



King County

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Chief Accountant/Manager
Financial Management Section
Pete Anthony

CAFR

Comprehensive Annual Financial Report

For the Fiscal Year January 1 through December 31, 2010

King County
State of Washington

PREPARED BY:

**Department of Executive Services
Finance and Business Operations Division
Financial Management Section**

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Comprehensive Annual Financial Report

December 31, 2010

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King County

Finance and Business Operations Division

Department of Executive Services
401 Fifth Ave.
Seattle, WA 98104-2333

July 20, 2011

Honorable County Executive, Members of the Metropolitan
King County Council, and King County Residents

We are pleased to transmit to you the Comprehensive Annual Financial Report (CAFR) of King County, Washington (the County), for the fiscal year ended December 31, 2010. The governmental financial reporting model provides a picture of the County as a single, unified entity, while continuing to provide traditional fund-based financial statements. Each perspective (government-wide and major fund) allows the reader to address relevant questions, provides a basis for comparison, and enhances the County's accountability.

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

The County's financial statements have been audited by the Washington State Auditor's Office. The auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Once the audit has been completed, the County's 2010 Single Audit Report will be available online at <http://www.sao.wa.gov>.

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

Profile of the County

The County ranks number one in population in the State of Washington and is the financial, economic, and industrial center of the Pacific Northwest Region. Located between the sparkling blue waters of Puget Sound and the snowcapped Cascade Mountains, the County consists of 2,131 square miles, ranking 11th in geographical size among Washington state's 39 counties. As of December 31, 2010, the County contained 39 incorporated cities, which accounted for approximately 82 percent of its population.

King County operates under a Home Rule Charter adopted by a vote of the citizens of King County in 1968 and is organized under the Executive-Council form of county government. The Metropolitan King County Council is the policy-determining legislative body of the County. The County Council's nine 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 and capital budgets for the County. Other elected County officials include the County Executive, Prosecuting Attorney, Sheriff, Assessor, Director of Elections, and Superior and District Court Judges.

The County Executive serves as the chief executive officer of the County. The County Executive presents to the County Council annual statements of the County's financial and governmental affairs, the proposed budget, and capital improvement plans. The County Executive signs, or authorizes the signing of, all deeds, contracts, and other instruments on behalf of the County, and appoints the director of each executive department (subject to confirmation by the County Council).

King County provides some services on a countywide basis and other services only to unincorporated areas. Within appropriate jurisdictions, the County provides public transportation, road construction and maintenance, wastewater treatment, flood control, agricultural services, parks and recreation facilities, law enforcement, criminal detention, rehabilitative services, court services, tax assessments and collections, land use planning and permitting, zoning, public health care, emergency medical services, election services, animal control, and the disposal of solid waste. In addition, the County has contracts with some cities to provide services to incorporated areas within the County.

In 2010, the reporting entity "King County" includes six component units: (1) the Harborview Medical Center (HMC); (2) the Washington State Major League Baseball Stadium Public Facilities District (PFD); (3) the Cultural Development Authority of King County (CDA, dba 4Culture); (4) the Flood Control Zone Districts; (5) the King County Ferry District; and (6) the Building Development and Management Corporations. The Harborview Medical Center, with a history dating back to 1877, is a comprehensive 413-bed health care facility operated by the University of Washington under a management contract. The general conditions of the management contract specify that King County retains title to all real and personal property acquired with HMC capital or operating funds. The PFD is responsible for overseeing the maintenance and operation of Safeco Field, home to Major League Baseball's Seattle Mariners. The CDA was created in 2003 to support the arts, heritage, historic preservation, and public art throughout the county. The King County Flood Control Zone District accounts for the development, operation and maintenance of flood control or storm water control projects that benefit the county. The King County Ferry District provides water taxi services (sometimes called passenger ferries or foot ferries) to several destinations in the Puget Sound Region as a supplement to commuting options for residents. The Building Development and Management Corporations are four Washington state nonprofit corporations, each a single-purpose entity created to assist the County in the development and construction of public buildings.

Most funds in this report pertain to the entity King County Government. Certain Agency Funds pertain to the County's custodianship of assets belonging to independent governments and special districts. Under state statute and the County's Home Rule Charter, the King County Executive is the *ex officio* treasurer of all special purpose districts in King County, but not of cities and towns or the Port of Seattle. As provided by County ordinance, the Director of the Finance and Business Operations Division is responsible for the duties of the comptroller and treasurer. Money received on behalf of the special purpose districts is deposited in a central bank account. The Director of the Finance and Business Operations Division disburses money according to state and local regulations and invests cash balances based on standard agreements with the respective special purpose district's governing body or administrative officer.

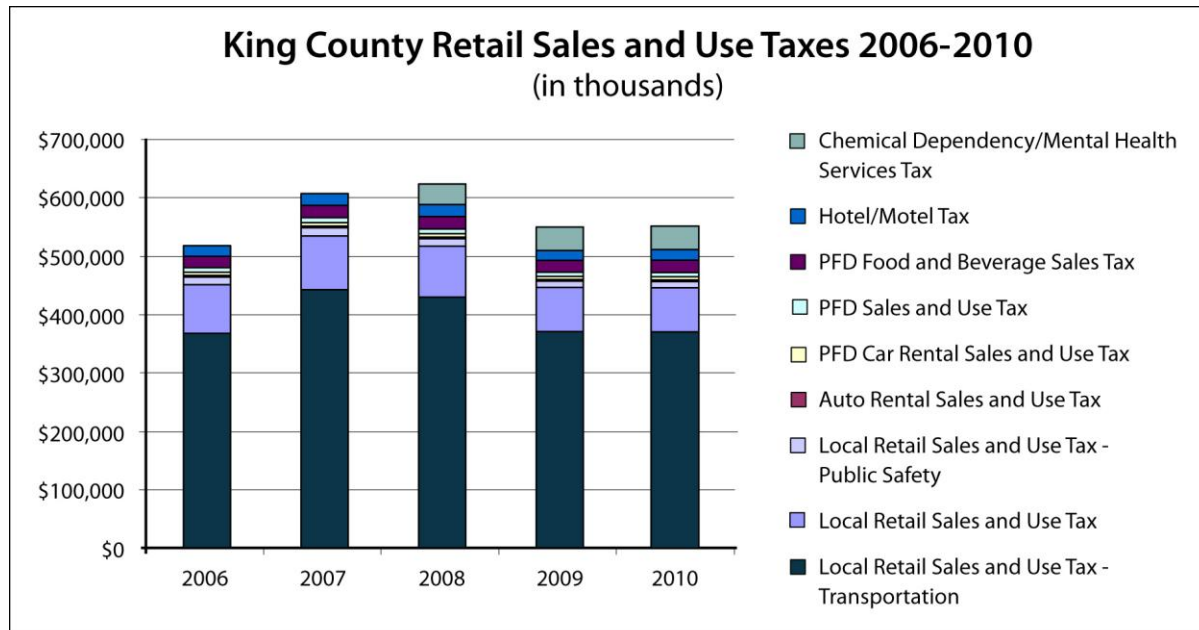
Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy

Economic conditions have a direct impact on the County's revenues and the demand for county services. The County's revenue sources include taxes, charges for services, and intergovernmental revenues. The largest single

source is taxes, which comprise approximately one-third of total revenue. Property taxes tend to be stable since the passing of Initiative 747, which limits the growth of property tax revenues to 1 percent plus new construction. Other tax sources, such as the retail sales tax, are much more volatile and directly influenced by economic conditions in the region.



