 – CONTINUED

The WDC contracts with King County to provide programs related to dislocated workers, welfare to work, and workforce centers. For the year 2008 WDC reimbursed King County approximately $2.2 million for the Work Training Program and $2.6 million for the Dislocated Worker Program in eligible program costs.

The WDC issues independent financial statements that may be obtained from the Workforce Development Council, 2003 Western Avenue, Suite 250, Seattle, Washington 98121-2162.

<u>Related Organizations</u>

The King County Library System (KCLS), the Library Capital Facility District (LCFD), and the King County Housing Authority (KCHA) are legally separate entities, though each organization is related to King County. The County Council appoints a majority of the board of the KCLS and the KCHA and selected Council members make up the 3-member board of the LCFD. There is no evidence that the Council can influence the programs and activities of these organizations or that they create a significant financial benefit or burden to the County. For these reasons, they are related organizations. The County serves as the treasurer for the KCLS and the LCFD, providing services such as tax collection and warrant issuance. Due to this fiduciary relationship, these districts are routinely reported as agency funds to distinguish from County agency funds.

<u>Related Party Transaction</u>

The Public Transportation Enterprise entered into a ground lease agreement as lessor with the King County Housing Authority (KCHA) for the development of affordable housing units and a parking garage in the City of Redmond. The lease provides for a set-aside of a minimum of 150 parking stalls for use by park and ride commuters.

The lease calls for an annual lease payment with a three 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. The annual lease payment and loan payments are payable out of net cash flow in the order and priority established in the lease before and after the minimum tax credit compliance period. 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. In addition to the lease, the Public Transportation Enterprise loaned the KCHA a total of $1.5 million at different interest rates.

The Public Transportation Enterprise received lease payments of $34.8 thousand for 2008. As of December 31, 2008, the loans receivable from the KCHA, including principal and accrued interest, amounted to $0.8 million. The Public Transportation Enterprise received a loan principal and interest payment of $1.0 million in 2008.

<u>Government-wide and Fund Financial Statements</u>

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule include interfund services provided and used between functions which are not eliminated because to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported

NOTE 1 – CONTINUED

separately from certain legally separate component units for which the primary government is financially accountable.

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. 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 operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Bases of Accounting, Measurement Focus, and Financial Statement Presentation

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of, the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private sector guidance, except in the Water Quality Enterprise which required FAS 71 reporting for regulatory deferrals beginning in 2005.

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. Rental income is operating revenue to the Airport enterprise whose principal operation is leasing real property but is non-operating to the Solid Waste enterprise because it is incidental to its principal operation of waste disposal. 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. The corresponding costs of service provision and delivery — including direct administration costs, depreciation or amortization of capital assets used in operations, and other allocations of future costs (liabilities) to current year costs of 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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first.

NOTE 1 – CONTINUED

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues, such as retail sales and use taxes, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payments are due.

Major Governmental Funds

The County reports two 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 other funds.

The Public Health Fund is used to finance health service centers located throughout King County and public health programs. The Public Health Fund supports clinical health services/primary care assurance, management and business practice, population and environmental health services, and targeted community health services.

Major Proprietary Funds

The County reports two major proprietary 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 tax, issuance of bonds, and federal grants.

The Water Quality Enterprise accounts for the operations, maintenance, capital improvements, and expansion of the County's water pollution control facilities under the King County Wastewater Treatment Division. The enterprise has two major treatment plants, the West Point Treatment Plant in Seattle and the South Treatment Plant in Renton, as well as two small facilities, the Alki Treatment Plant and one on Vashon Island. Major construction projects are funded through operating revenue, grants, state loans, and issuance of fixed and variable rate revenue bonds, commercial paper, and general obligation bonds.

Nonmajor Governmental Funds

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

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,

NOTE 1 – CONTINUED

major maintenance of building facilities, office space leasing, storm management projects, technology systems, arts and historic preservation, and other projects.

Nonmajor Proprietary Funds

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

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

Fiduciary Funds

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

King County recognizes two major classifications of Agency Funds: (1) those used with the operations of county government such as Undistributed Taxes Fund and Accounts Payable Clearing Fund; and (2) those which account for cash received and disbursed in the County's capacity as *ex officio* treasurer or collection agent for special districts and other governments such as school districts and fire districts.

Terminology

General Revenues and General Governmental Expenditures

General revenues and general governmental expenditures used in this report are total revenues and expenditures for three governmental fund types: (1) General Fund; (2) Special Revenue Funds; and (3) Debt Service Funds. The revenues and expenditures for all other fund types are excluded from these amounts.

Expenditure Functions

General Government Services – Provided by the legislative and 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, Office of Management and Budget, Office of Information Resources Management, 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, District 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 Natural Resources, River Improvement, Animal Control, Surface Water Management, and River and Flood Control Construction.

NOTE 1 – CONTINUED

Transportation – Provided by the governmental entity for the safe and adequate flow of vehicles and pedestrians that includes expenditures for road and street construction, maintenance, transportation facilities and systems, and general administration. This function includes Road Services, Arterial Highway Development, Renton Maintenance Facilities, and county road construction.

Economic Environment – Provided for the development of, and improvement in, the welfare of the community and individual that includes expenditures for employment opportunity and development, veterans' services, childcare services, and services for the aging and disabled. This function includes Veterans' Relief, Youth Employment Programs, Office of Aging, Women's Programs, Development and Environmental Services, and Planning and Community Development.

Mental and Physical Health – 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 local 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, Cooperative Extension Service, and various Park Capital Project Funds.

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 Assets:

- The asset account *Receivables, net* combines Taxes receivable – delinquent; Accounts receivable, net; Other receivables, net; Interest receivable; Notes and contracts receivable; and Due from other governments, net.
- The asset account *Deferred charges* combines Deferred charges – environmental remediation costs, Deferred charges – issuance costs, and Due from employees.
- The liability account *Accounts payable and other current liabilities* combines Accounts payable, Due to other governments, Taxes payable, Contracts payable, Custodial accounts, and other liabilities.
- The liability account *Accrued liabilities* combines Wages payable and Interest payable.
- The liability account *Noncurrent liabilities* includes Claims and judgments payable, Estimated claim settlements, General obligation bonds, Special assessment bonds, Revenue bonds payable, Excess earnings liabilities, Capital leases, State revolving loan payable, Compensated absences, Environmental and property remediation, Unamortized premium/discount on bonds sold, Deferred charges – refunding losses, and other liabilities.

NOTE 1 – CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents consists of: Cash and pooled investments, Petty cash/change funds, Cash with escrow agent, and Cash held in trust.

All County funds and most component units and special districts participate in the King County Investment Pool (the Pool) maintained by the King County Treasury Operations Section. (See Note 4, "Deposits, Investments and Receivables.") 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 assets 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 this investment of short-term cash surpluses are allocated to the General Fund in accordance with legal requirements and are used in financing general County operations.

Investments

In addition to pooled investments described under Cash and cash equivalents, King County holds other investments in qualified public depositories for County government and special districts for which, either by Washington state law or by contract, King County is the custodian. Money is invested as directed by the governing authority for the fund or agency and proceeds are returned to the investing fund.

Investments purchased for individual funds are reported as investments, regardless of length of maturity. Those attributed to both the external portion of the Pool and those in individual investment accounts are classified as "Investments" in separate investment trust funds. Statements of participants in the Pool's internal portion report pooled investments as cash equivalents. Statements of participants in the external portion report pooled investments as "Assets held in trust – external investment pool." Special district funds with individual investment accounts report their portion of net assets as "Assets held in trust – individual investment accounts." Investments are reported at fair value in compliance with the GASB Codification, Section I50.105, which provides for reporting investments of governmental entities using fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. (See Note 4, "Deposits, Investments and Receivables.")

Receivables

Receivables include charges for services rendered by the County or intergovernmental grants. 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 and/or the historical rate of uncollectibility.

Taxes Receivable – Property taxes levied for the current year are recorded on the balance sheet as Taxes receivable and Deferred revenues at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time the balance sheet accounts, Taxes receivable and Deferred revenues, 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 revenues.

NOTE 1 – CONTINUED

Abatements Receivable – The Abatements receivable account records the unpaid abatement costs due the County from violations reported by the Code Enforcement Section on property within the County. Revenue is recognized when payment is made. Abatement costs may be certified to the property tax parcel; as a result, these might not be paid until the property is sold, which can take years.

Civil Penalties Receivable – The Civil Penalties receivable account records the unpaid civil penalty costs due the County from violations reported by the Code Enforcement Section within the County. Revenue is recognized when payment is made. Liens may be filed against the property and may be released once the fees are paid.

Assessments Receivable – In the governmental funds, unpaid assessments are reported in three accounts: Current, Delinquent, and Deferred. Current assessments are those due within one year, Delinquent assessments are past due, and Deferred assessments are due in the future. Revenues from the assessments are recognized as they become current; that is, both measurable and available to finance expenditures of the current period.

Short-term Interfund Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund short-term loans receivable/payable," (the current portion of interfund loans), or "Advances to/from other funds," (the non-current portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

Advances to/from Other Funds – Noncurrent portions of long-term interfund loans are reported as Advances. In governmental funds they are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and are not available for appropriation.

Inventories

Inventories of governmental funds are recorded using the consumption method. This approach has characteristics of accrual accounting which initially reports the inventories purchased as assets and defers the recognition of expenditures until the inventories are actually consumed. Proprietary funds expense inventories when used or sold. The valuation methods used by funds in King County are outlined below:

First-in, First-out valuation method, which assumes the first inventory purchased is the first consumed, is used by the Solid Waste, King County International Airport, Radio Communications, Construction and Facilities Management, and Public Health Funds.

The Weighted (Moving) Average valuation method, which takes the total cost of the inventory and divides it by the total number of units, is used by Motor Pool Equipment Rental, Public Works Equipment Rental, and the Public Transportation and Water Quality Enterprises.

The last physical count of these inventories was as of December 2008, except for the inventories of the Public Transportation and Water Quality Enterprises, which use cycle counting. Cycle counting takes physical counts of inventory throughout the year.

Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2008 (or June 30, 2008, for Harborview Medical Center), are recorded as prepaid items.

NOTE 1 – CONTINUED

Capital Assets

Capital assets include: Land (fee simple land, right-of-way and easements, and farmland development rights); Infrastructure (roads and bridges network); Buildings; Improvements other than buildings; Furniture, machinery and equipment; and Work in progress. General capital assets, including those in internal service funds that support governmental funds, are reported in the governmental column of the government-wide Statement of Net Assets. 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 Assets. Enterprise and internal service fund capital assets are also reported in the individual proprietary fund Statement of Net Assets. For 2008, the capitalization threshold in the King County Primary Government is $5 thousand for furniture, machinery and equipment, $25 thousand for software, and $50 thousand for buildings, building improvements, and other improvements.

The County's general capital infrastructure, which consists of the entire network of roads and bridges, was initially reported in 2002. The base value at the beginning of 2002 included the estimated cost of all infrastructure and related right-of-way including those acquired prior to December 31, 1980. Because the County is committed to maintaining the infrastructure indefinitely, it has elected to use the modified approach to infrastructure reporting in lieu of the depreciation method. The County is eligible to use the modified approach because it has an asset management system in place that allows for constant monitoring of the infrastructure to ensure that they are maintained and preserved at the predetermined condition level set by the Road Services Division of the Department of Transportation. The asset management system tracks the number, mileage, condition, and the actual and planned maintenance and preservation costs of individual infrastructure elements (road segments and bridges).

Certain equipment and facilities used in 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 the extent of these costs.

Capital assets are valued at historical cost or estimated historical cost where actual historical cost is not available. Donated capital assets are valued at their estimated fair market value at the time of donation. Expenditures for maintenance and repairs that do not add to the value of the assets or materially extend their lives 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 (roads and bridges) are considered preservation costs and are therefore not capitalized.

Governmental capital assets other than land, infrastructure, and artwork are depreciated in accordance with GASB Statement No. 34. As with business-type capital assets, i.e., Enterprise and Internal Service Funds, provision is made for depreciation over the estimated useful lives of the depreciable assets using the straight-line method.

NOTE 1 – CONTINUED

Capital assets and their components have been depreciated over their estimated useful lives as follows:

Description	Depreciation Method	Estimated Useful Life
Buildings – constructed	Straight-line	40 to 60 years
Buildings, transfer stations, shops scales offices, etc.	Straight line	10 to 30 years
Buses and trolleys	Straight-line	12 to 18 years
Cars, vans, and trucks	Straight-line	5 to 8 years
Data processing equipment	Straight-line	3 to 10 years
Downtown transit tunnel	Straight-line	50 years
Heavy equipment	Straight-line	7 to 15 years
Medical equipment	Straight-line	3 to 20 years
Office equipment	Straight-line	3 to 20 years
Sewer lines	Straight-line	50 years
Shop equipment	Straight-line	5 to 20 years
Telecommunication equipment	Straight-line	6 to 10 years

Deferred Charges

The government-wide financial statements and proprietary fund types in the fund financial statements defer expenditures for debt issuance, which are amortized over the life of the respective bond issues. The Public Transportation Enterprise includes certain amounts due from employees as deferred charges. The Water Quality Enterprise defers environmental remediation costs, which are amortized over 40 years. The Building Development and Management Corporations Fund defers organizational start-up costs and amortizes over 5 years. Both the government-wide and proprietary fund types in the fund financial statements defer bond premiums, discounts, and refunding losses, which are reported in the Statement of Net Assets under Noncurrent liabilities and in the fund financial statements under Long-term liabilities.

Deferred Revenues

Deferred revenues include: (1) amounts collected before revenue recognition criteria are met, such as deferred parks program revenue and building and land development permit fees (unearned revenues); (2) receivables and uncollected delinquent taxes that, under the modified accrual basis of accounting, are measurable but not yet available; and (3) a Water Quality Enterprise rate stabilization reserve (see next section on regulatory deferrals).

Regulatory Deferrals

The King County Council has taken various regulatory actions resulting in differences between the recognition of revenues for rate-making purposes in the Water Quality enterprise fund and their treatment under generally accepted accounting principles for nonregulated entities. Currently, the Water Quality enterprise is authorized to apply the accounting treatment of costs under Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 71 (FAS 71), *Accounting for the Effects of Certain Types of Regulation.* Water Quality meets FAS 71 criteria because the rates for its services are regulated by the King County Council, and the regulated rates chargeable to its customers are designed to recover the enterprise's allowable costs of operations.

NOTE 1 – CONTINUED

Rate Stabilization – In 2005, pursuant to FAS 71, the Council established a Rate Stabilization Reserve in the Water Quality enterprise fund. This allows for deferral of certain operating revenues as a liability to be recognized in subsequent years through amortization in order to maintain stable sewer rates.

Regulatory Assets – In 2006, the Council approved the application of FAS 71 to treat pollution remediation obligations of the Water Quality Enterprise as regulatory assets. Actual costs incurred were deferred in prior years as regulatory assets or other deferred costs. For 2008, the implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, required the recognition of the entire amount of the pollution remediation liability and expense for currently known obligations. Water Quality is also deferring this increase in remediation cost as a regulatory asset. The portion of regulatory asset costs that have actually been incurred is being amortized over a recovery period of 30 years as these activities are expected to be financed by 30-year revenue bonds. Beginning in 2008, the State of Washington Department of Ecology has issued an annually renewable grant with a 50 percent reimbursement of grant eligible expenditures for one of the remediation projects; as grant revenues become realized or realizable, these amounts will be factored into the sewer rate model to help mitigate rate increases.

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 three taxable debts as identified in Note 14, "Debt" – Schedule of Long-term Debt. Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government except when spending exceptions rules are met. The County does not recognize a liability for arbitrage at the fund level unless this liability is due and payable at the end of the year. At the government-wide level, the liability is recognized during the period the excess interest is earned.

Compensated Absences

Eligible King County employees earn 12 days of sick leave and 12 to 30 days of vacation per year, depending on the individual employee's length of service and other factors. An unlimited amount of sick leave and a maximum of 60 days of vacation may be accrued. An employee leaving the employ of King County is entitled to be paid for unused vacation leave and, if retiring as a result of length of service or terminating by reason of death, for 35 percent of the value of unused sick leave. For reporting purposes, a variety of factors are used to estimate the portion of the accumulated sick leave that is subject to accrual.

A liability is accrued for estimated excess compensation liabilities 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 any 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 cashout of unused annual leave in excess of 240 hours and a cashout of any other form of leave.

All vacation pay liability and a portion of sick leave liability is accrued in the government-wide and proprietary statements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement

NOTE 1 – CONTINUED

of Net Assets. Bond premiums and discounts, refunding losses, as well as issuance costs, are deferred and amortized over the life of the bonds using outstanding principal balance method. Bonds payable are reported net of the applicable bond premium or discount. Bond refunding losses and issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, as well as bond issuance cost, during 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 expenditures.

Fund Equity

In the fund financial statements, governmental funds report reserves of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Component Units – Summary of Significant Accounting Policies

Harborview Medical Center (HMC)

Harborview Medical Center (HMC), as a county hospital within the Municipal Corporation of King County, maintains its own distinct set of accounting records. HMC's financial statements are prepared in accordance with governmental generally accepted accounting principles. In addition, based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, HMC has elected to apply the provision of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The HMC financial statements are reported as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments*. Harborview Medical Center's Statement of Net Assets and Statement of Activities reflect its financial position as of June 30, 2008.

Land, buildings, and equipment are stated at historical cost. Improvements and replacements of buildings and equipment are capitalized. Maintenance and repairs are expensed. The provision for depreciation is the straight-line method, which allocates the historical cost of capital assets over their estimated useful lives. Upon disposal, capital assets and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is recorded. Interest incurred on funds borrowed by HMC during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest was capitalized during 2008.

HMC, as an instrumentality of the State of Washington, is not subject to federal income taxes under Section 115 of the Internal Revenue Code unless unrelated business income is generated during the year.

Washington State Major League Baseball Stadium Public Facilities District (PFD)

The PFD uses the accrual basis of accounting. Expenses are recorded at the time liabilities are incurred and revenues are recorded when earned.