Effective April 1, 2007 the Local Retail Sales and Use Tax-Transportation increased 0.1 percent.

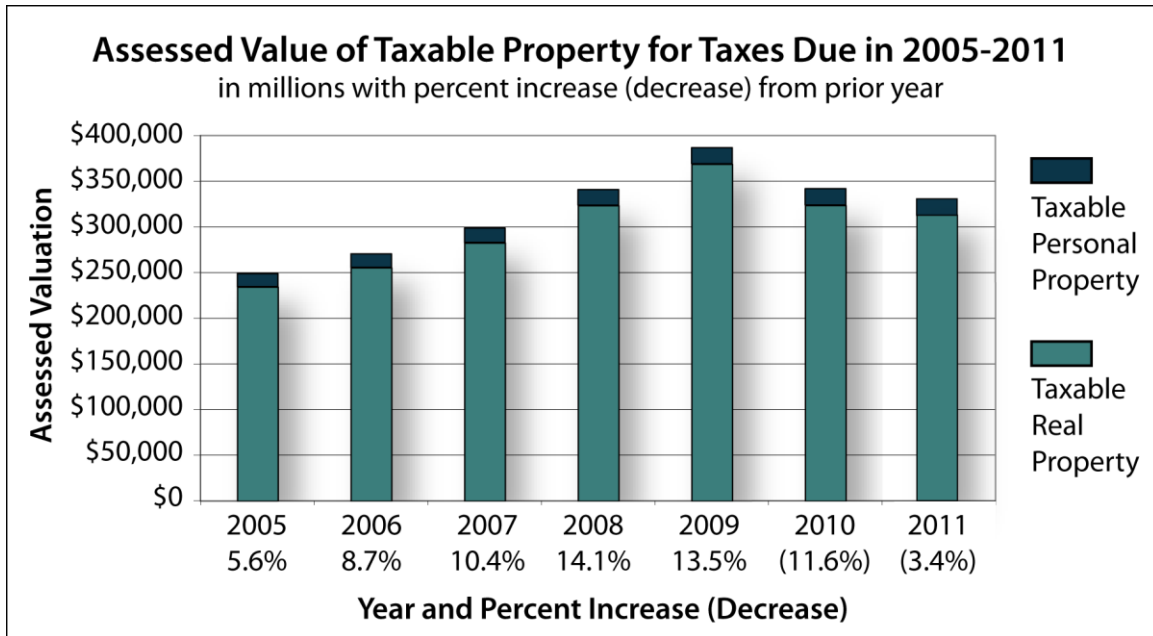
Effective April 1, 2008 the Chemical Dependency/Mental Health Services Tax-Transportation was levied at a rate of 0.1 percent.

The County's economy is experiencing recessionary weakness and a continued decline in real estate values. Total assessed valuation (TAV) fell by 11.6 percent for tax year 2010 and an additional 3.4 percent for tax year 2011. Despite the downward pressure, TAV per capita is relatively high at \$170,000. Taxpayer concentration is low, with the top 10 property tax payers accounting for only 3.5 percent of 2010 TAV.

The increasing diversification of the County's employment base has been an important buffer during the economic downturn, and some employment sectors began to grow again in 2010. Although the County unemployment rate continues to hover around 8 percent, slightly lower than the state and national unemployment rates, the County lost another 21,000 jobs in 2010, bringing the total lost since 2008 to more than 85,000 jobs.

County taxable retail sales were particularly affected by declining incomes and consumer apprehension. Undesignated General Fund collections declined in 2008 by 5.1 percent from 2007 levels, the first drop since 2003, then fell a further 13.3 and 0.2 percent in 2009 and 2010, respectively. Strong retail sales in the fourth quarter of 2010 signaled a halt to the decline in tax collections and perhaps foreshadowed a modest increase for 2011.

The County's investment pool net rate of return for 2010 was 0.96 percent, down from over 5 percent only three years before, which is reflective of the overall economic downturn that has had a devastating effect on the local, national and global economies.



Inflation continued to be low in 2010. The Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W-Sea) increased by only 0.63 percent for the year ending in July 2010. The national CPI for All Urban Consumers (CPI-U-US) increased by 1.65 percent, while the Producers Price Index for Pharmaceuticals fell by 2.14 percent in 2010.

Economic outlook

A broad-based economic recovery appears to finally be underway. Retail sales surged in the fourth quarter of 2010, the stock market has nearly returned to pre-recession highs, personal income is growing steadily, and corporate profits are on the rise. Manufacturing is also recovering at a rapid pace. The Blue Chip 2010 consensus forecast is for a robust 3.2 percent growth in real GDP.

Inflation currently does not behave in a consistent manner when goods and services are compared. Although the price of services is well-controlled, the cost of goods is volatile, driven by turmoil in the Middle East and several crop failures globally. Core inflation, which excludes energy and food, is best for capturing underlying trends and is well within the Federal Reserve's target range.

Unemployment remains at high levels, both nationally and regionally. The private sector has begun hiring again in earnest, but the public sector will be offsetting some of those gains through job elimination. The net effect will be a steady, but slow, decline in the unemployment rate.

The negative impacts from the real estate recession will continue to exert downward pressure on assessed valuations and new construction. Local foreclosures have still not peaked, and as many as one in three homeowners has a mortgage that exceeds the home's market value. Office vacancies remain at historically high levels. These factors will be reflected in continued low consumer spending, mobility, and new construction for at least the next two years.

It will take several years of sustained growth to make up the lost ground in employment, personal income, and taxable consumer spending. King County will continue to face numerous challenges, including volatile energy prices, rising employee and health care costs, and the need to raise sufficient revenues to support utility, transit system, and general government operations.

Long-term financial planning

Between 1999 and 2007, King County forecast that status quo expenditure patterns would outpace revenues and began to address the coming deficits through a scaling back of programs, limiting new programs, and creating reserves to cushion future deficits. The County continues to forecast deficits, intensified by weak national conditions, and is managing to address predicted shortfalls. The County reaffirms its steadfast commitment to maintain a 6 percent undesignated reserve policy and also its willingness to make painful decisions in order to reduce expenditures to match revenue levels while retaining prudent reserves. At the state level, the County also continues to pursue statutory enhancements to local government revenues to more flexibly balance revenues with long-term cost pressures.

Major 2010 Initiatives

Financial Stewardship

King County Executive Dow Constantine outlined the overall approach to long-term financial stewardship in the context of the 2011 Budget in his “100 Day” speech on March 8, 2010, calling for the alignment of approaches and strategies with the adopted King County Strategic Plan.

Key strategies are outlined below:

Focusing on Long-Term Sustainability and Not One-Time Solutions – The challenges facing the County’s budget are long-term. As the economic recovery is expected to be slow, revenue growth will also be slow, and finding short-term savings only serves to postpone budget and problems. The 2011 budget process reflected this awareness, and most reductions that were made were ongoing in nature. The Executive is also implementing more conservative financial practices, such as shorter terms for debt to reduce long-term interest costs.

Using the King County Strategic Plan to Help Support Decisions – In 2010, the County adopted its first Strategic Plan as a key tool in the Executive’s work to reform county government by focusing on customer service, partnerships, and ways to bring down cost of government. For the 2011 budget, each County agency has been asked to develop its budget and business plan in the context of the Strategic Plan and to explain how its programs support the Plan’s goals. In future years, the strategic plan will play an increasing role in aligning decisions and objectives with the goals outlined.

Committing to Finding Efficiencies in Each Annual Budget – Due to the nature of the County’s long-term cost drivers, County costs typically are increasing approximately 3 percent faster than the rate of general inflation. To avoid reductions in services, 3 percent improvements in productivity must be made each year. The King County Office of the Executive is coordinating this effort as the “Be the Difference” program, which provides a renewed emphasis on measuring and improving government performance.

Working Across Organizational Boundaries – The County delivers services through a mix of Executive departments and agencies run by separately elected officials. In addition, the two court systems, Superior Court and District Court, comprise a separate branch of government. The Executive is committed to working across these organizational boundaries. To accomplish this, for the 2011 budget process the Executive formed a “General Fund Cabinet” with the separately elected officials to share ideas and improve communications. This created opportunities for budget efficiencies through better coordination and by thinking in terms of interactive systems rather than isolated programs.

Working with Labor Partners – Most of the County’s employees are represented by labor unions. In 2011, the Executive asked unions and employees to partner in the effort to balance the County’s budget and to improve services. County employees are the best source of ideas for increasing productivity, and programs are underway to train people in these skills at all levels of the organization. The Executive also asked unions to forego their cost-of-living adjustments (COLAs) for 2011 to help preserve services and save jobs. In 2011, over 90 percent of county employees agreed to forego COLAs for 2011, saving the County over \$23 million and allowing the County to maintain direct services and preserve county jobs.

Giving Voters a Choice – Working to increase efficiencies will not be enough to create a balanced budget in the long-term. General Fund revenues typically will not keep up with inflation and population growth because property taxes are the County's largest revenue source, and Initiative 747, passed in 2001, limits annual property tax revenue growth to 1 percent plus the value of new construction. The Executive has proposed reducing cost growth to inflation plus population growth, and then asking voters to choose whether to fund this proposal, to fund a higher level of service, or ask the County to reduce the level of service to live within the existing revenue.


Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King County for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This was the 29th consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

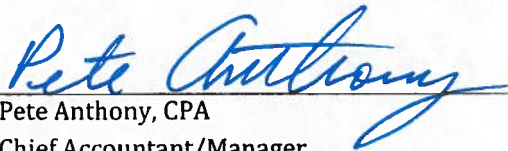
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Financial Accounting staff of the Finance and Business Operations Division. We would like to express our appreciation to all members of the division who assisted and contributed to the preparation of this report. Credit must also be given to the Executive and County Council for their support for maintaining the highest standards of professionalism in the management of the County's finances.

Respectfully submitted,



Ken Guy
Finance Director
Finance and Business Operations Division



Pete Anthony, CPA
Chief Accountant/Manager
Finance and Business Operations Division

ELECTED OFFICIALS
at time of publication

Office		Official
Councilmember	District 1	Bob Ferguson
Council Chair	District 2	Larry Gossett
Councilmember	District 3	Kathy Lambert
Councilmember	District 4	Larry Phillips
Councilmember	District 5	Julia Patterson
Council Vice-Chair	District 6	Jane Hague
Councilmember	District 7	Pete von Reichbauer
Councilmember	District 8	Joe McDermott
Councilmember	District 9	Reagan Dunn
Executive		Dow Constantine
Prosecuting Attorney		Dan Satterberg
Assessor		Lloyd Hara
Elections		Sherril Huff
Sheriff		Sue Rahr
Judicial	Presiding Judge King County Superior Court	Richard McDermott
	Chief Presiding Judge King County District Court	Barbara Linde



**King County Executive
Dow Constantine**



Metropolitan King County Council

**BACK ROW: Kathy Lambert, (District 3), Bob Ferguson, (District 1),
Joe McDermott, (District 8), Reagan Dunn, (District 9),**

**FRONT ROW: Larry Phillips, (District 4), Julia Patterson, (District 5), Chair Larry Gossett, (District 2),
Vice Chair Jane Hague, (District 6), Pete von Reichbauer, (District 7)**