NOTE 1 – CONTINUED

Cash and cash equivalents consist of cash and pooled investments managed by the King County Treasury Operations Section. The King County Treasury Operations Section Manager pools and invests all short-term cash surpluses not otherwise invested by individual funds of the County. Earnings from these pooled investments are allocated to the PFD based upon its share of equity in the Pool.

Capital assets include the Baseball Stadium and furniture, machinery, and equipment. The Baseball Stadium includes all costs associated with the development and construction of the ballpark project. Development costs include PFD staffing and related operating costs, architect and engineering fees, environmental consulting fees, and all other costs related to the development of the ballpark project.

Capital assets are valued at historical cost. Only interest on interim financing during pre-construction and construction is capitalized.

Capital assets are depreciated on a straight-line basis based on their estimated useful lives. Furniture and equipment are depreciated over three or five years. The Baseball Stadium is depreciated over 40 years from the date it was placed in service.

WSMLBS/PFD employees earn 12 days of sick leave and 10 to 15 days of vacation per year, depending on the individual employee's length of service. An unlimited amount of sick leave may be accrued and two times the annual vacation allotment may be accrued. An employee leaving the employ of the PFD is entitled to be paid for all unused vacation. Unused sick leave is forfeited upon termination of employment. The accrual for unused vacation is included in other current liabilities in the accompanying Statement of Net Assets.

Cultural Development Authority of King County (CDA)

The CDA maintains its own distinct set of accounting records. It is required to maintain its financial records using the accrual basis of accounting in conformity with restrictions or designations imposed by the State municipal corporation laws.

The CDA's accounts are organized into an operating fund, several program funds, and a restricted fund (Cultural Endowment Fund).

- Operating Fund – used to pay for the CDA's administrative support.
- Program Funds – used to segregate different revenue sources and to comply with expenditure requirements.
- Cultural Endowment Fund – consists of 40 percent of the Hotel/Motel tax revenue allocation to the CDA. The principal portion of the fund is permanent and irreducible. Interest earnings in the fund are available for the support of the arts, the performing arts, art museums, heritage museums and cultural museums of King County.

The CDA, as an instrumentality of the State of Washington, is not subject to federal income taxes under Section 115 of the Internal Revenue Code unless unrelated business income is generated during the year.

CDA employees earn 12 sick days per year and 12 to 30 days of vacation per year, depending on length of service. An unlimited amount of sick leave and 30 days of vacation may be accrued. Unused sick leave is forfeited upon termination of employment.

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 Assets:

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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." The details of this $875,804 thousand difference are as follows (in thousands):

Bonds payable	$ 770,998
Less: Deferred charge on refunding (to be amortized as interest expense)	(9,463)
Deferred charge for issuance costs (to be amortized over life of debt)	(3,340)
Plus: Unamortized premiums on bonds sold	21,548
Accrued interest payable	5,985
Capital leases payable	4,000
Compensated absences	73,177
Unemployment compensation payable	1,181
Other postemployment benefits	11,688
Rebatable arbitrage	30
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net assets – governmental activities*	$ 875,804

Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets 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." The details of this $67,463 thousand difference are as follows (in thousands):

Capital outlay	$ 105,673
Depreciation expense	(38,210)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 67,463

NOTE 2 – CONTINUED

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to decrease net assets." The details of this $27,683 thousand difference are as follows (in thousands):

In the statement of activities, only the gain on the sale of capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the book value of the capital assets sold.	$ (91,461)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	63,778
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (27,683)

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." The details of this $1,081 thousand difference are as follows (in thousands):

Property tax accrual	$ 1,291
Surface Water Management service charge accrual	95
Probation and parole service charge accrual	70
Work release service charge net accrual	(129)
Fines and forfeits net accrual	(246)
Net adjustment to increase *net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities*	$ 1,081

NOTE 2 – CONTINUED

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 assets. 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." The details of this $44,234 thousand difference are as follows (in thousands):

Debt issued or incurred	
Issuance of general obligation bond anticipation notes	$ (48,755)
Principal repayments	79,071
Receipts from component units for principal repayments	(1,028)
Payment to escrow agent	14,946
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 44,234

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." The details of this $8,680 thousand difference are as follows (in thousands):

Compensated absences	$ 2,312
Accrued unemployment compensation	130
Other postemployment benefits	6,348
Accrued rebatable arbitrage	(88)
Accrued interest	162
Amortization of issuance costs	755
Amortization of deferred charge on refunding	3,685
Amortization of bond premiums	(4,624)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 8,680

NOTE 2 – CONTINUED

Another element of that reconciliation states, "Net revenues and expenses of certain activities of internal service funds are reported with governmental activities." The details of this $5,162 thousand difference are as follows (in thousands):

Investment interest earnings	$ 6,920
Revenues related to services provided to outside parties	3,973
Expenses related to services provided to outside parties	(3,212)
Gain on disposal of capital assets	307
Interest on long-term debt	(10,884)
Capital contributions	894
Transfers in	1,366
Transfers out	(6,496)
Internal service fund gains allocated to governmental activities	12,294
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 5,162

Explanation of certain differences between the Proprietary Funds Statement of Net Assets and the Government-wide Statement of Net Assets:

The proprietary funds statement of net assets includes a reconciliation between *net assets – total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. 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 assets because the fund was established to serve the Water Quality Enterprise. The details of this $5,753 thousand difference are as follows (in thousands):

Net assets of the business-type activities internal service fund	$ 9,377
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds – prior years	(9,365)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds – current year	5,741
Net adjustment to increase *net assets – total enterprise funds* to arrive at *net assets of business-type activities*	$ 5,753

NOTE 2 – CONTINUED

Explanation of certain differences between the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Government-wide Statement of Activities:

The proprietary funds statement of revenues, expenses, and changes in fund net assets includes a reconciliation between *change in net assets – total enterprise funds* and *change in net assets 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." The details of this $6,345 thousand difference are as follows (in thousands):

Investment interest earnings	$ 190
Revenues related to services provided to outside parties	41
Expenses related to services provided to outside parties	(39)
Gain on disposal of capital assets	6
Transfer in	166
Transfers out	(117)
Internal service fund gains allocated to business-type activities	6,098
Net adjustment to increase *change in net assets – total enterprise funds* to arrive at *change in net assets of business-type activities*	$ 6,345

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Bases of Budgeting

With the exception of the reconciling items described in the Reconciliation of Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis Statements and Schedules section of this note, King County uses the modified accrual basis of budgeting for the General Fund and most Debt Service and Special Revenue Funds. 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 incurred in the acquisition of goods and services. These are annual budgets applicable to the current fiscal year.

Twenty-seven Special Revenue Funds have annual budgets with budgeting methods identical to the General Fund and are presented in the budget and actual schedules in this report.

Two Special Revenue Funds (the Community Development Block Grant Fund and the Miscellaneous Grants Fund) do not have an annual budget. Budgets within these funds are on a multi-year basis with the budget for a particular program covering one or more fiscal years. Total revenues and expenditures for the program are budgeted at its inception and any unexpended balance at the end of the fiscal year is reappropriated to the next fiscal year.

The two Flood Control Zone District Funds are not budgeted. These funds account for flood control zone district activities in accordance with chapter 86.15 RCW.

The King County Ferry District Fund is not budgeted. This fund accounts for the operations of passenger-only ferry services to various parts of the county pursuant to Ordinance 15739.

The Parks Trust and Contribution Fund is not budgeted. This fund accounts for gifts, bequests, and donations of money to the County for parks and recreation purposes and was set up pursuant to Ordinance 14509, the Parks Omnibus Ordinance.

The Road Improvement Districts Maintenance Fund is not budgeted. This fund reports the road district maintenance assessment activity in accordance with chapter 36.88 RCW.

The Treasurer's Operations and Maintenance Fund, pursuant to RCW 84.56.020, is not budgeted.

Four Debt Service Funds have annual budgets. Three have annual budgets with budgeting concepts identical to the General Fund. One of these, the Limited General Obligation Bond Redemption Fund, includes budgeting and accounting for expenditures related to proprietary fund debt service payments. The fourth budgeted Debt Service Fund, the Road Improvement Guaranty Fund, is budgeted only in the exceptional case of transfers of surplus to the County Road Fund.

The Road Improvement Districts Special Assessment Debt Redemption Fund is not budgeted. This fund reports road improvement districts' special assessments revenues and debt service expenditures in accordance with chapter 36.88 RCW.

All funds in the Capital Projects Fund type, except the Road Improvement Districts Construction Fund are controlled by multi-year budgets. However, capital budget appropriations are canceled at the end of the year unless the County Executive submits to the County Council the report of the final year-end reconciliation of expenditures for all capital projects on or before March 1 of the year following the year of the appropriation and each year thereafter in which the appropriation remains open.

The Road Improvement Districts Construction Fund is not budgeted. This fund reports capital improvement assessments construction activity in accordance with chapter 36.88 RCW.

NOTE 3 – CONTINUED

The Enterprise and Internal Service Funds (with the exception of the Insurance Fund and the Building Development and Management Corporations Fund) are budgeted on the modified accrual basis rather than the accrual basis (the GAAP basis for proprietary funds). Appropriations are based on an estimate of expenditures expected to be incurred in the acquisition of goods and services during the fiscal year. Estimated revenues are based on the amount estimated to be earned and available during the fiscal year. The Transit Division budget is submitted as a biennial budget for the 2008/2009 timeframe.

The Insurance Fund is budgeted on the modified accrual basis with one exception. Consistent with the intent of the County ordinance that delegates full claims settlement authority to the County Executive, the recognition of the portion of judgment and claim settlements that occurs and remains unpaid at the end of a fiscal year, and exceeds current year expenditure appropriations, is deferred to the following year when the claim is paid. In 2008 no judgment and claim settlement recognition was deferred to a future period on the budgetary basis due to insufficient appropriations in 2008.

The Building Development and Management Corporations Fund which is used to blend four nonprofit corporations' activities and balance with the primary government is not budgeted.

The Trust and Agency Funds are not budgeted.

Encumbrances

Encumbrances outstanding as of December 31, 2008, are shown in the following schedule by fund type (in thousands):

General Fund	$ 7,087
Public Health Fund	457
Special Revenue Funds	20,776
Capital Projects Funds	45,544
Enterprise Funds	3,213
Internal Service Funds	5,070
Total All Funds	$ 82,147

Reconciliation of Budgetary Basis and GAAP Basis Statements and Schedules for Governmental Funds

In the General and budgeted Special Revenue and Debt Service Funds, the legally prescribed budgetary basis differs from the GAAP basis. For those statements and schedules in which budget comparisons are presented, the legally adopted budget is compared with actual data on the budgetary basis rather than the GAAP basis. Budget to actual statements and schedules of the governmental funds include an explanation of the differences between the two bases. All statements that do not have budget comparisons are prepared on the GAAP basis.

Budgeted Level of Expenditures

Appropriations are authorized by ordinance, generally at the fund level, with the exceptions of the General Fund and four Special Revenue Funds (the Community Development Block Grant, County Road, Developmental Disabilities, and Miscellaneous Grants Funds), which are appropriated at the department/division level, and Capital Projects Funds, which are appropriated at the project level.

NOTE 3 – CONTINUED

These are the legal levels of budgetary control. Unless otherwise provided by the appropriation ordinances, all unexpended and unencumbered annual appropriations lapse at the end of the year. The budgetary comparison schedules (budgetary basis) include variances at the function of expenditure level. These variances are presented for informational purposes only and, if negative, do not constitute a legal violation. Administrative control is guided by the establishment of more detailed line item budgets.

Expenditures Including Other Financing Uses, In Excess of Amounts Legally Authorized

Funds with Multi-year Budgets

Forty-three capital projects in thirteen Capital Projects and Enterprise Funds with multi-year budgets have a combined total of $6.3 million of expenditures in excess of budget. These deficits are expected to be corrected by additional appropriations in 2009.

In addition, supplemental appropriation will be required for certain administrative projects: $23.6 million for an administrative transfer of debt proceeds in the Building Construction and Improvement fund to reimburse authorized expenditures in the Building Repair and Replacement Fund, and $36.3 million for prior year's repayments of bond anticipation notes in the Open Space Capital fund and the Building Construction and Improvement Fund.

Funds with Annual Budgets

All funds and departments/divisions with annual budgets completed the year within their legally authorized expenditures, including other financing uses, with the exception of the Sheriff, which was overexpended by $1,099 thousand. The overexpenditure was caused by a retroactive payment of salaries in a labor agreement approved by the County Council in December 2008.

Fund Balance and Net Asset Deficits

Building Development and Management Corporations – The deficit of $9.0 million was due to bond interest payments made during the first few years of bond issuance when buildings are still under construction and monthly rent payments have not yet commenced. Lease revenue bonds normally include three years of capitalized interest to fund the initial interest costs.

Building Repair and Replacement Fund – The deficit of $26 million is the result of the purchase of a new building funded by a short-term loan. The short-term loan will be replaced with a bond to cover the cost of the building.

County Road Fund - The $16.8 million deficit was the result of $9 million in land sales that did not occur as projected in 2008, approximately $3.4 million in federal storm repair grants programmed but not received in 2008, $1.2 million in property taxes paid to cities with recent annexations, $0.75 million fewer gas tax receipts than projected, and $2.5 million in unanticipated December winter storm costs.

Renton Maintenance Facilities Construction – The deficit of $172 thousand is the result of costs to begin the design of a new regional maintenance facility in Ravensdale. The deficit will be covered using proceeds received from the sale of the Summit Pit property at a future date.

Printing/Graphic Arts Services Fund – The deficit of $1.1 million was the result of printing and graphics expenditures exceeding revenues. The former printing and graphics operation was discontinued after December 2007 and services were transferred to other funds. The deficit is being recovered through charges to user agencies over a two-year period. In 2008 $0.9 million was recovered with the remainder of the deficit to be repaid by the end of December 2009.

NOTE 3 – CONTINUED

Safety and Workers' Compensation Fund – The deficit of $19.5 million is the result of a change of the method in 2004 for estimating workers' compensation claim liabilities from using the case reserves liabilities to an actuarially developed liabilities estimate. The change resulted in a large increase in the reported liabilities and related expenses in 2004. The funding plan developed to build the assets to equal the liabilities over a number of years has made significant progress reducing the deficit in each year since its inception.

Unrestricted Net Asset Deficits

Solid Waste Enterprise Fund – The deficit of $5.8 million in unrestricted net assets is due to an increase in the Cedar Hills Landfill closures and post-closure care liability.

Water Quality Enterprise Fund – The deficit of $51.3 million in unrestricted net assets is the result of interfund loans which financed early debt retirement and capital construction in anticipation of bond issuance.

NOTE 4 – DEPOSITS, INVESTMENTS AND RECEIVABLES

Deposits

The County maintains deposit relationships with several local commercial banks and thrift institutions in addition to its concentration bank. All deposits that are not insured by the Federal Deposit Insurance Corporation (FDIC) are collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority established under chapter 39.58 RCW. It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositaries within the state of up to 10 percent of all their public deposits. There is no current provision for PDPC to make additional *pro rata* assessments if needed to cover a loss. Therefore, PDPC protection is of the nature of collateral, not of insurance, in accordance with GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section I50.110. Pledged securities under the PDPC collateral pool are held by the County's agent in the name of the County.

Some large depositaries hold public deposits in amounts in excess of the market value of the entire PDPC collateral pool. To the extent that uninsured public deposits of a financial institution exceed the PDPC's total value, equivalent proportions of the County's deposits in those institutions are exposed to custodial credit risk because they are uninsured and uncollateralized. Determination of these amounts is based on the conservative assumption that none of the excess public deposits is covered by FDIC insurance. Although such risk is recognized, the PDPC provides additional protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, and by monitoring the financial condition of all public depositaries and optimizing collateralization requirements.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositaries in the State of Washington and provides that the total deposits cannot exceed the net worth of the financial institution. The County establishes deposit limitations for all financial institutions with which deposits are placed, based on publications by IDC Financial Publishing Company. The County's diversification policy limits the maximum amount of investment in certificates of deposit to 20 percent of the total amount of the portfolio and 7.5 percent of a single issuer. At year-end, the County's Investment Pool had $407 million in bank deposits of which $200 million in certificates of deposit were rated "Superior" and $207 million in municipal investor accounts were rated "Average" by IDC.

As of December 31, 2008, County's total deposits were $540.6 million in carrying amount and $518.0 million in bank balance, of which $208.6 million was exposed to custodial credit risk as uninsured and uncollateralized as shown in the following schedule (in thousands):

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Demand Deposits	$ 75,516	$ 52,860	$ 9,348
Municipal Investor Accounts	195,528	195,528	14,038
Certificates of Deposit	194,340	194,340	110,373
Money Market Deposits	75,265	75,265	74,890
Total deposits	$ 540,649	$ 517,993	$ 208,649

The money market deposits are cash held with trustee for four Washington state nonprofit corporations reported in the internal service funds as Building Development and Management Corporations, a blended component unit of King County. The cash held in various financial institutions, including most notably the Bank of New York Trust Company (Trustee), is invested in

NOTE 4 – CONTINUED

United States Government Money Market accounts. Of the $75.3 million total money market deposits, $74.9 million are exposed to custodial credit risk as uninsured and uncollateralized.

Investments

Investment Instruments State statutes authorize King County to invest in savings or time accounts in designated qualified public depositaries and in certificates, notes, or bonds of the United States. The County is also authorized to invest in other obligations of the United States or its agencies or in any corporation wholly owned by the US government. Other authorized investments include bankers' acceptances purchased on the secondary market, federal home loan bank notes and bonds, federal land bank bonds, and federal national mortgage association notes, debentures and guaranteed certificates of participation. In addition, the County is authorized to invest in the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System. The County may also invest in commercial paper (within the policies established by the State Investment Board); debt instruments of banking institutions, local and state general obligations, 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 amount is carried at cost, which approximates fair value. The LGIP is a 2a7-like pool that 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. The LGIP also contracts for an annual outside independent audit.

The County is authorized to enter into repurchase agreements. County investment policies require that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement for investment terms of less than 30 days, and 105 percent for terms longer than 30 days. Repurchase agreements in excess of 60 days are not allowed. Currently, the County's tri-party custodial bank monitors compliance with these provisions. The County has not entered into yield maintenance repurchase agreements.