**King County
Assessor
Lloyd Hara**



**King County
Elections
Director
Sherril Huff**



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



**King County
Sheriff
Sue Rahr**

Certificate of Achievement for Excellence in Financial Reporting

Presented to

King County
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

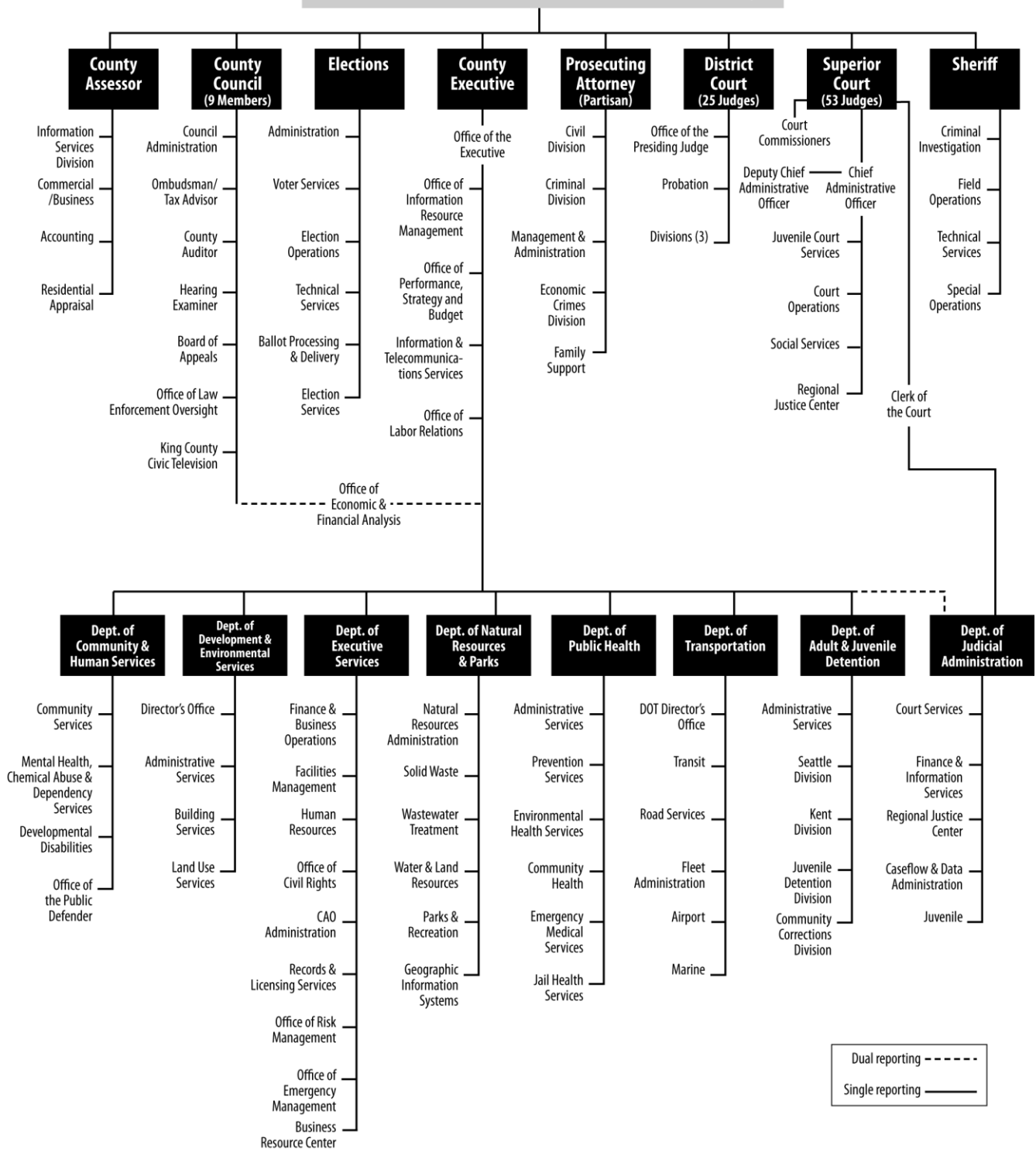
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

The Electorate of King County



2011 King County Organization

Elected Officials, Departments and Divisions





**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

July 19, 2011

Council and Executive
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 King County, Washington, as of and for the year ended December 31, 2010, 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 represent 10 percent, -0.9 percent and 2 percent, respectively of the assets, net assets and revenues of the governmental activities, and 5 percent, -0.5 percent and 0.2 percent, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. We did not audit the financial statements of the Water Quality Enterprise Fund, a major fund, which additionally represents 67 percent, 25 percent and 27 percent, respectively, of the assets, net assets and revenues of the business-type activities. We also did not audit the financial statements of the Public Transportation Fund, a major fund, which additionally represents 27 percent, 65 percent and 60 percent, respectively, of the assets, net assets and revenues of the business-type activities. 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, the Water Quality Enterprise and Public Transportation funds, 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, Water Quality Enterprise and Public Transportation funds 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 reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component

units, each major fund and the aggregate remaining fund information of King County, Washington, as of December 31, 2010, and the 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, 2010, the County implemented Governmental Accounting Standards Board Statement 51, *Accounting and Financial Reporting for Intangible Assets*.

In accordance with *Government Auditing Standards*, we will also issue our report dated July 19, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the County's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 17, condition assessments and preservation of infrastructure eligible for modified approach on pages 116 through 118, and postemployment health care plan on page 118 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 and individual fund statements and schedules and supplementary information on pages 119 through 174 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, based on our audit and the report of the other auditors, 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,

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of King County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2010. We encourage readers to consider this information in conjunction with that 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, 2010, the assets of the County exceeded its liabilities by \$4,415.3 million (net assets). Because most of the County's net assets are either invested in capital assets or restricted as to use, the combined unrestricted net assets was \$188.0 million at the end of the year.
- In 2010, the County's total net assets increased by 2.5 percent (\$108.9 million). The governmental net assets increased by 3.4 percent (\$73.7 million), and the business-type net assets increased by 1.6 percent (\$35.2 million).
- As of December 31, 2010, the County's governmental funds reported combined ending fund balances of \$565.4 million. Approximately 80.3 percent (\$453.9 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 2010 the unreserved, undesignated fund balance for the General Fund was \$67.6 million, amounting to 11.5 percent of total General Fund expenditures. Total fund balance for the General Fund increased 7.1 percent (\$5.8 million) for the year.
- The County's total bonded debt increased by 10.2 percent (\$432.3 million) in 2010 due to new bond issuance of \$509.9 million offset by \$78.7 million of debt service principal payments.

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 an 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 2010 operations of the County's flood control 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, included as a single internal service fund called the Building Development and Management Corporations, are reported as a single blended component unit of the County.

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 three 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), and the Cultural Development Authority (CDA) of King County. Individual financial statements for 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 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 services provided by the County are accounted for in governmental funds. Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. Unlike 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 statements in the Governmental Funds section of this report, following the Basic Statements section.

The County adopts an annual budget appropriated at the department or 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 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 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 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 statements are presented in separate sections immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

An analysis of net assets may serve as a useful indicator of a government's financial position. As indicated in the condensed financial information below, derived from the government-wide Statement of Net Assets, the County's combined net assets (governmental and business-type activities) were \$4,415.3 million at the end of 2010. This is an increase of 2.5 percent (\$108.9 million) over the net assets of the previous year, as restated.

Governmental activities. Although net assets of the County's governmental activities increased 3.5

percent (\$73.7 million) to \$2,161.7 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, rights-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 \$228.6 million deficit at the end of 2010. This is a \$47.6 million decrease in the deficit in unrestricted net assets from the end of 2009.