Statutes permit the County Investment Pool to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. County policy prohibits the use of these agreements as a borrowing mechanism. The investments under reverse repurchase agreements represent the collateral securities transferred to the lender in exchange for the cash received and used to purchase other securities with the same maturities as the collateral securities, resulting in a matched position. Reverse repurchase agreements exceeding 180 days are not allowed and the County's policy limits the maximum amount of investment in reverse repurchase agreements to 20 percent of the total balance of the Investment Pool. As of December 31, 2008, there were no reverse repurchase agreements outstanding.

The County operates under the GASB's *Codification*, Section 2300.601, definition of derivatives and similar transactions. During the year, the County did not buy, sell, or hold any derivative or similar instrument except for certain US agency collateralized mortgage obligation securities purchased by the King County Investment Pool to enhance investment yield. Although these securities are sensitive to early prepayments by mortgagees, usually resulting from a decline in interest rates, County policies are in place to ensure that only the lowest risk securities of this type are acquired.

NOTE 4 – CONTINUED

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 *ex officio* treasurer, and public authorities. The King County Investment Pool (the main Pool), administered by the King County Treasury Operations Section, is an external investment pool. The external portion of the Pool (the portion that belongs to special districts and public authorities other than component units) is reported in an Investment Trust Fund. It is County policy to invest all County funds in the Pool. All non-County participation in the Pool is voluntary.

The King County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. The EFC consists of the Chair of the County Council, the County Executive, the Chief Budget Officer, and the Director of the Finance and Business Operations Division. All investments are subject to written policies and procedures adopted by the EFC. The EFC reviews pool performance monthly.

At January 1, 2008, the King County Investment Pool held four impaired commercial paper securities totaling $204 million (adjusted par value). During 2008, three of the four impaired investments were restructured. The Pool's loss from impaired investments was $32.9 million in 2008. On September 1, 2008, the remaining impaired investments were bifurcated from the performing King County Investment Pool into a separate impaired investment pool. At December 31, 2008, the County has one outstanding impaired security awaiting restructuring. The fair value of the total impaired investments at December 31, 2008 was $7.8 million and the principal balance was $50.6 million.

The King County Investment Pool, excluding the equity in the component units, has a balance of $3.4 billion. The change in the fair value of the total investments for the reporting entity as of December 31, 2008, after considering purchases, sales and maturities, resulted in a net mark up from cost of $37.6 million. The following schedule shows the types of investments, including deposits in savings accounts and certificates of deposit, the average interest rate, and the effective duration limits of the various components of the King County Investment Pool as of December 31, 2008 (in thousands):

KING COUNTY INVESTMENT POOL

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)
Savings Accounts	$ 206,857	$ 206,857	0.75%	0.005
Certificates of Deposit	200,000	200,000	2.95%	0.170
US Treasury Bills	259,940	260,000	0.59%	0.226
US Agency Discount Notes	1,836,726	1,838,645	2.51%	0.293
Taxable Municipal Notes	15,764	15,000	5.17%	2.292
US Treasury Notes	383,318	375,000	2.01%	1.198
US Agency Notes	613,741	595,000	4.71%	1.045
US Agency Collateralized Mortgage Obligations	69,534	68,273	4.51%	2.481
State Treasurer's Investment Pool	412,832	412,832	2.39%	0.005
Totals	$ 3,998,712	$ 3,971,607	2.63%	0.486

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 security safekeeping bank. If a security is not priced by the County's safekeeping bank, prices are obtained from Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. In 2008, the County also obtained quotes from primary investment dealers to help determine the fair values of impaired investments. The County has not provided or obtained any legally binding guarantees to support the value of the Investment Pool's shares.

NOTE 4 – CONTINUED

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 investment fee. 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 gain and loss due to change in the fair values. The net change in the fair values of the investments are reported as an increase or decrease in cash and cash equivalents in the statement of net assets. Details of the recognition of unrealized gain or loss are reported in the statement of revenues, expenditures and changes in fund balance – budget and actual.

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." 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 bank.

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 Pool had concentrations greater than 5 percent of the total investment pool portfolio in the following issuers: Federal Home Loan Mortgage Corporation–23 percent, Federal National Mortgage Association–17 percent, Federal Home Loan Bank–16 percent, Federal Farm Credit Bank–6 percent.

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the Pool. The Pool is managed as two subportfolios: the liquidity portfolio and the core portfolio. The liquidity portfolio's average maturity cannot exceed 120 days and is intended to meet the County's short-term liquidity requirements. The total balance of the liquidity portfolio must be at least 15 percent of the total Investment Pool. The core portfolio is managed similar to a short-term fixed-income fund. The average duration of the core portfolio is currently restricted to a range of one and one-quarter to three and one-quarter years. Securities in the core portfolio cannot have an average life greater than five years at purchase. Based on historical and forecasted cash flows, the Executive Finance Committee established the maximum amount that can be invested in the core portfolio. At year-end, this limit was $2.2 billion and the County was in compliance with this policy. As of December 31, 2008, the combined effective duration of the liquidity and core portfolios was 0.486 years.

Credit risk of Debt Securities Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's Investment Pool was rated AAAf at December 31, 2007. In January 2008, the rating of the King County Investment Pool was temporarily suspended by Standard & Poor's pending further information becoming available on the outcome of restructuring proposals associated with each impaired investment. Standard & Poor's had taken this action because they had not been able to receive timely information about the impaired investments due to the confidential nature of the various enforcement events and related restructuring proceedings. During 2008, three of four restructurings were completed with one remaining in 2009. On September 1, 2008, the impaired investments were bifurcated from the King County Investment Pool.

NOTE 4 – CONTINUED

The credit quality distribution below is categorized to display the greatest degree of credit risk as rated by Standard and Poor's, Moody's, or Fitch. For example, a security rated "AAA" by one rating agency and "AA" by another would be listed as "AA." The following table shows the credit quality for all securities in the King County Investment Pool not backed by the full faith and credit of the United States (in thousands):

Credit Quality Distribution

Investment Type	AAA or A-1	AA	Not Rated	Total
US Agency Discount Notes	$ 1,836,726	$ -	$ -	$1,836,726
Taxable Municipal Notes	-	15,764	-	15,764
US Agency Notes	613,741	-	-	613,741
US Agency Collateralized Mortgage Obligations	69,534	-	-	69,534
State Treasurer's Investment Pool	-	-	412,832	412,832
TOTAL	$ 2,520,001	$ 15,764	$ 412,832	$2,948,597

The King County Investment Pool's policy limits the maximum amount that can be invested in various securities. At year-end, the Pool was in compliance with this policy. The Pool's actual composition consisted of Savings Accounts and Certificates of Deposit–10 percent, US Treasury Bills–7 percent, US Treasury Notes –10 percent, Agency Securities–61 percent, Agency Mortgage Backed Securities–2 percent and State Treasurer's Investment Pool–10 percent. The table below summarizes the Pool's diversification policy.

OVERVIEW OF THE KING COUNTY INVESTMENT POOL'S POLICIES TO LIMIT INTEREST RATE & CREDIT RISK

Investment Type	Maximum Maturity	Security Type Limit	Single Issuer Limit	Minimum Credit Rating
US Treasury	5 Years	100%	None	N/A
US Federal Agency	5 Years	75%	75%	N/A
US Federal Agency MBS	5 Year WAL	25%	25%	N/A
Certificates of Deposit	5 Years	20%	7.5%	PDPC(1)
Municipal Securities(2)	5 Years	20%	5%	A(3)
Bank Securities	5 Years	20%	5%	A(3)
Repurchase Agreements	60 Days(4)	40%	10%	Collateral
Commercial Paper	180 Days	25%	5%	A1/P1(5)
Bankers' Acceptances	180 Days	25%	10%	Top 50(6)
State LGIP(7)	N/A	None	None	N/A

N/A = Not applicable
(1) Institution must be a Washington State depository. Treasurers can deposit up to 100% of bank's net worth.
(2) Washington state issuers: general obligations and revenue bonds. Other states: only general obligation bonds.
(3) Must be rated "A" or better by two rating agencies.
(4) 102% collateralized, over 30 days 105%.
(5) Must be rated in top credit category by at least two rating agencies. Maturities > 100 days must have "AA" long-term rating. Suspended new purchases of commercial paper in August 2007.
(6) Bankers' acceptances can only be purchased from the 50 largest banks in the world by asset size.
(7) The state investment pool (LGIP) is a money market-like fund managed by the State Treasurer's Office.

King County Investment Pool (the Main Pool) and Impaired Investment Pool's Condensed Statements

The King County Investment Pool's (the Main Pool) and the Impaired Investment Pool's Condensed Statements of Net Assets and Changes in Net Assets as of December 31, 2008, are as follows (in thousands):

NOTE 4 – CONTINUED

Condensed Statement of Net Assets

	Main Pool	Impaired Pool	Total
Assets	$ 4,005,245	$ 7,754	$ 4,012,999
Net assets held in trust for pool participants	$ 4,005,245	$ 7,754	$ 4,012,999
Equity of internal pool participants	$ 1,641,276	$ 3,330	$ 1,644,606
Equity of external pool participants	2,363,969	4,424	2,368,393
Total equity	$ 4,005,245	$ 7,754	$ 4,012,999

Condensed Statement of Changes in Net Assets

	Main Pool	Impaired Pool	Total
Net assets - January 1, 2008	$ 4,212,825	$ -	$ 4,212,825
Net change in investments by pool participants	(207,580)	7,754	(199,826)
Net assets - December 31, 2008	$ 4,005,245	$ 7,754	$ 4,012,999

Individual Investment Accounts

King County also purchases individual investments for other legally separate entities, such as special districts and public authorities, that are not part of the financial reporting entity. Net assets in these individual investment accounts are reported in a separate Investment Trust Fund in the Fiduciary Funds section.

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, the HMC's deposits may not be recovered. HMC maintains demand deposit accounts in various banks (insured up to $250 thousand per bank) totaling $3.8 million and the carrying amount of $3.7 million. In addition, HMC has equity in the Investment Pool – Certificates of Deposit and Investments (reported as cash equivalents on June 30, 2008). HMC's equity in the pool applies the same criteria as the King County Investment Pool to classify the amounts of deposits and investments exposed to custodial credit risk as uninsured and uncollateralized. As of June 30, 2008, HMC's equity in the pool was $222.5 million and the carrying amount was $208.4 million, as shown in the following table (in thousands):

NOTE 4 – CONTINUED

Harborview Medical Center

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Cash in other banks	$ 3,707	$ 3,813	$ -
Equity in Investment Pool			
Certificates of Deposit	22,215	22,631	7,301
Investments	196,192	199,869	-
Total Equity in Investment Pool	218,407	222,500	7,301
Total	$ 222,114	$ 226,313	$ 7,301

Washington State Major League Baseball Stadium Public Facilities District (PFD)

The Washington State Major League Baseball Stadium Public Facilities District (PFD) 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, the PFD's deposits may not be recovered. The PFD maintains demand deposit accounts in various banks (insured up to $250 thousand per bank) totaling $80 thousand and the carrying amount of $80 thousand. In addition, the PFD has equity in the Investment Pool – Certificates of Deposit and Investments (reported as cash equivalents on December 31, 2008). The PFD's equity in the pool applies the same criteria as the King County Investment Pool to classify the amounts of deposits and investments exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2008, the PFD's equity in the pool was $8.4 million and the carrying amount was $8.2 million as shown in the following table (in thousands):

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Cash in other banks	$ 80	$ 80	$ -
Equity in Investment Pool			
Certificates of Deposit	835	858	277
Investments	7,373	7,574	-
Total Equity in Investment Pool	8,208	8,432	277
Total	$ 8,288	$ 8,512	$ 277

Cultural Development Authority of King County (CDA)

Deposits The Cultural Development Authority of King County (CDA), dba 4Culture, 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 fully collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC); accordingly, the CDA has no custodial credit risk for its deposits. Carrying amounts of deposits for book purposes are materially the same as bank balances.

Investments The CDA does not participate in the County's investment pool. The CDA has an Investment Policy to guide the management of its assets and ensure that all investment activity is within the regulations established by State and County Code. The primary objective is the

NOTE 4 – CONTINUED

preservation of principal. The CDA's Board of Directors monitors the investments to ensure compliance with Policy guidelines and reviews the investment performance at least annually.

State statutes authorize the CDA to invest in certificates, notes, or 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. The CDA is also authorized to invest in the Washington State Local Government Investment Pool (LGIP), which is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. The LGIP funds are limited to high quality obligations with limited maximum and average maturities, with the effect of minimizing both market and credit risk.

The schedule below shows the types of investments, the average interest rate, the effective duration limits and concentration of all CDA investments as of December 31, 2008 (in thousands):

Cultural Development Authority (CDA)

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)
State Treasurer's Investment Pool	$ 8,803	$ 8,803	1.82%	0.003
US Treasury Notes	15,758	14,597	3.72%	4.163
Federal Home Loan Mortgage Corp Debentures	4,800	4,539	4.54%	4.397
Federal National Mortgage Association Notes	9,008	8,506	4.73%	3.438
Federal Home Loan Bank Bonds	1,396	1,286	4.10%	4.540
Federal Farm Credit Bank Bonds	365	326	4.15%	9.167
Other	813	813	1.65%	0.003
Totals	$ 40,943	$ 38,870	3.60%	3.112

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 CDA manages its exposure to interest rate risk by setting maturity and effective duration limits for its portfolio. As of December 31, 2008, the combined weighted average effective duration of the CDA's portfolio was 3.112 years.

Credit risk of Debt Securities Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2008, all issuers of investments in the CDA portfolio had a Standard & Poor's rating of "AAA." 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 the CDA's investment in a single issuer. As of December 31, 2008, the CDA had concentrations greater than 5 percent of its total portfolio in the following issuers: Federal National Mortgage Association–22 percent, and Federal Home Loan Mortgage Corporation Debentures–12 percent.

NOTE 4 – CONTINUED

Receivables

Analysis of Estimated Uncollectible Accounts Receivable

Receivables for governmental funds are reported net of estimated uncollectible amounts in the basic financial statement, Balance Sheet–Governmental Funds. The schedule below shows receivables at gross with the related estimated uncollectible accounts (in thousands):

	General Fund	Public Health Fund	Other Governmental Funds	Total Governmental Funds
Receivables				
Accounts receivable	$ 73,817	$ 1,414	$ 31,389	$ 106,620
Estimates uncollectible accounts receivable	(64,742)	(17)	(8,319)	(73,078)
Accounts receivable, net	$ 9,075	$ 1,397	$ 23,070	$ 33,542
Other receivables				
Abatements receivable	$ -	$ -	$ 627	$ 627
Estimated uncollectible abatements receivable	-	-	(125)	(125)
Assessments receivable - current	-	-	67	67
Assessments receivable - deferred	-	-	48	48
Other receivables, net	$ -	$ -	$ 617	$ 617
Due from other governments	$ 37,377	$ 18,782	$ 57,635	$ 113,794
Estimated uncollectible due from other governments	(157)	(1)	-	(158)
Due from other governments, net	$ 37,220	$ 18,781	$ 57,635	$ 113,636

NOTE 5 – PROPERTY TAXATION

Taxing Powers

The County is authorized to levy both "regular" property taxes and "excess" property taxes. Regular property taxes are subject to limitations as to rates and amounts and are imposed for general municipal purposes, including the payment of debt service on limited tax general obligation bonds. The County also may impose "excess" property taxes that are not subject to limitation when authorized by a 60 percent majority popular vote, 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 percent of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the numbers of voters approving the excess levy is at least 60 percent of a number equal to 40 percent of the number who voted at the last County general election. Excess levies may be imposed without a popular vote when necessary to prevent the impairment of the obligation of contracts.

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 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 thousand of assessed value; the County levied $1.04278 per thousand in 2008. The road district purposes 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 thousand; the County levied $1.61081 per thousand in 2008. Both the general purposes levy and the road district purposes levy are below the maximum allowable rate because of an additional limitation on the increase from one year to the next in the amount of taxes levied.

The County is authorized to increase its general purposes levy to a maximum of $2.475 per thousand of assessed value if the total combined levies for both general and road purposes do not exceed $4.05 per thousand 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 thousand 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 thousand (authorized by RCW 84.52.069); (2) a voted levy to finance affordable housing for very low income households, limited to $0.50 per thousand (authorized by RCW 84.52.105), however, the County has not sought approval from voters for this levy; and (3) a non-voted levy for conservation futures, limited to $0.0625 per thousand (authorized by RCW 84.34.230).

In November 2007 voters approved a six-year Emergency Medical Services property tax at a maximum rate of $0.30 per thousand beginning in the 2008 tax year. The County currently is levying $0.04641 per thousand for conservation futures. On November 8, 2005, voters approved a $0.05 Veterans and Human Services temporary lid lift for six years. The County levied $0.04232 per thousand for Veterans and Human Services in 2008. In 2006 voters in the County approved a six-year temporary lid lift to finance an automated fingerprint identification system. This six-year levy began in 2008; the current levy rate is $0.05146 per thousand. A Regional and Rural Parks lid lift plus a companion lid lift for the Woodland Park Zoo/Open Space and Trails were

NOTE 5 – CONTINUED

approved by voters in 2007 for a six-year period beginning in 2008 at rates of $0.05 per $1,000 of assessed value each.

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 one percent of the true and fair value of property (or $10.00 per thousand) by Article VII, Section 2 of the State Constitution and by RCW 84.52.050.

$5.90/$1,000 Aggregate Regular Property Tax Levy Limitation. Within the one 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 thousand of assessed value (or 0.59 percent) by RCW 84.52.043(2). This limitation is exclusive of levies for emergency medical services, affordable housing for very low income households, and acquiring conservation futures.

If aggregate regular property tax levies exceed the one percent or $5.90 per thousand limitations, levies requested by "junior" taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010) to bring the aggregate levy into compliance. 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 (chapter 84.55 RCW), 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. As a result of the passage of Initiative 747 (Chapter 1, Laws of 2002), by State voters in November 2001, the limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than one percent, the limit factor can be increased to 101 percent, if approved by a majority plus one vote of the governing body of the 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.

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.

With a majority vote of its electors, a taxing district may levy for the following year, within the statutory rate limitations described above, more than what otherwise would be allowed by the tax increase limitations, as allowed by RCW 84.55.050. This is known as a "levy lid lift," which has the effect of increasing the jurisdiction'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.

NOTE 5 – CONTINUED

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.

Component Units with Taxing Authority. In 2007, the Metropolitan King County Council created a countywide flood control zone district and a countywide ferry district. The boundaries of each district are coterminous with the boundaries of the County and the members of the County Council serve (at least initially) as the legislative body for each district, but under State law each district is a separate taxing district with independent taxing authority. Tax levies for each district began in 2008, $0.10 per $1,000 of assessed value for the flood control zone district and $0.055 per $1,000 of assessed value for the ferry district.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Tax Collection Procedures

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 County Assessor (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 Section 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 fifty dollars, 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 such taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed State 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 all other respects, and subject to the possible "homestead exemption" described below, the lien on 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

NOTE 5 – CONTINUED

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.

Assessed Valuation Determination

The Assessor determines the value of all real and personal property throughout the County that is subject to *ad valorem* taxation, with the exception of certain public service properties for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes, the assessed value of property is 100 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.

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 deferred revenue at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time the accounts Taxes receivable and Deferred revenues 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 revenues. For the government-wide financial statements, the deferred revenue related to the current period, net of the allowance for uncollectible property taxes, is reclassified to revenue.

Allocation of Tax Levies

The following table compares the allocation of the 2008 and 2007 countywide, Emergency Medical Services (EMS), and unincorporated County tax levies by fund, showing for each year the original tax levy and levy rate. The original tax levy reflects the levy before any supplemental levies, tax cancellations, or other adjustments. The 2008 countywide assessed valuation was $340,995,440 thousand, an increase of $42.2 billion from 2007; the assessed valuation for the unincorporated area levy was $50,633,008 thousand, an increase of $5.2 billion from 2007.

NOTE 5 – CONTINUED

ALLOCATION OF 2008 AND 2007 TAX LEVIES

	2008 Original Taxes Levied (in thousands)	2008 Levy Rate (per thousand)	2007 Original Taxes Levied (in thousands)	2007 Levy Rate (per thousand)
Countywide Levy Assessed Valuation:				
$340,995,440 thousand[a]				
Items Within Operating Levy[b]				
General Fund	$ 260,345	$ 0.76686	$ 251,367	$ 0.84558
River Improvements			2,741	0.00922
Veterans' Relief	2,397	0.00706	2,319	0.00780
Human Services	5,331	0.01570	5,151	0.01733
Intercounty River Improvement	51	0.00015	50	0.00017
Limited G.O. Bonds Debt Service	20,109	0.05923	18,454	0.06208
Automated Fingerprint Identification System[c]	17,470	0.05146	16,881	0.05680
Parks Levy[d]	33,947	0.10000	12,616	0.04244
Veterans and Human Services[e]	14,368	0.04232	13,884	0.04672
Total Operating Levy	354,018	1.04278	323,463	1.08814
Conservation Futures Levy[f]				
Conservation Futures Levy	8,450	0.02489	10,850	0.03650
Farmland and Park Debt Service	7,306	0.02152	4,415	0.01485
Total Conservation Futures Levy	15,756	0.04641	15,265	0.05135
Unlimited Tax G.O. Bonds				
(Voter-approved Excess Levy)	39,989	0.11851	44,311	0.15007
Total Countywide Levy	409,763	1.20770	383,039	1.28956
EMS Levy Assessed Valuation:				
$219,374,308 thousand [a] [g]	65,519	0.30000	39,526	0.20621
Unincorporated County Levy Assessed Valuation:				
$50,633,008 thousand [a] [h]				
County Road Fund	81,145	$ 1.61081	77,733	$ 1.74574
Total County Tax Levies [i]	$ 556,427		$ 500,298	

(a) Assessed valuation for taxes payable in 2008.
(b) The operating levy tax rate is statutorily limited to $1.80 per thousand of assessed valuation.
(c) The Automated Fingerprint Identification System (AFIS) levy is a regular property tax to be assessed for six years beginning in 2007 at a levy rate of not more than $0.05680 per thousand of assessed valuation as authorized by RCW 84.55.050 and a proposition approved by a majority of the voters of King County.
(d) The Parks Levy was renewed as a two-part regular property tax (parks and open space/trails/zoo) to be assessed for six years beginning in 2008 at a levy rate of not more than $0.05 per $1,000 of assessed value for each part, as authorized by RCW 84.55.050 and approved by a majority of the voters in the County.
(e) The Veterans and Human Services levy is a regular property tax to be assessed for six years beginning in 2006 at a levy rate of not more than $0.05 per thousand of assessed valuation as authorized by RCW 84.55.050 and a proposition approved by a majority of voters in the County.
(f) The Conservation Futures levy tax rate is statutorily limited to $.0625 per thousand of assessed valuation.
(g) The Emergency Medical Services (EMS) levy shown excludes that portion of the levy within the City of Seattle, which is paid to the city. The levy was approved by the voters in the County in 2007 for a six-year period with collection beginning in 2008.
(h) The tax rate is statutorily limited to a maximum of $2.25 per thousand of assessed valuation.
(i) Excludes tax levy of the blended component units a) the Flood Control Zone District (in 2008 and 2007, the original taxes levied were $33,945 and $956 thousand, respectively) and b) the Ferry District (in 2008 the original taxes levied were $18,671 thousand).

NOTE 6 – CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the King County Primary Government (in thousands):

	Balance 1/1/2008	Increases	Decreases	Balance 12/31/2008
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 735,883	$ 53,714	$ (18,102)	$ 771,495
Infrastructure	927,868	56,440	(74,797)	909,511
Work in progress	115,593	118,351	(11,296)	222,648
Total capital assets not being depreciated	1,779,344	228,505	(104,195)	1,903,654
Capital assets being depreciated				
Buildings	755,015	28,476	(1,007)	782,484
Improvements other than buildings	20,991	1,199	-	22,190
Furniture, machinery & equipment	225,066	24,168	(59,867)	189,367
Total capital assets being depreciated	1,001,072	53,843	(60,874)	994,041
Less accumulated depreciation for:				
Buildings	(214,137)	(21,938)	-	(236,075)
Improvements other than buildings	(4,503)	(1,187)	91	(5,599)
Furniture, machinery & equipment	(145,340)	(28,706)	56,953	(117,093)
Total capital assets being depreciated - net	637,092	2,012	(3,830)	635,274
Governmental activities capital assets - net	$ 2,416,436	$ 230,517	$ (108,025)	$ 2,538,928
Business-type Activities:				
Capital assets not being depreciated				
Land	$ 331,986	$ 15,567	$ (950)	$ 346,603
Work in progress	1,363,452	604,860	(310,955)	1,657,357
Total capital assets not being depreciated	1,695,438	620,427	(311,905)	2,003,960
Capital assets being depreciated				
Buildings	1,073,609	91,352	(3,012)	1,161,949
Improvements other than buildings	2,061,594	118,762	(4,813)	2,175,543
Furniture, machinery & equipment	1,418,965	121,567	(43,968)	1,496,564
Total capital assets being depreciated	4,554,168	331,681	(51,793)	4,834,056
Less accumulated depreciation for:				
Buildings	(393,700)	(29,977)	1,703	(421,974)
Improvements other than buildings	(806,957)	(61,724)	1,773	(866,908)
Furniture, machinery & equipment	(938,059)	(97,963)	42,724	(993,298)
Total capital assets being depreciated - net	2,415,452	142,017	(5,593)	2,551,876
Business-type activities capital assets - net	$ 4,110,890	$ 762,444	$ (317,498)	$ 4,555,836

Governmental activities include capital assets of governmental internal service funds. All but one of the County's internal service funds is classified under governmental activities; the Wastewater Equipment Rental Fund is reported under business-type because it provides services exclusively to the Water Quality enterprise.

NOTE 6 – CONTINUED

Depreciation Expense

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

Governmental Activities	
General government services	$ 13,624
Law, safety and justice	15,790
Physical environment	458
Transportation	1,438
Economic environment	459
Mental and physical health	3,294
Culture and recreation	3,147
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	13,621
Total depreciation expense – governmental activities	$ 51,831

Business-type Activities	
Water Quality	$ 76,399
Public Transportation	93,959
Solid Waste	13,496
King County International Airport	1,688
Radio Communications	1,436
Institutional Network	1,844
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	842
Total depreciation expense – business-type activities	$ 189,664

Infrastructure

Infrastructure capital assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in King County's infrastructure are the roads and bridges network maintained by the Roads Division of the Department of Transportation. The roads and bridges network infrastructure is reported using the modified approach, i.e., depreciation is not recorded. An important consequence of opting for the modified approach is that costs incurred to extend the asset's useful life which are normally capitalized under the depreciation method are now expensed as preservation costs.

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.

NOTE 6 – CONTINUED

Land

Land also includes right-of-way (including infrastructure-related), conservation easements, and farmland development rights.

Right-of-Way
Estimated original historical costs for infrastructure-related right-of-ways 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.

Conservation Easements
A conservation easement is a legal agreement between a landowner and the County that permanently limits land uses in order to protect conservation values.

Farmland Development Rights
The Farmland Preservation Program was established in 1979 to preserve, protect, and enhance agricultural lands and open spaces. Under this program the County has acquired farmland development rights for approximately 12,800 acres. Acquisition of these development rights was intended to ensure that land is not developed in a nonagricultural use.

Governmental Buildings in Internal Service Fund

Certain capital assets classified under governmental activities are reported under a building development and management internal service fund which consists of the aggregation of four separate non-profit property management corporations that are recognized as blended component units of the County in accordance with GASB Statement 14. These buildings are: King Street Center building; Patricia Bracelin Steel Memorial building; Chinook building and Goat Hill parking garage; and the Ninth and Jefferson Building (under construction).

Construction Commitments

Project commitment is defined as authorized and planned expenditures for the capital budget period.

Proprietary Funds
Public Transportation Enterprise – $680.6 million is committed to maintenance of existing infrastructure, replacement of aging fleet, and expansion of transit base capacity.

Water Quality Enterprise – $1.1 billion is committed to constructing a new major wastewater treatment plant and ensuring the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises – $170.9 million is committed to improving the County's solid waste regional landfill and transfer stations; $30.3 million is committed to runway rehabilitation and facilities improvements at the King County International Airport; $1.9 million is committed to maintaining the radio communications systems within the county.

Capital Projects Funds

$474.2 million is committed to various capital projects, including: 1) strategic property acquisitions oriented towards conservation of natural resources, protection of habitat, and control of urban sprawl; 2) development and improvement of trails, playgrounds and ballfields, and other cultural facilities; 3) affordable housing; 4) technology initiatives to improve business

NOTE 6 – CONTINUED

efficiency, emergency preparedness, and network security; 5) flood control to protect the ecosystem and public property; 6) preservation and widening of roads and bridges; and 7) improvement of building facilities.

Discretely Presented Component Units

Harborview Medical Center (HMC)

Capital assets activity for HMC during the fiscal year ended June 30, 2008, was as follows (in thousands):

	Balance 07/01/07	Increases	Decreases	Balance 06/30/08
Capital assets not being depreciated:				
Land	$ 1,586	$ -	$ -	$ 1,586
Work in progress	163,396	61,137	(8,265)	216,268
Total capital assets not being depreciated	164,982	61,137	(8,265)	217,854
Capital assets being depreciated:				
Buildings	189,051	2,733	-	191,784
Improvements other than buildings	1,626	232	-	1,858
Equipment	280,004	29,505	(11,331)	298,178
Total capital assets being depreciated	470,681	32,470	(11,331)	491,820
Less accumulated depreciation for:				
Buildings	(88,987)	(5,967)	-	(94,954)
Improvements other than buildings	(930)	(114)	-	(1,044)
Equipment	(185,599)	(20,065)	10,740	(194,924)
Total capital assets being depreciated - net	195,165	6,324	(591)	200,898
HMC capital assets, net	$ 360,147	$ 67,461	$ (8,856)	$ 418,752

HMC also owns other properties (net book value of $2.7 million) which are held for future use. These are reported under "Other assets" in the component unit's statement of net assets.

NOTE 6 – CONTINUED

Washington State Major League Baseball Stadium Public Facilities District (PFD)

Capital assets activity for the PFD for the period ended December 31, 2008, was as follows (in thousands):

	Balance 01/01/08	Increases	Decreases	Balance 12/31/08
Capital assets not being depreciated:				
Land	$ 38,498	$ -	$ -	$ 38,498
Capital assets being depreciated:				
Baseball stadium	489,858	25	-	489,883
Improvements other than buildings	23,820	1,886	-	25,706
Equipment	65	-	-	65
Total capital assets being depreciated	513,743	1,911	-	515,654
Less accumulated depreciation for:				
Baseball stadium	(105,560)	(12,843)	-	(118,403)
Improvements other than buildings	(595)	(47)	-	(642)
Equipment	(64)	(1)	-	(65)
Total capital assets being depreciated - net	407,524	(10,980)	-	396,544
PFD capital assets, net	$ 446,022	$ (10,980)	$ -	$ 435,042

NOTE 7 – RESTRICTED ASSETS

Within the current and noncurrent assets sections of the Statement of Net Assets are amounts that are restricted as to their use. The restricted assets for these funds are comprised of the following (in thousands):

Proprietary Funds	
Public Transportation – restricted for future construction projects and debt service.	$ 402,267
Water Quality – restricted for future construction projects, debt service, and reserves and obligations.	249,261
King County International Airport – restricted for future construction projects and expansion, and obligations.	9,807
Radio Communications – restricted for future construction projects.	3,422
Solid Waste – restricted for landfill closure and post-closure care costs.	61,475
Building Development & Management Corporations – restricted for future construction projects and debt service.	75,265
Total Proprietary restricted assets	$ 801,497
Component Unit – Harborview Medical Center (HMC)	
HMC Construction Fund – restricted for construction, seismic, public safety and other improvements, and furnishings of HMC buildings.	$ 15,699
HMC Special Purpose Fund – consists of restricted donations, gifts, and bequests from various sources for specific uses.	9,627
HMC Operating Fund – consists of resources that are board-designated for specific purposes, including planned capital and service components, the self-insurance fund, commuter services, net fixed assets held for future use, and others.	56,761
HMC Plant Fund – consists of resources that are board-designated for building improvements, furnishings, and repair and replacement.	18,674
Total HMC restricted assets	$ 100,761
Component Unit – Cultural Development Authority of King County (CDA)	
Public Arts Projects Fund – restricted for the one percent for public art programs operated for the benefit of King County.	$ 6,251
Cultural Grant Awards Fund – restricted for arts and heritage cultural programs.	20,462
Cultural Endowment Fund – a long-term endowment for the benefit of the arts and heritage cultural programs.	20,072
Total CDA restricted assets	$ 46,785

NOTE 8 – PENSION PLANS

Substantially all full-time and qualifying part-time County employees participate in either the Public Employees' Retirement System (PERS), the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), the Public Safety Employees' Retirement System (PSERS), or the Seattle City Employees' Retirement System (SCERS). PERS, LEOFF, and PSERS are statewide local government retirement systems administered by the State of Washington's Department of Retirement Systems under cost-sharing, multiple-employer defined benefit and defined contribution retirement plans.

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.

Historical trend and other information regarding SCERS is presented in the Seattle City Employees' Retirement System annual financial report. A copy of this report may be obtained at: Seattle City Employees' Retirement System, 720 Third Avenue, Suite 1000, Seattle, WA 98104.

The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures*, an Amendment of GASB Statements No. 25 and No. 27.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Descriptions

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

The PERS defined benefit retirement payments are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is

NOTE 8 – CONTINUED

based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM). Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

NOTE 8 – CONTINUED

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required to participate in the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled to, But Not Yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Nonvested	52,575
Total	255,849

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

Members not participating in the JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	8.31%	8.31%	8.31%**
Employee	6.00%	5.45%	- ***

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** Plan 3 defined benefit portion only.
*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in the JBM:

NOTE 8 – CONTINUED

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-Local Govt.*	8.31%	8.31%	8.31%**
Employee-Local Govt.	12.26%	13.63%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** Plan 3 defined benefit portion only.
*** Minimum rate.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 were (in thousands):

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2006	$ 1,918	$ 18,562	$ 2,460
2007	3,194	36,100	5,070
2008	3,501	47,203	6,923

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Plan Descriptions

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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. A cost-of-living allowance is granted (based on the Consumer Price Index).

NOTE 8 – CONTINUED

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled to, But Not Yet Receiving, Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Nonvested	3,708
Total	26,330

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.46%
Employee	- %	8.83%

* The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 were (in thousands):

	LEOFF Plan 1	LEOFF Plan 2
2006	$ 3	$ 2,758
2007	2	3,225
2008	1	3,537

NOTE 8 – CONTINUED

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and became effective July 1, 2006.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A covered employer is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections; Parks and Recreation Commission; Gambling Commission; Washington State Patrol; and Liquor Control Board.
- Washington state counties.
- Washington state cities, except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, 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 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire 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, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 71 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2007:

NOTE 8 – CONTINUED

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to, But Not Yet Receiving, Benefits	0
Active Plan Members Vested	0
Active Plan Members Nonvested	2,755
Total	2,755

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

	PSERS Plan 2
Employer*	9.43%
Employee	6.57%

* The employer rate includes an employer administrative expense fee of 0.16%.

Both the County and the employees made the required contributions. The County's required contributions for the year ended December 31 were as follows (in thousands):

	PSERS Plan 2
2006	$ 334
2007	1,473
2008	1,806

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. SCERS provides retirement, death, and disability 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 ten or more years of service; and after age 62 with five or more years of service. Disability retirement is available after ten 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 twenty-four 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

NOTE 8 – CONTINUED

the member's death, stops all payments. Several optional retirement benefit formulas exist which provide for beneficiaries with reduced monthly allowances.

The SCERS member contribution rate is 8.03 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 8.03 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. Both the County and the employees made the required contributions. The County's required contributions for the years 2006, 2007, and 2008 ending December 31 were $700, $666, and $644 thousand, respectively.

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 – Washington State Major League Baseball (WSMLB) Stadium Public Facilities District (PFD)

Employees of the District have the option of participating in either the Public Employees' Retirement System (PERS) or the Stadium PFD Retirement Plan (in 2008 no employees elected to participate in PERS). Employer contributions are paid by the District in accordance with rates specified by the individual plans. Total payroll covered by all systems for the year ended December 31, 2008, was $36 thousand.