	Net Assets (in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 1,117,901	\$ 1,004,062	\$ 1,244,205	\$ 1,173,751	\$ 2,362,106	\$ 2,177,813
Capital assets	2,729,811	2,685,400	5,218,405	4,869,586	7,948,216	7,554,986
Total Assets	3,847,712	3,689,462	6,462,610	6,043,337	10,310,322	9,732,799
Liabilities						
Long-term liabilities	1,426,970	1,406,265	3,840,465	3,477,342	5,267,435	4,883,607
Other liabilities	259,087	195,239	368,537	347,584	627,624	542,823
Total Liabilities	1,686,057	1,601,504	4,209,002	3,824,926	5,895,059	5,426,430
Net Assets						
Invested in capital assets, net of related debt	1,922,455	1,889,721	1,577,670	1,603,232	3,500,125	3,492,953
Restricted	467,772	474,425	259,357	649,948	727,129	1,124,373
Unrestricted	(228,572)	(276,188)	416,581	(34,769)	188,009	(310,957)
Total net assets	\$ 2,161,655	\$ 2,087,958	\$ 2,253,608	\$ 2,218,411	\$ 4,415,263	\$ 4,306,369

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 2010 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 \$291.5 million, \$30.5 million less than at the end of 2009, for which no corresponding assets are recorded but for which future revenues are obligated.

Of the amount of debt with no corresponding assets, 65.5 percent (\$190.8 million) is related to assets recorded on the books of two of the County's three discretely presented component units: the Washington State Major League Baseball Stadium PFD (\$51.2 million), and the Harborview Medical Center (\$139.6 million). As discretely presented component units, these entities are not part of the primary government or incorporated into this

analysis. The remaining debt consists of \$80.2 million associated with the Kingdome facility, demolished in 2000, and \$20.5 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 1.6 percent to \$2,253.7 million in the net assets of business-type activities. Of the total net assets for business-type activities, 70.0 percent (\$1,577.7 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 these assets must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities. Another 11.5 percent of the total net assets of business-type activities is restricted for capital construction (\$10.1 million), debt service (\$215.6 million), regulatory assets and environmental liabilities (\$30.3 million) and for other purposes (\$3.4

million). The remaining 18.5 percent (\$416.6 million) is unrestricted net assets. 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 \$228.6 million deficit in the governmental activities unrestricted net assets and the \$416.6 million positive balance in the business-type activities unrestricted net assets resulted in a net positive \$188.0 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 2010 resulted from revenues exceeding related expenses and reflects the County's ability to meet its ongoing obligations, including its debt service requirements. Approximately 42.6 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 43.1 percent of the total revenues, while 13.7 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 2010.

Governmental activities. Governmental activities accounted for 67.7 percent of the total growth in net assets of the County, resulting in an increase in

the County's governmental activities net assets of \$73.7 million. Program revenues for governmental activities total \$884.3 million and include the amount paid by those who directly benefit from the programs (\$573.2 million), and by other governments and organizations that subsidized certain programs with operating grants and contributions (\$198.5 million), and capital grants and contributions (\$112.5 million). In 2010, the cost of all governmental activities was \$1,651.1 million. The County paid for the \$766.8 million remaining public benefit portion of governmental activities with \$593.1 million in property taxes, \$180.9 million in retail sales and use taxes, and \$64.1 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 for use in providing services.

The growth in net assets of governmental activities of \$73.7 million is primarily due to the following factors: the collection of revenues (mostly taxes) to fund repayments of long-term debt (\$62.9 million), the collection of revenues for the acquisition of capital assets (\$58.9 million), donations of capital assets, primarily infrastructure, to the county (\$82.8 million), taxes collected by Special Revenue Funds (\$8.6 million by Emergency Medical Services, \$8.5 million by the Flood Control District, and \$3.6 million by the Mental Health Fund) in excess of the services provided in 2010 (\$20.7 million). In addition, the book value of capital assets sold, retired, or transferred (\$116.0 million) and depreciation expense (\$32.2 million) reduced net assets.

Changes in Net Assets (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 573,209	\$ 571,653	\$ 666,574	\$ 632,427	\$ 1,239,783	\$ 1,204,080
Operating grants and contributions	198,512	206,826	57,514	90,570	256,026	297,396
Capital grants and contributions	112,530	75,592	26,220	38,020	138,750	113,612
General revenues						
Property taxes	593,135	624,448	22,174	-	615,309	624,448
Retail sales and use taxes	180,914	179,077	375,943	376,968	556,857	556,045
Other taxes	53,760	54,234	-	-	53,760	54,234
Unrestricted interest earnings	10,295	20,029	8,810	13,558	19,105	33,587
Total revenues	<u>1,722,355</u>	<u>1,731,859</u>	<u>1,157,235</u>	<u>1,151,543</u>	<u>2,879,590</u>	<u>2,883,402</u>
Expenses ^(a)						
General government ^(b)	193,521	106,076	-	-	193,521	106,076
Law, safety and justice	605,396	607,191	-	-	605,396	607,191
Physical environment	79,897	76,404	-	-	79,897	76,404
Transportation	108,386	117,625	-	-	108,386	117,625
Economic environment	103,153	105,515	-	-	103,153	105,515
Mental and physical health	456,678	458,184	-	-	456,678	458,184
Culture and recreation	54,071	53,313	-	-	54,071	53,313
Interest and other debt service costs	49,979	54,010	-	-	49,979	54,010
Airport	-	-	22,296	24,725	22,296	24,725
Public transportation	-	-	697,611	673,436	697,611	673,436
Solid waste	-	-	101,210	91,347	101,210	91,347
Water quality	-	-	290,873	287,792	290,873	287,792
Other enterprises activity	-	-	7,625	7,153	7,625	7,153
Total expenses	<u>1,651,081</u>	<u>1,578,318</u>	<u>1,119,615</u>	<u>1,084,453</u>	<u>2,770,696</u>	<u>2,662,771</u>
Increase in net assets before transfers	71,274	153,541	37,620	67,090	108,894	220,631
Transfers	2,423	896	(2,423)	(896)	-	-
Increase in net assets	<u>73,697</u>	<u>154,437</u>	<u>35,197</u>	<u>66,194</u>	<u>108,894</u>	<u>220,631</u>
Net assets, beginning of year (restated) ^(c)	<u>2,087,958</u>	<u>1,933,521</u>	<u>2,218,411</u>	<u>2,152,217</u>	<u>4,306,369</u>	<u>4,085,738</u>
Net assets, end of year	<u>\$ 2,161,655</u>	<u>\$ 2,087,958</u>	<u>\$ 2,253,608</u>	<u>\$ 2,218,411</u>	<u>\$ 4,415,263</u>	<u>\$ 4,306,369</u>