Employees are also able to select the Stadium PFD Retirement Plan as an alternative benefit plan to PERS. The Plan is designated as a profit-sharing plan in accordance with Section 401 (a) (27) (B) of the Internal Revenue Code. No contributions by participants are required or permitted other than authorized rollover contributions. All contributions to the plan vest immediately. Actual contributions made to the plan in 2008 were $3 thousand.

Component Unit – Cultural Development Authority of King County (CDA)

All CDA personnel participate in the Public Employees' Retirement System (PERS). PERS is a statewide local government retirement system administered by the State of Washington Department of Retirement Systems under cost-sharing, multiple-employer defined benefit public employee retirement systems.

NOTE 9 – POSTEMPLOYMENT HEALTHCARE PLAN

During the year ended December 31, 2007, the County elected to adopt the provisions of GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" (GASB No. 45), which requires the County to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed *Annual Required Contribution* (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the County, under GASB No. 45, has recorded a liability of $15.083 million for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. Such liability is included in other noncurrent liabilities in the accompanying December 31, 2008 balance sheet.

The effect of GASB No. 45 for the current fiscal year was to decrease the County's excess of revenue over expenses before capital contributions and the County's increase in net assets for the year ended December 31, 2008 by approximately $8.435 million.

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

Funding Policy The LEOFF 1 medical benefit requirements are established by RCW 41.26.150(1) with local disability boards administering the LEOFF 1 medical service expenses. LEOFF 1 retirees are not required to contribute to the Health Plan. All other retirees are required to pay the COBRA rate associated with the elected plan as set by the Human Resources Director.

For the fiscal year ended December 31, 2008, the County contributed an estimated $3.24 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits.

Annual OPEB Cost and Net OPEB Obligation The basis for the County's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, will cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following displays the components of the County's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the County's net OPEB obligation to the Health Plan for the year ended December 31, 2008 (in thousands):

Normal cost — Unit Credit Method	$ 3,806
Amortization of unfunded actuarial accrued liability (UAAL)	-
Amortization of unfunded actuarial accrued liability (UAAL) at transition	7,989
Annual Required Contribution (ARC)	11,795
Interest on net OPEB obligation	265
Adjustment to annual required contribution	(385)
Annual OPEB cost (expense)	11,675
Contributions made	(3,240)
Increase in net OPEB obligation	8,435
Net OPEB obligation — beginning of year	6,648
Net OPEB obligation — end of year	$ 15,083

NOTE 9 - CONTINUED

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$11,795	43.6%	$ 6,648
12/31/2008	$11,675	27.8%	$15,083

Funded Status and Funding Progress The funded status of the Health Plan as of December 31, 2008 (in thousands),

Actuarial accrued liability (AAL) — Unit Credit	$145,393
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$145,393
Funded ratio (actuarial value of plan assets ÷ AAL)	0.0%
Covered payroll	$890,310
UAAL as a percentage of covered payroll	16.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The December 31, 2008 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 11.0% for KingCare medical, 8.5% for KingCare Rx, and 11.0% for HMO medical/Rx, each reduced by decrements to an ultimate rate of 5.0% after 12 years. The vision trend rate is 1.0%, the miscellaneous trend rate is 7.0%, and the Medicare Premium trend rate is 8.5%, for all years. All trend rates include a 3.0% inflation assumption, with the exception of vision trends. The amortization of the UAAL at transition uses a level dollar amount on a closed basis. The remaining amortization period at December 31, 2008 was 28.0 years. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 30 years.

Component Unit – Harborview Medical Center (HMC)

In July 2004, GASB issued statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" (GASB 45). GASB 45 is effective for the year ended June 30, 2008. This statement will require the recording of the accumulated liability for retiree health care and life insurance costs, which the University of Washington subsidizes.

NOTE 9 - CONTINUED

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). All University of Washington employees, including Medical Center employees, are employees of the State of Washington. The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay as you go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington 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 health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an explicit subsidy). For 2008 this amount was $164 per month per retiree eligible for parts A and B of Medicare. This is also passed through to state agencies via active employee rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance.

An actuarial study performed by the Washington Office of the State Actuary calculated that the total OPEB obligation of the State of Washington at July 1, 2007 was $3.8 billion and that the 2008 annual cost was $314 million. The Actuary calculated the OPEB obligation based on individual State employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data.

The Actuary's allocation of the overall statewide liability related to the University, including its unconsolidated affiliates (which includes the Medical Center), was approximately $600 million, and the annual allocated estimated cost to the University for FY 2008 was approximately $60 million. This estimated expense represents the amortization of the liability for fiscal year 2007 plus the current expense for active employees.

Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in the University's nor the Medical Center's financial statements. This liability is recorded at the statewide level. The Medical Center was billed and paid $44,012 and $39,608 thousand, respectively, for health care expenses in 2008 and 2007 which included its funding of the OPEB liability.

The State Actuary's report is available at:

http://osa.leg.wa.gov/Actuarial_Services/OPEB/PDF_Docs/2007_OPEB_Report.pdf

NOTE 10 – RISK MANAGEMENT

As a municipal organization, the County has a wide range of loss exposures.

The County uses three internal service funds to account for and finance property/casualty, workers' compensation, and employee medical and dental benefits self-insurance programs. Unemployment liability is accounted for in the funds with loss experience and as governmental long-term liability. The County contracts with a plan administrator to process medical and dental claims. County fund/claims managers, together with the Civil Division of the King County 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, established in 1977, accounts for the County's exposures to loss due to the tortious conduct of the County, including those commonly covered by general liability, automobile liability, police professional, public officials, errors and omissions, and professional malpractice insurance policies. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2008, is $59.27 million.

The County purchases excess liability coverage that currently provides $97.5 million in limits above a $2.5 million per occurrence self-insured retention (SIR) for its general liability, automobile liability, police liability, public officials, errors and omissions, and Health Department professional malpractice exposures. The reinsurance policy has a "corridor" deductible that requires the County to pay an additional $1 million above the $2.5 million SIR before the reinsurance company becomes responsible for losses. This $1 million may either be satisfied by one large loss exceeding $3.5 million or through a combination of losses above the $2.5 million SIR. Effective September 1, 2008, the County renewed the property insurance policy. This policy has a blanket limit of $1 billion above a $100 thousand per occurrence deductible and provides an overall earthquake sublimit of $100 million. The 2008 policy was endorsed to cover Certified and Non-Certified Acts of Terrorism on a blanket basis up to $250 million.

In addition to its excess liability policy and property insurance policies, the County has specific liability insurance policies to cover some of its other exposures. The County has a liability policy for the King County International Airport with policy limits of $300 million; a liability policy to cover the police helicopter activities with liability limits of $50 million per occurrence; and excess statutory coverage for the Workers' Compensation program over a $2.5 million per occurrence SIR.

NOTE 10 – CONTINUED

In the past three years, there were two occurrences that resulted in payment in excess of the self-insured retention of $2.5 million. No significant changes were made in the County's insurance program during 2008.

The County has extensively reviewed and revised its marine policies to better address some new and expanding County exposures due mainly to the Homeland Security Act. The marine program now has limits of $50 million with additional coverage for sudden and accidental pollution, maritime employers' liability, towers liability, and contingent charterers liability.

With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques. Nonincremental claim adjustment expenses are not included as part of the liability. The changes in the Insurance Fund's estimated claims liability in 2007 and 2008 were as follows (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2007	$ 45,707	$ 22,255	$ (9,770)	$ 58,192
2008	58,192	11,938	(10,861)	59,269

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 premiums are based on the hours worked by the fund/department-covered employees times an hourly rate that varies for different classes of employees and are recorded as quasi-external interfund transactions. Public Transportation and Water Quality internal fund 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 discounted at 4.25 percent, the County's average forecasted rate of return on investments. As of December 31, 2008, the total discounted claim liability is $72.69 million and the undiscounted carrying amount of the claim liability is $88.69 million.

The County purchases an excess workers' compensation policy that provides statutory limits coverage. The amount of loss retained by King County (the self-insured retention) under this policy, effective September 1, 2004, was $2.5 million. In the prior three years, there has been no settlement in excess of the insurance coverage.

The Fund's claims liability is estimated by an independent actuary and discounted. 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. Nonincremental claim adjustment expenses are not included as part of the liability. Changes in the Safety and Workers' Compensation Fund's claims liability in 2007 and 2008 were (in thousands):

NOTE 10 – CONTINUED

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2007	$ 57,149	$ 23,575	$ (16,243)	$ 64,481
2008	64,481	26,314	(18,104)	72,691

Employee Benefits Program Fund

The Employee Benefits Program Fund, an internal service fund, accounts for employee medical, dental, vision, life, accidental death and dismemberment, and long-term disability benefit programs. There are three insured and one self-insured medical plans. Seventy-five percent of County employees are insured through the self-insured medical plan. The dental and vision plans are also self-insured. Interfund premiums are determined on a per employee, per month basis and charged to departments through a composite rate of expected claims, expenses and premiums. In some cases, there are employee contributions towards premiums. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2008, is $13.83 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2007 and 2008 were (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2007	$ 13,893	$ 123,990	$ (124,011)	$ 13,872
2008	13,872	138,090	(138,136)	13,826

Unemployment Liability

The County has elected to retain the risk for unemployment compensation payable to former County employees. The State of Washington Employment Security Department bills the County for the unemployment compensation benefits paid to former employees. Expenditures are then recognized in various county funds. In addition, a long-term liability of $1.18 million is recorded in governmental long-term liability for the estimated future claims liability for employees as of December 31, 2008.

Changes in governmental long-term liability for unemployment compensation in 2007 and 2008 were (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2007	$ 1,347	$ 970	$ (1,266)	$ 1,051
2008	1,051	1,081	(951)	1,181

NOTE 10 – CONTINUED

Component Unit – Harborview Medical Center

Insurance Fund

Harborview Medical Center (HMC) participates in a self-insurance revolving fund for professional liability coverage through the University of Washington (UW). As of June 30, 2008, the UW did not carry commercial general liability coverage at levels below $2 million per occurrence. The UW's philosophy with respect to its self-insurance programs is to fully fund its anticipated losses through the establishment of actuarially determined self-insurance reserves. These reserves are deposited in a statutorily created and regulated fund and can only be expended for payment of claim costs and related expenses.

The annual funding to the self-insurance revolving fund is determined by the UW administration based on recommendations from the UW's Risk Management Advisory Committee. The HMC's *pro rata* share of premiums paid to the self-insurance revolving fund were approximately $1.72 million in the period July 1, 2006 to June 30, 2007 and $1.68 million in the period July 1, 2007 to June 30, 2008.

Employee Benefits Program

Eligible permanent employees of HMC receive the basic insurance benefits package that is purchased by the University of Washington through the Public Employees Benefits Board (PEBB). HMC faculty and staff meeting PEBB eligibility rules receive this package of medical, dental, life, and long-term disability (LTD) insurance. In addition, there are optional employee-paid components to the life and LTD insurance that HMC employees may elect.

All employees of HMC are covered by Workers' Compensation and Medical Aid Acts for injuries and occupational diseases that occur during the course of their employment. Coverage includes doctors' services, hospital care, ambulance, appliances, compensation for permanent, partial, and total disability, and allowances and pensions to surviving spouses and children in the case of fatal injuries. A majority of the premium cost is paid by the UW and a small deduction is made from the employee's pay to conform with State law.

Component Unit – WSMLBS Public Facilities District

Insurance Fund

The Washington State Major League Baseball Stadium Public Facilities District (PFD) carries commercial general liability insurance with a general aggregate limit of $2 million and a per occurrence limit of $1 million. Excess liability coverage is in force at aggregate and per event limits of $5 million. Business automobile liability coverage limit is at $1 million per any one accident or loss. Commercial personal property losses are covered up to the replacement value not exceeding $100 thousand with separate coverage for earthquake and flood losses. The PFD also has purchased employee benefit liability coverage with an aggregate limit of $3 million and a per employee limit of $1 million.

NOTE 10 – CONTINUED

Component Unit – Cultural Development Authority of King County

Insurance Fund

The Cultural Development Authority of King County (CDA), dba 4Culture, carries comprehensive general liability and auto liability insurance with no aggregate limit per member. The total limit is $10 million with a per occurrence limit of $9.5 million. Commercial property losses are covered up to the replacement cost on file with Washington Governmental Entity Pool.

The CDA also has purchased employee benefit liability coverage with an aggregate limit of $20 million and an aggregate per member limit of $10 million.

Employee Benefits Program

Employees of the CDA have a comprehensive benefits package through the Public Employees Benefits Board (PEBB). The comprehensive package includes medical, dental, life, and long-term disability coverage. In addition, the PEBB offers the following optional products: long-term care, auto, and home insurance. The State of Washington Health Care Authority (HCA) is the administrating authority. The CDA also offers insurance with American Family Life Assurance Company (AFLAC). With the AFLAC coverage, the CDA employees can pick from a selection of insurance policies.

NOTE 11 – 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 type funds are accounted for within the proprietary funds (Business-type Activities).

The following is a schedule of capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2008 (in thousands):

	Capital Assets		Capital Leases Payable	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Land	$ 1,440	$ -	$ -	$ -
Buildings	4,460	-	4,000	-
Leasehold improvements	-	4,881	-	3,453
Less depreciation	(800)	(1,096)	-	-
Subtotal	3,660	3,785	4,000	3,453
Totals	$ 5,100	$ 3,785	$ 4,000	$ 3,453

The following is a schedule, by year, of future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2008 (in thousands):

	Governmental Activities	Business-type Activities
2009	$ 482	$ 255
2010	484	255
2011	480	255
2012	481	255
2013	480	255
2014-2018	2,408	1,275
2019-2023	483	1,275
2024-2028	-	1,275
2029-2031	-	658
Total minimum lease payments	5,298	5,758
Less: Amount representing interest	(1,298)	(2,305)
Present value of net minimum lease payments	$ 4,000	$ 3,453

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, 2008, for operating lease and rental agreements for office space,

NOTE 11 – CONTINUED

equipment, and other operating leases amount to $36.6 million. The patterns of future lease payment requirements are systematic and rational. Future minimum lease payments for these leases are as follows (in thousands):

Year	Office Space	Equipment	Other	Total
2009	$ 5,617	$ 400	$ 758	$ 6,775
2010	5,010	316	718	6,044
2011	4,155	284	654	5,093
2012	3,816	244	536	4,596
2013	3,649	134	540	4,323
2014-2018	11,868	-	2,802	14,670
2019-2023	2,285	-	2,883	5,168
2024-2028	1,013	-	2,437	3,450
2029-2033	969	-	1,853	2,822
2034-2038	57	-	2,046	2,103
2039-2043	-	-	2,259	2,259
2044-2048	-	-	2,494	2,494
2049-2053	-	-	2,609	2,609

The County currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. Under business-type activities, the King County 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 following schedule is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2008 (in thousands):

	Governmental Activities	Business-type Activities	
		Airport	Other
Land	$ 440	$ 11,220	$ 3,657
Buildings	4,583	59,061	1,218
Less depreciation	(1,854)	(29,521)	(266)
Total cost of property under lease	$ 3,169	$ 40,760	$ 4,609

The following is a schedule of minimum future lease receipts on non-cancelable operating leases based on contract amounts and terms as of December 31, 2008 (in thousands):

	Governmental	Business-type Activities		
Year	Activities	Airport	Other	Total
2009	$ 13,088	$ 5,023	$ 1,209	$ 19,320
2010	12,538	5,008	3,725	21,271
2011	9,882	5,008	880	15,770
2012	980	4,859	348	6,187
2013	886	4,637	58	5,581

NOTE 12 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

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, changes in technology, or changes in regulations.

State and federal laws and regulations require King County to place a final cover on its Cedar Hills Landfill site when the County stops accepting waste at this location. Certain maintenance and monitoring functions are also required at the sites for 30 years following closure. Enumclaw, Hobart, Duvall, Vashon, and Cedar Falls landfills have been covered. Puyallup, Houghton, Bow Lake, and First Northeast are custodial landfills which were covered 30 or more years ago and are no longer subject to these 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 $112.5 million reported as landfill closure and post-closure care liability as of December 31, 2008, 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	85%	$71,924	$16,157	2015
Covered	100%	31,647	-	closed
Custodial	100%	8,930	-	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, 2008, cash and cash equivalents of $39.9 million were held in the Landfill Reserve Fund. Cash and cash equivalents of $18.6 million were held in the Landfill Post-closure Maintenance Fund, a fund designated for these purposes.

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.

The County also established the Environmental Reserve Fund for future investigation and possible remediation of custodial landfills. Landfill investigations and foreseeable remediation efforts are complete; therefore there is no liability recorded for custodial landfills.

NOTE 13 – ENVIRONMENTAL REMEDIATION

In 2008 the County implemented GASB Statement No. 49 - *Accounting and Financial Reporting for Pollution Remediation Obligations.* This statement requires special accounting and reporting for governments that become obligated to perform environmental remediation work following the occurrence of one or more GASB-defined "obligating events." The applicable requirements are: 1) to estimate the components of expected pollution remediation outlays; and, 2) to accrue the future estimable outlays for those components as liabilities and expenses (or capitalize the costs in certain limited situations). Further requirements are for the liability to be recorded at the current value of the costs expected to be incurred to do the remediation work, and for the liability to be measured using the expected cash flow technique.

The impact of the implementation of GASBS No. 49 to King County operations follows:

Water Quality Enterprise - Accrued environmental remediation liabilities are related to ongoing voluntary efforts to clean up certain sites in the Lower Duwamish Waterway, and to remediate contamination of sediment on sites near combined sewer outflows (as outlined in the sediment management program). The implementation of GASBS No. 49 resulted in a $27.9 million increase in the prior year's accrued environmental remediation liability mostly for the sediment management program. The increase is due to the recognition of cleanup costs through 2012 and the exclusion of expected grant recoveries that were previously deducted from the liability. The methodology for estimating liabilities is based on Water Quality's engineering analysis, program experience, and cost projections for the remediation activities programmed under the Regional Wastewater Services Plan. While the remaining work is well-defined, re-measurements are conducted as program benchmarks are reached. Environmental remediation costs for Water Quality are currently deferred as regulatory assets in accordance with FAS 71 - *Accounting for the Effects of Certain Types of Regulation* (See Note 1, *Summary of Significant Accounting Policies* – Regulatory Deferrals). Because of this offsetting effect there was no corresponding change in beginning net assets.

Public Transportation Enterprise - Environmental remediation liability increased from $50 thousand at December 31, 2007 to $346 thousand at December 31, 2008. Although related to GASBS No. 49 the increase was not deemed material to restate prior periods. The pollution obligation is primarily related to: 1) monitoring soil and ground water contamination at the Lake Union Tank and Dearborn (under consent decrees from the Washington State Department of Ecology); 2) groundwater monitoring at two bus operation bases; and 3) the planned voluntary remediation of a third bus operation site. The 2008 liability was measured from the estimated amounts compiled by experienced Public Transportation staff using the expected cash flow technique. These cost estimates, however, are subject to change when contamination levels at specific sites are updated, when existing agreements and remediation alternatives are modified, or when new applicable regulations emerge.

King County International Airport (KCIA) Enterprise – Accrued remediation liabilities are related to the ongoing investigation, pre-cleanup, cleanup, and monitoring activities at three sites along the Lower Duwamish Waterway (Slip 4, 7777 Perimeter Road, and the North Boeing Field/ Georgetown steam plant and flume). These obligations were brought about by complaints filed by other governments to recover costs from the enterprise and the enterprise has agreed to share the cost, or as part of an existing agreed order from the Washington State Department of Ecology where the enterprise was identified as a potentially responsible party. Liabilities were estimated using the expected cash flow technique. GASBS No. 49 implementation resulted in an increase in the enterprise's remediation liability at December 31, 2007 from $2.6 million to $6.5 million resulting in a restatement of 2008 beginning net assets.

NOTE 14 – DEBT

Short-term Debt Instruments and Liquidity

King County has no short-term debt instruments outstanding for governmental activities at December 31, 2008.

For business-type activities, the County has $100 million of commercial paper outstanding in the Water Quality Enterprise Fund as of December 31, 2008. The commercial paper has maturity dates ranging from 30 to 154 days. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the Enterprise. Repayment of the debt will be made from operating revenues. The following schedule provides a summary of changes in short-term debt as of December 31, 2008:

CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2008
(IN THOUSANDS)

	Balance 01/01/08	Additions	Reductions	Balance 12/31/08
Governmental activities:				
Limited tax GO bond anticipation notes	$ 43,975	$ -	$ (43,975)	$ -
Unamortized premium bonds sold	293	-	(293)	-
Governmental activities short-term debt	$ 44,268	$ -	$ (44,268)	$ -
Business-type activities:				
Commercial paper	$ 100,000	$ -	$ -	$ 100,000
Business-type activities short-term debt	$ 100,000	$ -	$ -	$ 100,000

Long-term Debt

King County has long-term debt reported with both governmental activities and business-type activities. For governmental activities, long-term debt consists of general obligation bonds, general obligation capital leases, general obligation bond anticipation notes that were replaced by long-term general obligation bonds in February 2009; and lease revenue bonds accounted for in the Internal Service Funds.

For business-type activities, long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Institutional Network (I-NET), Solid Waste, Public Transportation, and Water Quality Enterprise Funds; capital leases accounted for in the Public Transportation Fund; Sewer Revenue Bonds and State of Washington revolving loans accounted for in the Water Quality Enterprise Fund.

NOTE 14 – CONTINUED

KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 1 of 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/08
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Limited Tax GO Bond Redemption Fund					
1993 Various Purpose Series B (Partial)	12/01/93	01/01/24	5.35-6.70%	$ 109,436	$ 17,750
1996 Various Purpose Series A (Partial)	02/01/96	01/01/09	5.00-5.25%	105,268	1,165
1997 Baseball Stadium Series D	05/07/97	12/01/09	4.60-5.75%	150,000	5,000
1999 Various Purpose Series A (Partial)	05/01/99	12/01/12	4.00-5.25%	85,695	9,729
2001 Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	26,925	15,560
2002 Refunding 1997B Bonds (Baseball Stadium)	06/04/02	12/01/14	4.00-5.50%	124,575	57,645
2002 Various Purpose (Road CIP) Bonds	10/01/02	12/01/16	2.00-5.00%	38,340	24,350
2003 Limited Tax GO (Payoff BAN 2003B) Series A	10/30/03	06/01/23	2.00-5.25%	27,605	22,910
2003 Various Purpose Refunding Bonds Series B (Partial)	10/30/03	06/01/23	2.00-5.25%	27,890	15,655
2004 Refunding Bonds Series A	09/21/04	01/01/16	2.00-5.00%	57,045	49,435
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	01/01/25	2.50-5.00%	82,435	74,885
2004 Baseball Stadium (Refg 1997C Partial) (Taxable) Series C	12/21/04	12/01/11	2.92-4.49%	13,195	6,735
2004 Baseball Stadium (Refg 1997D Partial) Series D	12/21/04	12/01/11	3.00-5.00%	32,075	27,290
2005 Refunding Bonds Series A	06/29/05	01/01/19	5.00%	22,510	22,510
2006 Refunding Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	38,330	35,125
2006 HUD Section 108 Bonds – Greenbridge Project	08/01/06	08/01/24	4.96-5.70%	6,783	6,044
2007 Kingdome Debt Series A Refunding 1997F	09/05/07	12/01/15	4.00-5.00%	48,665	48,100
2007 Kingdome Debt Series B Refunding 1997E (Taxable)	09/05/07	12/01/10	4.98-5.11%	5,900	2,710
2007 Various Purpose Series C	11/01/07	01/01/28	4.00-4.50%	10,695	10,635
2007 Various Purpose Series D	11/01/07	01/01/28	4.00-5.00%	34,630	34,450
2007 Various Purpose Series E (Partial)	11/27/07	12/01/17	4.00-5.00%	3,070	2,820
Total Payable From Limited Tax GO Redemption Fund				1,051,067	490,503
Payable From Internal Service Funds					
1999 Various Purpose Series A	05/01/99	12/01/09	4.00-5.25%	525	60
2001 Various Purpose (Partial)	11/01/01	12/01/11	3.00-5.00%	1,050	360
Total Payable From Internal Service Funds				1,575	420
IB. Limited Tax GO Bond Anticipation Notes[a]					
Payable From Building Construction and Improvement Fund					
2008 Limited Tax GO Bond Anticipation Notes	10/30/08	03/01/09	3.00%	48,755	48,755
IC. Limited Tax GO Capital Leases - Payable from General Fund					
1998 Certificate of Participation - Issaquah District Court	09/29/98	12/01/19	3.80-5.05%	5,900	4,000
Total Limited Tax General Obligation Debt				1,107,297	543,678

NOTE 14 – CONTINUED

KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 3 of 3)

		Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/08
II.	**BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT**					
IIB.	Revenue Bonds, Capital Leases and Loans					
	Payable From Enterprise Funds					
	1999 Sewer Revenue Bonds Series 2	11/01/99	01/01/09	5.00-6.25%	$ 60,000	$ 1,125
	2001 Sewer Revenue Bonds Junior Lien Series A	08/06/01	01/01/32	Variable Rate[c]	50,000	50,000
	2001 Sewer Revenue Bonds Junior Lien Series B	08/06/01	01/01/32	Variable Rate[c]	50,000	50,000
	2001 Sewer Revenue and Refunding Bonds	11/28/01	01/01/35	3.00-5.25%	270,060	226,730
	2002 Sewer Revenue Bonds Series A	08/14/02	01/01/35	5.00-5.50%	100,000	94,960
	2002 Sewer Revenue Refunding Bonds Series B	10/03/02	01/01/33	3.00-5.50%	346,130	271,105
	2003 Sewer Revenue Refunding Bonds	04/24/03	01/01/35	2.00-5.25%	96,470	92,325
	2004 Sewer Revenue Bonds Series A	03/18/04	01/01/35	4.50-5.00%	185,000	185,000
	2004 Sewer Revenue Refunding 1999-2 Bonds Series B	03/18/04	01/01/35	2.00-5.00%	61,760	59,375
	2006 Sewer Revenue and Refunding 1999-1 Bonds Series A	05/16/06	01/01/36	5.00%	124,070	124,070
	2006 Sewer Revenue and Refunding Bonds Series B-2	11/30/06	01/01/36	3.50-5.00%	193,435	193,215
	2007 Sewer Revenue Bonds	06/26/07	01/01/47	5.00%	250,000	250,000
	2008 Sewer Revenue Bonds	08/14/08	01/01/48	5.00-5.75%	350,000	350,000
	2000-2008 State of Washington Revolving Loans	Various	Various	0.50-3.10%	158,626	129,186
	2000 Public Transportation Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	3,453
	Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				2,300,273	2,080,544
	TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				3,002,848	2,718,610
	TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				$ 4,949,385	$ 3,905,703

(a) On February 26, 2009, the County replaced the bond anticipation notes with a long-term debt issuance of $50 million multi-modal limited tax general obligation bonds, 2009 Series A with a maturity date of June 1, 2029.

(b) Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County.

(c) The variable rate 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.

NOTE 14 – CONTINUED

KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 2 of 3)

		Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/08
I.	**GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT**					
ID.	Unlimited Tax General Obligation Bonds (ULTGO)					
	Payable From Unlimited Tax GO Redemption Fund					
	2000 Refunding Bonds (Partial)	10/01/00	06/01/16	5.00-5.50%	$ 102,740	$ 32,875
	2001 Harborview Medical Center	02/01/01	12/01/20	4.00-5.00%	29,130	22,680
	2003 Refunding 1993 Series C Bonds	04/23/03	06/01/19	2.00-5.25%	108,795	25,935
	2004 Harborview Medical Center Series A	05/04/04	12/01/23	2.00-5.00%	110,000	97,455
	2004 Harborview Medical Center Series B	09/14/04	06/01/23	3.00-5.00%	54,000	48,765
	Total Payable From Unlimited Tax GO Bond Redemption Fund				404,665	227,710
	Payable From Stadium GO Bond Redemption Fund					
	2000 Refunding Bonds (Partial)	10/01/00	06/01/12	5.00-5.50%	18,880	7,065
	Total Unlimited Tax General Obligation Bonds				423,545	234,775
IE.	Lease Revenue Bonds [b]					
	Payable From Internal Service Funds					
	2002 Broadway Office Property – HMC Office Space	11/13/02	12/01/31	4.00-5.38%	62,540	58,755
	2005 Goathill Property – Chinook Building	02/03/05	12/01/33	4.00-5.25%	101,035	98,920
	2006A NJB Properties – HMC	12/05/06	12/01/36	5.00%	179,285	179,285
	2006B NJB Properties – HMC (Taxable)	12/05/06	12/01/36	5.51%	10,435	10,435
	2007 King Street Center Project Refunding 1997	03/08/07	06/01/25	4.00-5.00%	62,400	61,245
	Total Lease Revenue Bonds Payable from Internal Service Funds				415,695	408,640
	TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,946,537	1,187,093
II.	**BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT**					
IIA.	Limited Tax General Obligation Bonds (LTGO)					
	Payable From Enterprise Funds					
	1998 LTGO (Public Transportation Sales Tax) Refunding Series A	05/15/98	12/01/19	4.50-5.00%	85,715	50,015
	1999 LTGO Refunding Series A (Partial)	05/01/99	12/01/12	4.00-5.25%	8,720	4,731
	2001 LTGO Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	8,580	6,475
	2002 LTGO (Public Transportation Sales Tax) Refunding Bonds	11/05/02	12/01/19	3.00-5.50%	64,285	47,575
	2004 LTGO (Public Transportation Sales Tax) Bonds	06/08/04	06/01/34	2.50-5.50%	49,695	46,405
	2005 LTGO (WQ-LTGO) Bonds	04/21/05	01/01/35	5.00%	200,000	200,000
	2006 Refunding Bonds (Partial)	12/14/06	01/01/15	4.00-5.00%	7,995	6,530
	2007 Various Purpose Series E (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	39,385
	2008 LTGO (WQ-LTGO) Refunding Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	236,950
	Total Limited Tax GO Bonds Payable From Enterprise Funds				702,575	638,066

NOTE 14 – CONTINUED

The following table summarizes changes in long-term liabilities for the year ended December 31, 2008 (in thousands).

	Balance 01/01/08	Additions	Reductions	Balance 12/31/08	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 819,221	$ -	$ (93,523)	$ 725,698	$ 68,041
General obligation bond anticipation notes	-	48,755	-	48,755	48,755
Lease revenue bonds [a]	414,535	-	(5,895)	408,640	6,185
Special assessment bonds with governmental commitment	15	-	(15)	-	-
Less deferred amounts:					
Unamortized premium bonds sold	26,172	171	(4,795)	21,548	-
Refunding	(12,932)	(216)	3,685	(9,463)	-
Total bonds payable	1,247,011	48,710	(100,543)	1,195,178	122,981
Limited GO capital leases	4,324	-	(324)	4,000	285
Claims and judgments payable	-	2,600	-	2,600	2,600
Compensated absences liability	81,018	8,066	(5,917)	83,167	5,976
Other postemployment benefits	5,542	6,651	-	12,193	-
Unemployment compensated liabilities	1,051	1,081	(951)	1,181	1,181
Estimated claims settlements and other liabilities	136,604	176,389	(167,162)	145,831	91,652
Rebatable arbitrage	208	-	(178)	30	-
Total Governmental activities long-term liabilities	$ 1,475,758	$ 243,497	$ (275,075)	$ 1,444,180	$ 224,625
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 663,421	$ 236,950	$ (262,306)	$ 638,065	$ 16,222
Revenue bonds	1,724,220	350,000	(126,315)	1,947,905	30,540
Less deferred amounts:					
Unamortized premium bonds sold	39,810	12,931	(1,329)	51,412	-
Refunding	(68,389)	(20,004)	22,262	(66,131)	-
Total bonds payable	2,359,062	579,877	(367,688)	2,571,251	46,762
Capital leases	3,534	-	(81)	3,453	85
State revolving loans	118,524	17,286	(6,624)	129,186	7,029
Compensated absences liability	54,955	20,447	(14,237)	61,165	8,089
Other postemployment benefits	1,106	1,784	-	2,890	-
Landfill closure and post-closure care liability	106,816	5,686	-	112,502	5,686
Environmental remediation and other liabilities	14,467	27,184	(633)	41,018	-
Total Business-type activities long-term liabilities	$ 2,658,464	$ 652,264	$ (389,263)	$ 2,921,465	$ 67,651

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of $145.8 million are included in the above amount. Governmental activities compensated absences are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

(a) Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County.

NOTE 14 – CONTINUED

KING COUNTY, WASHINGTON
DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES

	General Obligation Bonds and Bond Anticipation Notes		General Obligation Capital Leases Bonds		Lease Revenue Bonds		Total Governmental Activities	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 116,796	$ 35,453	$ 285	$ 197	$ 6,185	$ 19,975	$ 123,266	$ 55,625
2010	71,044	31,944	300	184	6,465	19,689	77,809	51,817
2011	58,621	28,521	310	170	10,465	19,390	69,396	48,081
2012	59,913	25,580	325	156	10,965	18,892	71,203	44,628
2013	70,546	22,070	340	140	11,490	18,365	82,376	40,575
2014-2018	217,751	67,446	1,980	428	66,645	82,633	286,376	150,507
2019-2023	148,313	26,831	460	23	84,310	64,979	233,083	91,833
2024-2028	31,469	2,557	-	-	88,285	43,705	119,754	46,262
2029-2033	-	-	-	-	87,805	21,564	87,805	21,564
2034-2038	-	-	-	-	36,025	3,683	36,025	3,683
TOTAL	$ 774,453	$ 240,402	$ 4,000	$ 1,298	$ 408,640	$ 312,875	$ 1,187,093	$ 554,575

BUSINESS-TYPE ACTIVITIES

	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total Business-Type Activities		Total Long-Term Debt (Excluding General Obligation Long-Term Liabilities)	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 16,222	$ 31,531	$ 37,654	$ 97,036	$ 53,876	$ 128,567	$ 177,142	$ 184,192
2010	15,452	30,773	39,338	97,604	54,790	128,377	132,599	180,194
2011	14,630	30,060	41,129	95,871	55,759	125,931	125,155	174,012
2012	15,312	29,351	42,995	94,208	58,307	123,559	129,510	168,187
2013	14,815	28,631	44,572	92,425	59,387	121,056	141,763	161,631
2014-2018	106,605	130,351	232,451	429,588	339,056	559,939	625,432	710,446
2019-2023	121,545	97,691	244,285	378,042	365,830	475,733	598,913	567,566
2024-2028	134,535	65,981	280,473	317,721	415,008	383,702	534,762	429,964
2029-2033	155,405	30,320	438,827	237,855	594,232	268,175	682,037	289,739
2034-2038	43,545	1,874	255,840	136,385	299,385	138,259	335,410	141,942
2039-2043	-	-	196,280	87,975	196,280	87,975	196,280	87,975
2044-2048	-	-	226,700	30,212	226,700	30,212	226,700	30,212
TOTAL	$ 638,066	$ 476,563	$ 2,080,544	$ 2,094,922	$ 2,718,610	$ 2,571,485	$ 3,905,703	$ 3,126,060

NOTE 14 – CONTINUED

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 2½ 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 1½ percent of assessed value of property within the County for general county purposes and 3/4 percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ 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 2½ 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, 2008 is as follows (in thousands):

2008 ASSESSED VALUE (2009 TAX YEAR)	$	386,889,728
Debt limit of limited tax (LT) general obligations for metropolitan functions		
3/4 % of assessed value	$	2,901,673
Less: Net LT general obligation indebtedness for metropolitan functions		(682,603)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	$	2,219,070
Debt limit of LT general obligations for general county purposes and		
metropolitan functions – 1½ % of assessed value	$	5,803,346
Less: Net LT general obligation indebtedness for general county purposes		(1,005,916)
Net LT general obligation indebtedness for metropolitan functions		(682,603)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions		(1,688,519)
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	$	4,114,827
Debt limit of total general obligations for metropolitan functions		
2½ % of assessed value	$	9,672,243
Less: Net total general obligation indebtedness for metropolitan functions		(682,603)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	$	8,989,640
Debt limit of total general obligations for general county purposes		
2½ % of assessed value	$	9,672,243
Less: Net unlimited tax general obligation indebtedness		
for general county purposes		(225,138)
Net LT general obligation indebtedness for general county purposes		(1,005,916)
Net total general obligation indebtedness for general county purposes		(1,231,054)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	$	8,441,189

NOTE 14 – CONTINUED

Refunding General Obligation Bond Issues – 2008

Limited Tax General Obligation (Sewer Revenue) Refunding Bonds, 2008 – On February 12, 2008, the County issued $236.95 million in limited tax general obligation (Sewer Revenue) bonds, 2008 with an effective interest cost of 4.43 percent to advance refund $244.27 million of outstanding limited tax general obligation (Sewer Revenue) refunding bonds, 1998 Series B with an effective interest cost of 5.05 percent. The net proceeds were used to purchase US 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 business-type column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by $4.45 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2034, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by $15.60 million over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $13.03 million.