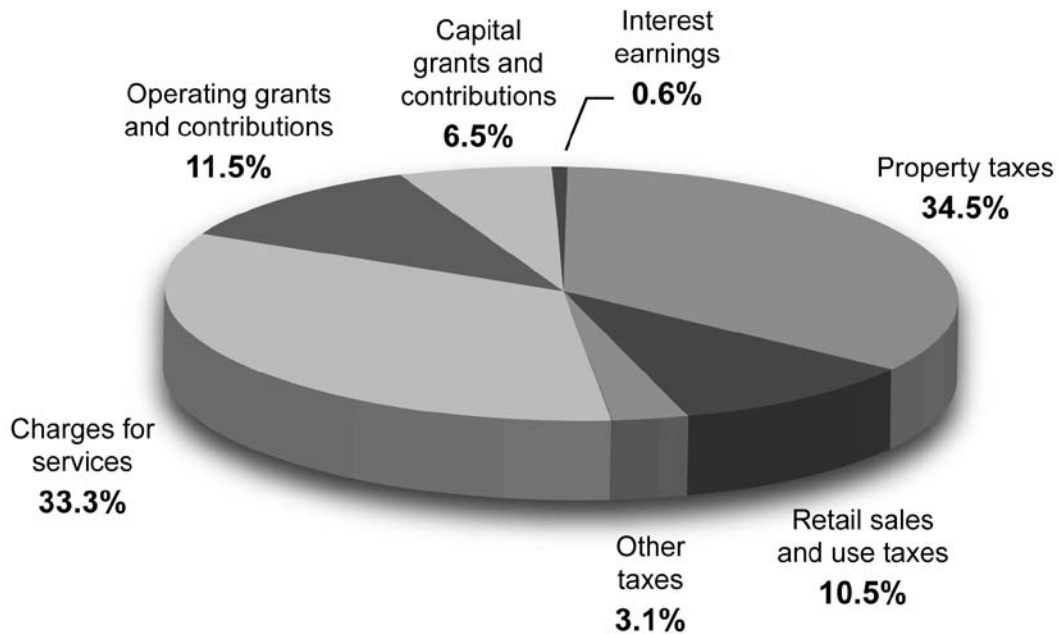
(a) Expenses for all functions include the allocation of indirect expenses from the general government function. The amount of indirect general government expenses allocated to each function is shown in a separate column on the County's government-wide Statement of Activities alongside the column that reflects the direct operating expenses incurred by each function. As a result of this allocation, the \$193.5 million in General government expense above consists of \$135.9 million in direct program expenses and loss on the disposal (transfer) of capital assets of \$116.1 million reduced by a net allocation of \$58.5 million to other County functions.

(b) General government expenses includes loss on sale/disposal/transfer of capital assets of \$116.1 million and \$36.5 million in 2010 and 2009, respectively.

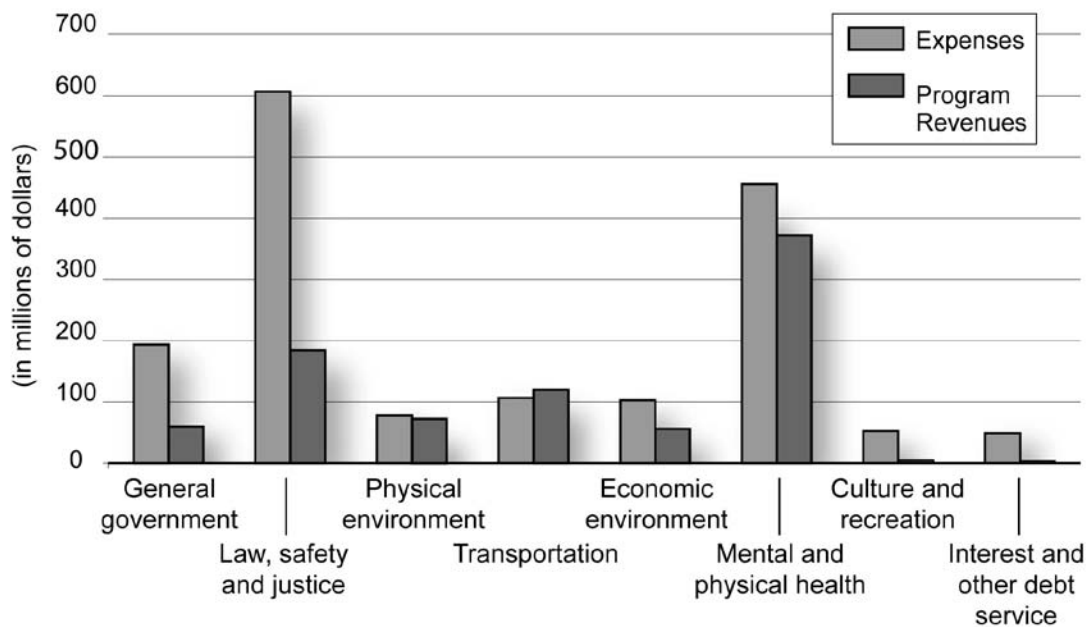
(c) Net assets, beginning of year has been restated, see Note 17 - "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

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 2010



Expenses and Program Revenues — Governmental Activities 2010



Charges for services provided 33.3 percent, and property taxes 34.5 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 81.8 percent of the activities of that

function. In 2010, Transportation received \$82.1 million in infrastructure and right-of-way capital assets from developers, which enabled program revenues to exceed expenses by \$13.0 million. These and other capital contributions accounted for 112.3 percent of the 2010 increase in governmental activities net assets.

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

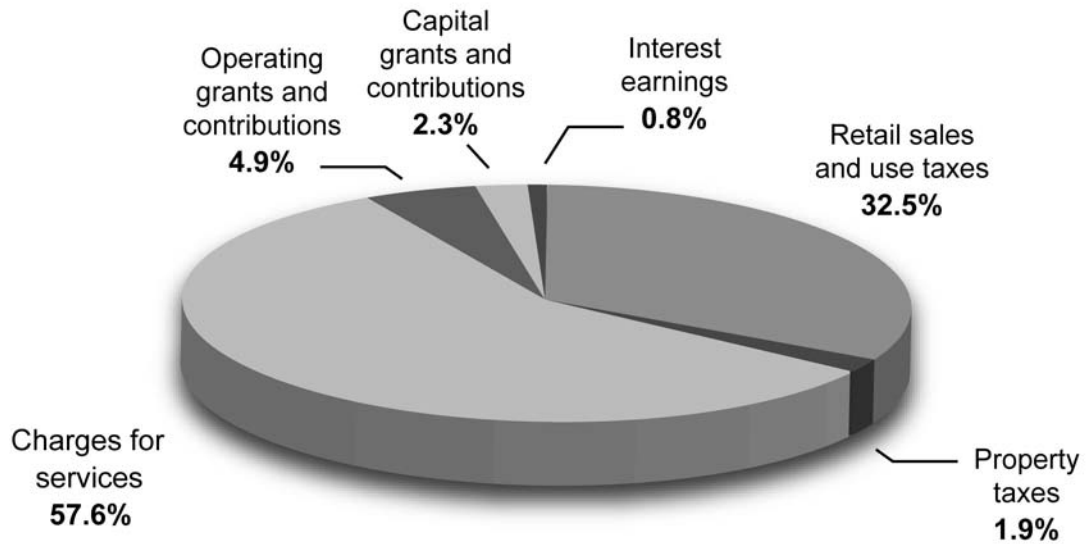
(Expenses) Net of Program Revenues	
General government	\$ (134,359)
Law, safety and justice	(420,086)
Physical environment	(6,467)
Transportation	12,972
Economic environment	(44,232)
Mental and physical health	(83,790)
Culture and recreation	(47,001)
Interest and other debt service costs	(43,867)
Total expenses	(766,830)
General revenues	
Property taxes	593,135
Retail sales and use taxes	180,914
Other taxes	53,760
Unrestricted interest earnings	10,295
Transfers from Business-type	2,423
Increase in net assets	<u>\$ 73,697</u>