Refunded Bonds

King County has ten outstanding refunded and defeased bond issues consisting of limited tax general obligation bonds ($57.5 million), unlimited tax general obligation bonds ($14.4 million) and sewer revenue bonds ($138.8 million) that were originally reported in the Primary Government's statement of net assets. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, US Bank of Washington, and the liability for the defeased bonds has been removed from the statement of net assets.

Future Borrowing Plans

During the first half of 2009, the County completed the sale of $50 million of multi-modal limited tax general obligation bonds to replace the $48.8 million of limited tax general obligation bond anticipation notes that matured on March 1, 2009. Also, the County sold $34.8 million of limited tax general obligation bonds to provide financing for capital facilities projects. In addition, the County sold $48.5 million of limited tax general obligation refunding bonds payable from a public transportation sales tax to refund $50 million of its outstanding general obligation (public transportation) 1998 Series A bonds. The County sold $300 million of limited tax general obligation bonds to provide funding for its Wastewater capital improvement program. These bonds are additionally secured by a pledge of the revenues of the County's sewer system.

The County expects to issue approximately $100 million of new long-term limited tax general obligation bonds through the end of 2010. The proceeds of these bonds will be used to provide funding for road improvements, the Solid Waste Division's capital improvement program, and other general government facilities and technology projects.

The County also expects to issue approximately $625 million of new debt through the end of 2010 to provide funding for its Wastewater Treatment Division's capital improvement program. While all of these bonds will be payable from the sewer revenues of the wastewater system, a portion will be additionally secured by a pledge of the full faith and credit of the County.

In addition, the County intends to take advantage of favorable interest rates by refinancing any outstanding higher rate bonds when and if market conditions permit.

NOTE 15 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances

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

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

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	$ 1,194
	Nonmajor Governmental Funds	15,796
	Nonmajor Enterprise Funds	2,875
	Internal Service Funds	2,456
	All Others	509
Public Health Fund	Nonmajor Governmental Funds	3,229
	All Others	279
Nonmajor Governmental Funds	General Fund	1,035
	Nonmajor Governmental Funds	36,374
	Water Quality Enterprise	1,326
	Nonmajor Enterprise Funds	590
	Internal Service Funds	1,346
	All Others	357
Public Transportation Enterprise	Nonmajor Governmental Funds	25,615
	Water Quality Enterprise	184,050
	All Others	72
Water Quality Enterprise	Nonmajor Governmental Funds	2,981
	Water Quality Enterprise	866
	All Others	53
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	2,322
	Nonmajor Enterprise Funds	810
	All Others	669
Internal Service Funds	General Fund	613
	Nonmajor Governmental Funds	2,637
	Internal Service Funds	711
	All Others	1,000
Total		$ 289,765

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.

The $184,050 thousand due from Water Quality Enterprise to Public Transportation Enterprise consisted of short-term loans made for the purpose of cash flow.

NOTE 15 – CONTINUED

Advances from/to other funds (in thousands)

Receivable Fund	Payable Fund	Amount
General Fund	Public Transportation Enterprise	$ 3,500
	Nonmajor Governmental Funds	300
Public Transportation Enterprise	General Fund	600
Total		$ 4,400

The advances from the General Fund to the Public Transportation Enterprise and Nonmajor Governmental Funds consisted of loans made for the purposes of cash flow. Neither advance is scheduled to be repaid in 2009.

The $600 thousand advance from the Public Transportation Enterprise to the General Fund, which arose from the sale of the Tashiro-Kaplan Building, is reported as "Advances to other funds" in the Public Transportation Enterprise and as "Advances from other funds" in the General Fund. $300 thousand of the balance is scheduled to be collected in 2009.

Interfund Transfers (in thousands)

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

Transfers Out	Transfers In	Amount
General Fund	Public Health Fund	$ 31,755
	Nonmajor Governmental Funds	45,706
	Internal Service Funds	899
	All Others	127
Public Health Fund	All Others	136
Nonmajor Governmental Funds	General Fund	5,079
	Nonmajor Governmental Funds	129,261
	All Others	40
Public Transportation Enterprise	All Others	272
Water Quality Enterprise	All Others	53
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	2,294
	All Others	46
Internal Service Funds	Nonmajor Governmental Funds	3,417
	All Others	467
Total transfers in		219,552
Transfer out of capital assets		3,011
Total transfers out		$ 222,563

NOTE 15 – CONTINUED

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.

In the fund financial statements, total transfers out exceed total transfers in because there were $3,011 thousand of capital assets transferred during the year.

Transfers Out	Transfers In	Amount
Public Transportation Enterprise	Internal Service Funds	$ 98
Water Quality Enterprise	Internal Service Funds	166
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	7
	Internal Service Funds	11
Internal Service Funds	General Fund	1,920
	Nonmajor Governmental Funds	469
	Internal Service Funds	340
Total		$ 3,011

NOTE 16 – RESTRICTIONS, RESERVES, DESIGNATIONS, AND CHANGES IN EQUITY

Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are classified into three categories:

Invested in capital assets, net of related debt – Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets – Consists of net assets that do not meet the definition of the two preceding categories.

Restricted Net Assets – Business-type Activities (in thousands)

$ 385,969	Public Transportation Enterprise restricted for future construction projects ($375,156) and debt service ($10,813).
45,815	Water Quality Enterprise restricted for debt service ($34,825), and litigation settlements ($10,990).
1,825	King County International Airport Enterprise restricted for future construction projects.
3,360	Radio Communications Enterprise restricted for construction.
$ 436,969	Total Business-type Restricted Net Assets

Restricted Net Assets – Internal Service Funds (in thousands)

$ 25,460	Building Development & Management Corporations Fund restricted for future construction projects ($798) and debt service ($24,662).

Reserves and Designations

King County records two general types of reserves. One type indicates that a portion of the fund balance is legally segregated for a specific future use; the other type indicates that a portion of the fund balance is not available for appropriation. Designated fund balances, on the other hand, represent tentative plans (including those plans prescribed by local ordinance) for future use of financial resources.

NOTE 16 – CONTINUED

Following is a list of all reserves and designations used by King County and a description of each:

Reserved Fund Balances (in thousands)

	General Fund	Public Health Fund	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects
Reserved for:					
Inventory	$ -	$ 534	$ -	$ -	$ -
Prepayments	-	-	6,251	-	589
Encumbrances	7,087	457	20,776	-	45,544
Advances to other funds	3,800	-	-	-	-
Animal services	66	-	-	-	-
Crime victim compensation program	95	-	-	-	-
Criminal justice	1,826	-	-	-	-
Debt service	-	-	298	-	-
Drug enforcement program	1,587	-	-	-	-
Antiprofiteering program	95	-	-	-	-
Dispute resolution centers	157	-	-	-	-
Inmate welfare	1,326	-	-	-	-
Real property title assurance	25	-	-	-	-
Training and equipment for Medic One	-	85	-	-	-
KC Medic One equipment replacement	-	-	770	-	-
Youth sports facilities grant endowment	-	-	2,620	-	-
PFD stadium bond debt service	-	-	-	8,744	-
PFD stadium bond debt service - escrow	-	-	-	5,197	-
Traffic mitigation	-	-	-	-	1,699
Total reserved fund balances	$ 16,064	$ 1,076	$ 30,715	$ 13,941	$ 47,832

Reserved for inventory – Segregates a portion of fund balance in the amount of the inventory of supplies carried as an asset; it represents resources that are not available nor spendable for the fund's current operations.

Reserved for prepayments – Segregates a portion of fund balance equal to the asset prepayments; it does not represent available, spendable resources for the fund's current operations.

Reserved for encumbrances – Segregates a portion of fund balance for commitments made for goods or services that have not been delivered or completed as of year-end. The budget for these commitments will be reestablished in the new year without reappropriation.

Reserved for advances to other funds – Segregates a portion of fund balance for advances to other funds (the noncurrent portion of interfund loans receivable) to indicate that they do not constitute available financial resources and are not available for appropriation.

Reserved for animal services – Segregates a portion of fund balance to indicate that resources are reserved solely for the purpose of funding the animal services program, which promotes and enforces the humane treatment of the animal population of King County.

NOTE 16 – CONTINUED

Reserved for crime victim compensation program – Segregates a portion of fund balance to indicate that resources are legally restricted to the crime victim compensation program and are not spendable resources for other expenditures (chapter 7.68 RCW).

Reserved for criminal justice – Segregates a portion of fund balance to indicate that resources are to be used exclusively for criminal justice purposes (RCW 82.14.340).

Reserved for debt service – Segregates a portion of fund balance to indicate that resources are to be used solely for the payment of debt service.

Reserved for drug enforcement program – Segregates a portion of fund balance to indicate that resources are legally restricted solely for the purpose of enhancing enforcement of the Uniform Controlled Substances Act, chapter 69.50 RCW, or other laws regulating controlled substances, including training, equipment, and operational expenses.

Reserved for antiprofiteering program – Segregates a portion of fund balance to indicate that resources are legally restricted solely for the purposes of the investigation and prosecution of any offense included in the definition of criminal profiteering set forth in chapter 9A.82 RCW.

Reserved for dispute resolution centers – Segregates a portion of fund balance to indicate that resources are legally restricted solely for the purpose of funding dispute resolution centers (RCW 7.75.035).

Reserved for inmate welfare – Segregates a portion of fund balance to indicate that resources are reserved solely for the purpose of the welfare of inmates held by the Department of Adult and Juvenile Detention.

Reserved for real property title assurance – Segregates a portion of fund balance to indicate that resources are legally restricted solely for the purpose of the payment of damages to any person sustaining loss or damage, through any omission, mistake, or misfeasance of the registrar of titles, or of any examiner of titles, or of any deputy, or by the mistake or misfeasance of the clerk of the court, or any deputy, in the performance of their respective duties under the provisions of chapter 65.12 RCW Registration of Land Titles (Torrens Act).

Reserved for training and equipment for Medic One – Segregates a portion of fund balance to indicate that the use of donations from individuals to Medic One are reserved for equipment purchases and training for paramedics and medical services officers.

Reserved for King County Medic One equipment replacement - Segregates a portion of fund balance to indicate that resources are reserved for replacing equipment at King County Medic One. The Medic One/EMS 2008-2013 Strategic Plan adopted by Ordinance 15740 requires each Advanced Life Support (ALS) agency to develop a reserve fund to cover these costs.

Reserved for youth sports facilities grant endowment – Segregates a portion of fund balance pending a decision to establish a separate Permanent Fund for an endowment. The investment income from the endowment will be used exclusively to supplement the Youth Sports Facilities Grant Fund for the acquisition and operation of outdoor sports fields for youth.

Reserved for PFD stadium bond debt service – Segregates the revenues collected by the County that are earmarked for future debt service payments on the 1997A-1, 1997B, 1997D, 2002 Refunding, and 2004D Refunding tax exempt Baseball Stadium bond issues.

NOTE 16 – CONTINUED

Reserved for PFD stadium bond debt service – escrow – Segregates the revenues collected by the County that are earmarked for future debt service payments on the 1997A-2, 1997C, and 2004C Refunding taxable Baseball Stadium bond issues.

Reserved for traffic mitigation – Segregates a portion of fund balance related to the mitigation payment system revenues to indicate that resources are reserved solely for the purpose of funding growth-related traffic mitigation projects (King County Code 14.75.030).

Designated Fund Balances (in thousands)

	General Fund	Public Health Fund	Nonmajor Special Revenue
Designated for:			
Equipment replacement	$ -	$ -	$ 6,421
Capital projects	5,268	-	-
DDES	-	-	2,523
Environmental health services	-	2,695	
Operating reserve	-	-	22,564
PIHP risk reserve	-	-	2,898
Reappropriation	280	-	6,581
Children and family services program	1,848	-	-
Total designated fund balances	$ 7,396	$ 2,695	$ 40,987

Designated for equipment replacement – Indicates that a portion of fund balance has been earmarked for the replacement of equipment.

Designated for capital projects – Identifies a portion of fund balance in the General Fund equal to the budget for capital projects not expended and expected to be reappropriated for the coming year. The projects may be decreased, increased, and changed in scope by the County Council in their budget deliberations.

Designated for DDES – In the Department of Development and Environmental Services (DDES) Fund, this account sets aside revenues for permit fee supported areas of DDES in the following categories: (1) reserve for staff reductions; (2) revenue shortfall reserve (amount to cover a 15 percent fee revenue shortfall for three months at the budgeted level for fee revenue); and (3) reserve for fee waivers and other unanticipated costs.

Designated for environmental health services – Segregates environmental health fee revenue which may only be used by Environmental Health Services as mandated by the Board of Health.

Designated for operating reserve – Funds designated from Mental Health revenue that are set aside according to the King County Regional Support Network's (KCRSN) contract with the State Mental Health Division, totaling approximately 5 percent of annual revenues if funds are available. Operating reserve funds are set aside to maintain adequate cash flow for the provision of mental health services.

Designated for Prepaid Inpatient Health Plan (PIHP) risk reserve – Funds used to cover inpatient adjustments, outpatient tier benefits, and closeout expenditures in case the King County Regional Support Network (KCRSN) becomes insolvent. The KCRSN is funded primarily by

NOTE 16 – CONTINUED

capitated payments from the State based on the number of Medicaid recipients in King County. These revenues support services for people with mental illness in King County.

Designated for reappropriation – Used at year-end for lapsed appropriations for which special requests have been made to obtain reappropriation in the coming year.

Designated for children and family services programs – Segregates a portion of fund balance to indicate that resources have been earmarked by County ordinance to provide children and family services to the residents of King County.

Management Plans for Internal Service Fund Unrestricted Net Assets

The following Internal Service Funds have resources that have been earmarked by County management for a specific future use as of December 31, 2008:

Department of Executive Services (DES) Equipment Replacement Fund – $1,264 thousand for the replacement of personal computers.

Information and Telecommunications Services Fund – Telecommunications Subfund – $816 thousand for the replacement of telecommunications equipment.

Insurance Fund – $14.2 million for catastrophic losses. The catastrophic loss reserve will be used to respond to large, nonrecurring losses exceeding $1 million per incident.

King County Geographic Information Service (GIS) Fund – $262 thousand for the replacement of GIS equipment, $176 thousand for rate stabilization, and $79 thousand for prepaid client services.

Motor Pool Equipment Rental Fund – $4.6 million for the replacement of rental equipment.

Public Works Equipment Rental Fund – $7.8 million for the replacement of rental equipment.

Wastewater Equipment Rental Fund – $6.3 million for the replacement of rental equipment.

Restatements of Beginning Balances

King County International Airport – The beginning net asset balance of the King County International Airport (an enterprise) has been restated due to the implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

Technology Systems Capital/King County Geographic Information Systems – The beginning balance of a subfund in the Technology Systems Capital Fund (a capital projects fund) was transferred to the King County Geographic Information Systems Fund (an internal service fund).

NOTE 16 – CONTINUED

The following schedules present detailed information regarding restatements of beginning balances (in thousands):

	Business-type Activities	King County International Airport	Internal Service Funds	King County Geographic Information Systems	Nonmajor Capital Projects Funds	Technology Systems Capital
Net Assets/Fund Balance - December 31, 2007	$ 2,124,083	$ 89,243	$ 71,589	$ 522	$ 135,331	$ 406
Cumulative GASB 49 environmental remediation adjustment	(4,540)	(4,540)				
Transfer residual subfund balance			24	24	(24)	(24)
Net Assets/Fund Balance – January 1, 2008 (Restated)	$ 2,119,543	$ 84,703	$ 71,613	$ 546	$ 135,307	$ 382

Component Unit – Harborview Medical Center (HMC)

Restricted Net Assets

Restricted expendable net assets – The $18,172 thousand consists of investments restricted either for capital use or by donor. Access to investments restricted for capital use is restricted by King County for designated capital projects. Investments restricted by donor represent assets that are restricted by creditors, grantors, or contributors external to the HMC.

Restricted nonexpendable net assets – The $2,012 thousand consists of permanent endowments by donors.

Component Unit – Cultural Development Authority of King County (CDA)

Restricted Net Assets

Restricted expendable net assets – $20,022 thousand is restricted by RCW 67.28.180.3 and King County ordinance for use for arts and heritage cultural program awards according to a specified formula.

Restricted nonexpendable net assets – $20,072 thousand is a long-term endowment funded from a portion of the hotel/motel tax pursuant to RCW 67.28.180.3(e) to finance future arts and heritage cultural programs.

NOTE 17 – LEGAL MATTERS, CONTINGENT LIABILITIES, AND OTHER COMMITMENTS

Primary Government

There is no litigation or claim currently pending against King County in which to our knowledge the likelihood of an unfavorable outcome with material damages assessed against the County is considered "probable."