Business-type activities. Business-type activities increased the County's net assets by \$35.2 million in 2010, accounting for 32.3 percent of the total growth in net assets of the County. Total revenues for business-type activities were \$1,157.2 million. The cost of all business-type activities for 2010 was \$1,119.6 million. Of that amount, 67.0 percent (\$750.3 million) was funded from program revenues, including \$666.6 million in charges for services, \$57.5 million from other governments and

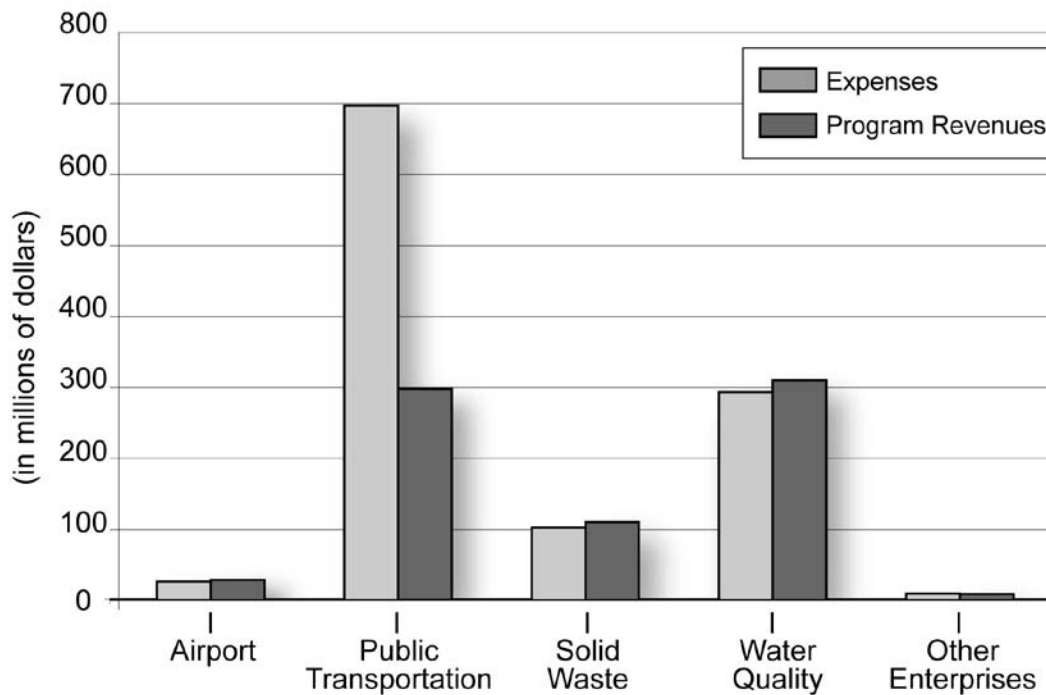
organizations that subsidized certain programs with operating grants, and \$26.2 million in capital grants and contributions. The Public Transportation operations are subsidized by retail sales and use tax revenues, which amounted to \$375.9 million in 2010 and property taxes (beginning in 2010) of \$22.2 million. In addition, business-type activities earned \$8.8 million in unrestricted interest earnings.

Business-type revenues by source and business-type expenses and program revenues by function:

Revenues by Source — Business-type Activities 2010



Expenses and Program Revenues — Business-type Activities 2010



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. 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, 2010, the County's governmental funds reported combined ending fund balances of \$565.4 million, an increase of \$43.7 million in comparison with the prior year. Approximately 80.3 percent (\$453.9 million) constitutes unreserved fund balance 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 (\$60.8 million), to pay debt service (\$24.2 million), for prepayments (\$8.1 million), and for a variety of other restricted purposes (\$17.9 million).

Overall governmental fund revenues totaled approximately \$1,719.5 million for 2010, which represents a decrease of 1.6 percent, (\$28.2 million), under the fiscal year ended December 31, 2009. While Retail sales and use taxes were up \$1.8 million, Intergovernmental revenues were up \$16.6 million, and Miscellaneous revenue increased \$4.7 million, while several other revenue categories had sharp declines. Property taxes were down \$28.7 million due to declines in collections for the King County Ferry District (down \$17.7 million due to a decrease in the levy rate), Unlimited Tax GO Bonds (down \$13.9 million due to a decrease in the levy rate), the County Road Fund (down \$3.2 million due to annexations), the Emergency Medical Services Fund (down \$2.4 million due to a decrease in the assessed value of taxable property) and the Automated Fingerprint Identification System (down \$1.6 million due to a decrease in the assessed value of taxable property).

In 2010, expenditures for governmental funds totaled \$1,762.9 million, a decrease of 3.8 percent (\$69.4 million) from the previous fiscal year. Current expenditures were down 2.1 percent (\$33.1 million) from the previous fiscal year due to programmatic reductions with the priority of the preservation of funding for core mandatory services over discretionary services. Debt service expenditures (excluding the payment to escrow agent) were down \$60.5 million (38.9 percent), and Capital outlay expenditures were up \$30.2 million (35.5 percent). Total expenditures for governmental funds exceeded revenues by \$43.3 million in 2010, compared to \$84.5 million for 2009. The change in fund balances in 2010 of \$43.7 million included a increase of \$10.4 million in Non-major Debt Service Funds and an increase of \$38.6 million in Capital Projects Funds.

The **General Fund** is the primary operating fund for the County. At the end of the fiscal year, total fund balance for the General Fund was \$88.2 million. Unreserved fund balance, the amount considered available to spend, totaled \$71.6 million. Of that amount, \$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 12.2 percent of total General Fund expenditures, an increase from the 11.4 percent of a year ago. Total fund balance represents 15.1 percent of total General Fund expenditures, an increase from the 13.9 percent of a year ago.