The following litigation, or potential litigation, may involve claims for material damages against King County for which the County is unable to provide an opinion as to the ultimate outcome or the amount of damages that may be found:

- A lawsuit filed by a private transportation operator seeking damages in the amount of $13.4 million. Plaintiff claims that County transit service violates its rights, under a Certificate of Public Convenience and Necessity, to be sole provider of direct airporter service between downtown Seattle and Sea-Tac International Airport. Although the case has been dismissed in Snohomish Superior Court, plaintiff has elevated appeal to the State Supreme Court.
- Claims for unspecified damages filed by two sewer districts who allege that certain expenditures of the King County Wastewater Treatment Division (WTD) constitute a breach of contract and a violation of the King County Charter and a local government accounting statute. The County is vigorously defending the claim.
- An appeal of an administrative decision of the Washington State Department of Retirement Systems ruling that settlement payments on two earlier class action lawsuits were properly not reported to the State Retirement System by the County as "compensation earnable." The County is vigorously defending against all claims.
- An administrative order from the Environmental Protection Agency (EPA) requiring the County, the City of Seattle, the Boeing Company, and the Port of Seattle to conduct a feasibility study that will determine the nature and extent of the contamination in the Lower Duwamish Waterway. Potentially, upon completion of the studies, additional administrative or judicial orders may require remediation.
- A potential requirement for additional cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The WTD has already performed interim cleanup costing $3.6 million to comply with a formal agreement with Washington State Department of Ecology (DOE). Monitoring is being enforced with DOE reserving its rights to require additional remedial actions.
- A formal agreement with the DOE to help fund the investigation and potential cleanup of the North Boeing Field/Georgetown Steam Plant and flume site. King County International Airport, the City of Seattle, and the Boeing Company have agreed to share the cost of the work to determine the extent of pollution, to draft a cleanup action plan, and to perform required interim cleanups. The estimated cost of investigation and assessment is $2.5 million to be shared equally by the three named parties. Other potential costs have yet to be determined.
- Potential claims for past and future cleanup costs at the Harbor Island Superfund Site. Certain removal costs already incurred by the Port of Seattle are expected to be defrayed by the County and the City of Seattle. The parties have also agreed to share the cost of a supplemental investigation and feasibility study required by the EPA. The agreement states that the WTD has a one-third *pro rata* share of the study costs but this can still be reallocated among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the studies are completed.

NOTE 17 – CONTINUED

- A complaint filed by the City of Seattle against the Boeing Company with King County as a third-party defendant. The complaint seeks to recover remediation costs, under the Model Toxic Control Act, in the North Boeing Field/Georgetown Steam Plant and Slip 4 sites. It is likely that through this litigation the County can recover some of the costs of investigating and remediating the two mentioned sites. Recovery, however, may potentially be offset by the repayment of state grants and the cost of litigation.
- A complaint filed by the City of Seattle against a private company with the County as a third-party defendant. The complaint seeks to recover remediation costs, under the Model Toxic Control Act, for the cleanup in an area along the Lower Duwamish Waterway that is now the site of Port of Seattle's Terminal 117. The original defendants allege that petroleum-based pollutants were released during the 1960s when the County or its contractor allegedly transported and disposed of waste pavement materials from King County International Airport onto the above referenced site. An additional claim alleges that the County released waste oil containing PCBs onto streets near the site as part of maintenance of those streets. The County denies all claims.

Contingent Liabilities

King County has entered into several contingent loan agreements totaling $172.0 million with the King County Housing Authority (KCHA) and other owners/developers of affordable housing. The County has provided credit support for certain bonds issued by the KCHA. All projects are currently self-supporting and the County has not made any loans pursuant to these agreements.

Other Commitments

The Solid Waste Enterprise paid the County General Fund $7.9 million for annual rent on the Cedar Hills landfill site in 2008. Solid Waste is committed to pay rent 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 substantial repayments of patient services previously billed. HMC believes that it complies with fraud and abuse regulations, as well as with 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 harmless" King County, its 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.

REQUIRED SUPPLEMENTARY INFORMATION

Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Roads

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

The three most recent condition assessments of the County's roads are shown below. Certain roads were assessed in 2008 but the partial results are not reflected in the table.

	2007-2005		2004-2002		2001-1999	
Condition ratings	**(miles)**	**%**	**(miles)**	**%**	**(miles)**	**%**
Arterial roads						
Excellent to good	485.4	89.6	442.9	81.7	451.1	83.0
Fair	14.5	2.7	61.1	11.3	44.5	8.2
Poor to substandard	41.6	7.7	38.0	7.0	47.6	8.8
Total	541.5	100.0	542.0	100.0	543.2	100.0
Local access roads						
Excellent to good	1,094.5	83.4	1,075.4	81.6	1,031.1	80.0
Fair	127.3	9.7	139.0	10.6	132.3	10.3
Poor to substandard	91.2	6.9	102.9	7.8	125.5	9.7
Total	1,313.0	100.0	1,317.3	100.0	1,288.9	100.0

It is the policy of the King County Road Services Division to maintain at least 80 percent of the road system at a PCI of 40 or better. 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.

	2007-2005		2004-2002		2001-1999	
PCI score Interval	**(miles)**	**%**	**(miles)**	**%**	**(miles)**	**%**
Arterial roads						
PCI 40 - 100	493.4	91.1	475.6	87.7	477.8	88.0
PCI 0 - 39	48.1	8.9	66.4	12.3	65.4	12.0
Total	541.5	100.0	542.0	100.0	543.2	100.0
Local access roads						
PCI 40 - 100	1,170.3	89.1	1,165.6	88.5	1,108.3	86.0
PCI 0 - 39	142.7	10.9	151.7	11.5	180.6	14.0
Total	1,313.0	100.0	1,317.3	100.0	1,288.9	100.0

REQUIRED SUPPLEMENTARY INFORMATION – continued

The majority of roads that fall below the established rating (PCI = 40) are local access roads that are situated in rural areas.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network at or above the minimum acceptable condition level from 2004 to 2008. The budgeted amount is equivalent to the anticipated amount needed to maintain roads up to the required condition level (in thousands).

	2008	2007	2006	2005	2004
Budgeted	$69,345	$61,864	$58,709	$49,321	$48,008
Expended	57,658	51,859	49,029	39,986	38,093

Underspending of budgeted amounts usually results when roads are removed from the project list because of conflicts with anticipated utility work; lowering of priority due to cost efficiency considerations, such as when only a few roads are to be resurfaced in remote locations; and weather-related work reduction or stoppages.

Bridges

King County currently maintains 183 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, rotten timbers, deteriorated bridge decks, bank erosion, and cracked concrete. These are documented in an inspection report along with recommended repairs and needed services. Four pedestrian bridges are included in the list of bridges being maintained by the County. These are also subject to condition assessments but under different standards as the more heavily used vehicular bridges.

Each year the County undergoes 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, essentiality for public use, and its serviceability and functional obsolescence. The formula used to calculate the sufficiency rating for a particular bridge is dictated by the Federal Highway Administration and is built into the State's inspection software. The sufficiency rating may vary from 100 (a bridge in new condition) to 0 (a bridge incapable of carrying traffic). A sufficiency rating of 50 or over indicates a bridge with a good deal of service life remaining. A bridge that scores between 0 and 49 could be considered for replacement or rehabilitation funding, though typically only bridges that score less than 30 are selected for funding.

REQUIRED SUPPLEMENTARY INFORMATION – continued

Below are the three most recent bridge sufficiency ratings.

Bridge sufficiency rating	Number of Bridges 2008	2007	2006
0 - 20	8	6	6
21 - 30	2	2	2
31 - 49	14	18	20
50 - 100	159	158	159
Totals	183	184	187

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

Amounts budgeted and spent to maintain and preserve bridges from 2004-2008 are shown in the table below (in thousands).

	2008	2007	2006	2005	2004
Budgeted	$18,855	$24,834	$17,024	$26,855	$17,074
Expended	11,761	16,189	11,526	16,810	12,529

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level. Generally, backlogs in maintenance work orders greatly affect the trend in maintenance costs. Such backlogs could result from increased bridge traffic, higher weight loads, labor shortages, stringent environmental restrictions, and an aging inventory.

Postemployment Healthcare Plan

Schedule of Funding Progress for the Plan
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) — Unit Credit (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) ÷ c)
12/31/2007	$ -	$ 141,893	$ 141,893	0.0%	$ 854,800	16.6%
12/31/2008	$ -	$ 145,393	$ 145,393	0.0%	$ 890,310	16.3%

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APPENDIX C

KING COUNTY'S INVESTMENT POLICY

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KING COUNTY'S INVESTMENT POLICY

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

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

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

In addition to investing the County's own funds, the Treasury Operations Section also invests the funds of more than 120 special purpose districts within the County for which the Treasury Operations Section serves as treasurer, including all school districts, fire protection districts, water districts, sewer districts, and hospital districts. Each district has the option either to invest in the Investment Pool or to direct the term and amount of each of its investments. The Treasury Operations Section selects the particular investment instruments.

The Investment Pool is managed as two separate portfolios: the liquidity portfolio and the core portfolio. The liquidity portfolio is intended to meet the County's short-term liquidity requirements, and the average maturity of the portfolio cannot exceed 120 days. The total balance of the liquidity portfolio must be at least 15 percent of the total Investment Pool. As of April 30, 2010, the liquidity portfolio had a balance of $2.8 billion and an average maturity of 120 days.

The core portfolio is managed similarly to a short-term fixed-income fund. The average duration of the core portfolio is restricted currently to a range of one and one-quarter to three and one-quarter years. Securities in the core portfolio cannot have an average life greater than five years. As of April 30, 2010, the core portfolio had a balance of $2.2 billion and an average duration of 1.28 years.

Under State law and the County's current investment policy, the County may invest in the following instruments:

(i) U.S. Treasury and Agency securities;

(ii) Certificates of deposit with institutions that are public depositaries in the State. State law and County policies also limit the amount that can be deposited with an individual institution based on quarterly financial data;

(iii) Bankers' acceptances issued by any of the top 50 world banks in terms of assets as listed by *American Banker,* or issued by approved domestic banks;

(iv) Repurchase agreements, subject to the following limitations:

  (a) the repurchase agreement may not exceed a period of 60 days,

  (b) the underlying security must be an investment authorized by State law; and

  (c) all underlying securities used in repurchase agreements are held by a third party;

(v) Commercial paper with the highest short-term rating from at least two nationally recognized credit rating agencies. No more than five percent of the County's portfolio may be invested in commercial paper of a single issuer;

(vi) Municipal bonds, subject to the following limitations: bonds must be:

  (a) obligations of the State or any local government in the State; or

(b) general obligation bonds of a state other than Washington or general obligation bonds of a local government of a state other than Washington.

In addition, bonds must have one of the three highest credit ratings of a nationally recognized credit rating agency ("A" or better);

(vii) Mortgage-backed securities, subject to the following limitations:

(a) must be issued by agencies of the U.S. government;

(b) must pass the FFIEC (Federal Financial Institutions Examination Council) suitability test which banks use to determine lowest risk securities; and

(c) average life must be limited to five years at time of purchase;

(viii) Bank notes, subject to the following limitations:

(a) must be a note, bond or debenture of a savings and loan association, bank, mutual savings bank, or savings and loan service corporation operating with the approval of the Federal Home Loan Bank; and

(b) at the time of purchase must be rated "A" or better by two nationally recognized credit rating agencies or insured or guaranteed by the federal government or one of its agencies; and

(ix) The State's Local Government Investment Pool.

The County currently does not purchase structured notes or inverse floating rate notes, and has no intention of doing so in the near future.

Reverse Repurchase Agreements. The County enters into reverse repurchase agreements with respect to securities held in the Investment Pool in accordance with a policy adopted by the Committee. A reverse repurchase agreement involves the sale of a security to a provider for a specified price with a simultaneous agreement to repurchase such security from the provider at a specified future date at the same price plus a stated rate of interest. Under the County's current policy:

(i) the County does not spend the proceeds received under its reverse repurchase agreements, but rather invests the proceeds in other securities;

(ii) the County does not enter into reverse repurchase agreements with a term of more than 180 days;

(iii) the County invests the proceeds of such reverse repurchase agreements only in securities which have the same maturity date as the end date of the reverse repurchase agreement; and

(iv) the County does not enter into reverse repurchase agreements in an aggregate amount in excess of 20 percent of the total balance in the Investment Pool at any one time.

All of the County's active reverse repurchase agreements are with primary dealers. The average balance in the Investment Pool over the course of the 2009 fiscal year was approximately $4.1 billion. There have been no reverse repurchase agreements in effect since 2007.

APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

King County is the largest county in Washington in population, number of cities and employment, and the twelfth most populated county in the United States. Of Washington's population, nearly 30 percent reside in King County, and of the County's population, 32 percent live in the City of Seattle. Seattle is the largest city in the Pacific Northwest and, as the County seat, is the center of the County's economic activity. Bellevue is the State's fifth largest city and the second largest in the County, and is the center of the County's eastside business and residential area.

Population

Historical and current population figures for the State of Washington, the County, the two largest cities in the County, and the unincorporated areas of the County are given below.

POPULATION

Year	Washington	King County	Seattle	Bellevue	Unincorporated King County
1980 (2)	4,130,163	1,269,749	493,846	73,903	503,100
1990 (2)	4,866,692	1,507,319	516,259	86,874	NA
2000 (2)	5,894,121	1,737,034	563,374	109,827	349,773
2001 (1)	5,974,900	1,758,300	568,100	111,500	353,579
2002 (1)	6,041,700	1,774,300	570,800	117,000	351,675
2003 (1)	6,098,300	1,779,300	571,900	116,400	351,843
2004 (1)	6,167,800	1,788,300	572,600	116,500	356,795
2005 (1)	6,256,400	1,808,300	573,000	115,500	364,498
2006 (1)	6,375,600	1,835,300	578,700	117,000	367,070
2007 (1)	6,488,800	1,861,300	586,200	118,100	368,255
2008 (1)	6,587,600	1,884,200	592,800	119,200	341,150
2009 (1)	6,668,200	1,909,300	602,000	120,600	343,180

(1) Source: State of Washington, Office of Financial Management
(2) Source: U.S. Department of Commerce, Bureau of Census

Per Capita Income

The following table presents per capita personal income for the Seattle Primary Metropolitan Statistical Area ("PMSA"), the County and the State.

PER CAPITA INCOME

	2003	2004	2005	2006	2007	2008
Seattle PMSA	$ 41,935	$ 45,829	$ 45,918	$ 50,161	$ 53,248	$ 53,999
King County	45,276	50,132	49,582	54,370	57,409	58,141
State of Washington	33,852	35,959	36,734	39,550	41,919	42,747

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

Construction

The table below lists the value of housing construction for which building permits have been issued by entities within King County. The value of public construction is not included in this table.

RESIDENTIAL BUILDING PERMIT VALUES

	New Single Family Units		New Multi Family Units		
Year	**Number**	**Value($)**	**Number**	**Value($)**	**Total Value($)**
2004	6,947	1,684,139,845	4,998	451,908,793	2,136,048,638
2005	6,331	1,741,241,527	5,703	556,297,096	2,297,538,623
2006	5,770	1,622,174,594	8,305	1,023,922,267	2,646,096,861
2007	5,206	1,506,180,957	10,212	1,246,804,898	2,752,985,855
2008	3,029	866,565,304	7,427	1,009,669,531	1,876,234,835
2009	1,992	535,129,117	936	142,237,552	677,366,669

Source: *U.S. Bureau of the Census*

Retail Activity

The following table presents taxable retail sales in Seattle and King County.

THE CITY OF SEATTLE AND KING COUNTY
TAXABLE RETAIL SALES (000)

Year	King County	Seattle
2004	$ 37,253,103,540	$ 12,868,301,227
2005	40,498,328,830	14,236,200,469
2006	43,993,478,514	15,564,363,159
2007	47,766,338,768	17,030,512,254
2008	45,711,920,389	17,096,581,492
2009*	39,373,701,738	15,101,407,742

* Estimated.

Source: *Washington State Department of Revenue*

Industry and Employment

KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT*

	Annual Average				
	2009	**2008**	**2007**	**2006**	**2005**
Civilian Labor Force	1,112,490	1,088,440	1,068,490	1,047,740	1,012,940
Total Employment	1,023,040	1,041,450	1,028,850	1,005,240	965,940
Total Unemployment	89,450	47,000	39,650	42,500	47,000
Percent of Labor Force	8.0	4.3	3.7	4.1	4.6

NAICS INDUSTRY	**2009**	**2008**	**2007**	**2006**	**2005**
Total Nonfarm	1,156,742	1,216,525	1,199,392	1,176,042	1,144,625
Total Private	990,050	1,050,308	1,036,183	1,014,033	983,300
Goods Producing	161,767	186,417	188,025	182,667	170,642
Natural Resources and Mining	542	583	692	692	675
Construction	57,950	73,858	74,300	69,617	63,050
Manufacturing	103,300	111,950	113,050	112,375	106,942
Services Providing	994,967	1,030,117	1,011,375	993,367	973,967
Trade, Transportation, and Utilities	211,733	224,717	224,125	224,275	222,917
Information	79,467	79,758	75,742	72,500	70,108
Financial Activities	70,800	75,875	77,008	77,508	76,400
Professional and Business Services	177,050	194,258	190,383	182,200	173,225
Educational and Health Services	140,158	133,500	127,733	124,700	122,750
Leisure and Hospitality	107,508	113,375	111,658	108,517	106,042
Other Services	41,533	42,458	41,508	41,658	41,233
Government	166,683	166,233	163,192	162,008	161,325
Workers in Labor/Management Disputes	0	958	0	8	850

* Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department.

The following table presents State-wide employment data in 2009 for certain major employers in the Puget Sound area.

PUGET SOUND AREA
MAJOR EMPLOYERS

Employer	Employees[1]
The Boeing Company	72,200[2]
U.S. Army Fort Lewis	42,4200
Microsoft	41,500
University of Washington	24,600
Navy Region Northwest	24,000
Providence Health & Services	18,700
Wal-Mart Stores, Inc.	17,900
King County Government	13,800
Fred Meyer Stores	12,500
City of Seattle	10,300
Group Health Cooperative	8,900
MultiCare Health System	8,700
Costco	8,000
Weyerhaeuser	7,000
Alaska Air Group, Inc.	6,100

(1) Does not include part-time or seasonal employment figures.

(2) From Boeing, as of January 28, 2010.

Source: Puget Sound Book of Lists, 2010 (rounded)

APPENDIX E

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The County makes no representation as to the accuracy or completeness thereof. Beneficial Owners should confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the Notes. The Notes will be issued as fully registered obligations, registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the County or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.