The fund balance of the County's General Fund increased \$5.8 million during 2010, while the fund balance decreased in 2009 by \$9.7 million (an increase of over \$15 million). While revenues were down \$3.6 million (0.6 percent) in 2010, expenditures declined \$7.3 million (1.2 percent) and Other financing uses declined \$12.9 million. While property tax revenues increased by \$6.2 million and intergovernmental revenues were up \$7.6 million, charges for services were down \$12.5 million and interest earnings were down \$5.9 million, resulting in the net increase in revenues in 2010 from the 2009 level of \$3.6 million. Expenditures were down \$7.3 million due to reductions in expenditures for general government services (\$4.6 million) and mental and physical health (\$3.4 million). The large drop in Other financing uses of \$12.9 million is due to

substantially decreased transfers from the General Fund to human services programs.

The **Public Health Fund** is used to account for health service centers located throughout the County and other public health programs that promote health and prevent disease to King County residents. At the end of 2010 it had a total fund balance of \$7.4 million (up \$3.1 million in 2010), of which \$5.8 million was unreserved and available for spending. While revenues were up \$7.1 million in 2010 from the 2009 level (due to an increase of \$7.5 million in intergovernmental revenues) expenditures were essentially unchanged in 2010 and other financing sources were down \$4.0 million resulting in an increase in fund balance of \$3.1 million in 2010 versus a decrease of \$44 thousand in 2009.

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.

The County's net assets increased by \$35.2 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 had an increase of \$0.5 million and the net assets of the Water Quality Enterprise increased by \$18.6 million. In 2010, net assets of the Solid Waste Enterprise increased by \$9.4 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 2010 the Public Transportation Enterprise had total net assets of \$1,454.6 million of which 66.2 percent (\$962.6 million) was invested in capital assets, net of related debt; 1.7 percent (\$24.9 million) was restricted as to use for capital purposes, bond reserves, and other purposes; and 32.1 percent (\$467.1 million) was unrestricted and available for spending. Net assets increased in 2010 and 2009. The increase was \$0.5 million in 2010 and \$29.4 million in 2009. The change in 2010 is primarily attributed to an increase in cash balances held for future capital investments that are currently projected to occur over the next few years, as well as debt service, which was offset by a decrease in non-depreciating capital assets as

constructed assets were moved into service and began depreciating. On December 31, 2010, cash balances were used to support interfund loans of \$116.1 million to other County agencies. At the end of 2009, interfund loans to other County agencies totaled \$131.5 million. The reserve for future fleet replacement continued to be replenished consistent with existing policies and in anticipation of upcoming fleet replacements.

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 \$562.4 million at the end of 2010 of which 72.4 percent (\$407.2 million) was invested in capital assets, net of related debt; 41.7 percent (\$234.4 million) was restricted for debt service and regulatory assets and environmental liabilities; and the remaining negative 14.1 percent (\$79.2 million) was unrestricted. Water Quality operating revenues decreased by 0.7 percent to \$304.8 million, while operating expenses net of depreciation increased by 0.6 percent to \$103.7 million. Water Quality collected a monthly sewage treatment charge of \$31.90 per Residential Customer Equivalents (RCE) in 2010 and 2009. The negative unrestricted net assets balance was reduced to (\$79.2 million) at the end of 2010 from (\$88.0 million) at the end of 2009.

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 \$15.0 million during the year due to 2010 supplemental budget appropriations for General Fund support for general government (\$2 million), law, safety and justice (\$4 million), physical environment (\$2.5 million), and transfer to support capital projects (\$5.9 million). However, actual budgetary basis expenditures (including encumbrances) were only \$61 thousand greater than the original budget. This resulted in an underutilization of the total final appropriation authority by less than \$15 million, including \$5.7 million of under-expenditures in General government services, \$2.6 million in Law, safety and justice, and \$5.6 million in Transfers out. During the year total budgetary basis revenues were greater than budgetary estimates by \$10.4 million with a net impact of increasing fund balance by \$5.8 million in 2010.

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, 2010, amounts to \$7.9 billion (net of accumulated depreciation). Capital assets include land, rights-of-way, easements and development rights, buildings, improvements other than buildings, roads and bridges infrastructure, vehicles, machinery, computers, software and other equipment, and construction work-in-progress. The total increase in the investment in capital assets over the previous year was 5.1 percent (1.7 percent increase for governmental activities and 7.1 percent increase for business-type activities).

Major capital asset events during 2010 included the following:

- Construction continued on the new Brightwater Treatment Plant and the associated conveyance system. This project comprised the bulk of the 19 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. The treatment plant is scheduled for completion and to begin operations in 2011 with the conveyance systems to be completed in 2012.

- Significant construction activity is also occurring in the Public Transportation and Solid Waste enterprises. Public Transportation continued to make improvements at bus bases, transit centers, and park-and-ride facilities. The Solid Waste Enterprise continued to make improvements to existing transfer stations and development of landfill ancillary systems.
- For governmental activities, significant additions and upgrades were made to parks facilities, development and improvements to the trail system, renovations and upgrades to various county buildings, and technology-related projects.

A summary of the 2010 capital assets activity is shown below. More detailed information on the County's capital assets can be found in Note 6 – "Capital Assets."

	Capital Assets (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and land rights	\$ 859.8	\$ 798.8	\$ 360.8	\$ 358.3	\$ 1,220.6	\$ 1,157.1
Buildings*	731.0	731.7	1,008.5	1,012.1	1,739.5	1,743.8
Improvements other than buildings*	50.9	27.1	496.4	497.7	547.3	524.8
Infrastructure - roads and bridges	925.4	943.1	0.0	0.0	925.4	943.1
Infrastructure - other*	5.3	0.0	728.3	709.0	733.6	709.0
Equipment and software*	78.6	77.9	515.5	525.8	594.1	603.7
Construction in progress	78.8	106.8	2,108.9	1,766.5	2,187.7	1,873.3
Total	<u>\$ 2,729.8</u>	<u>\$ 2,685.4</u>	<u>\$ 5,218.4</u>	<u>\$ 4,869.4</u>	<u>\$ 7,948.2</u>	<u>\$ 7,554.8</u>

* Net of depreciation/amortization

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, 74.2 percent of the arterial roads in the County and 78.5 percent of the local access roads in the County had a PCI rating at 40 and above. The 2010 condition assessment indicates the arterial and local access road networks have fallen below the 80/40 threshold. The County's Roads Division's current budget conditions do not allow for additional funds to increase the number of miles overlaid. The accelerated condition of deterioration observed between the 2009 and 2010 reports are primarily the result of weather and system age. The majority of roads that fall below the established rating are local access roads that are situated in rural areas. The amount budgeted in 2010 for road preservation and maintenance was \$78.8 million. The amount actually expended was \$52.9 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 relatively few roads to be resurfaced in remote locations, and fewer weather-related work reductions or stoppages.

The County currently maintains 180 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 6 bridges at or below this threshold. The amount budgeted in 2010 for bridge preservation and maintenance was \$19.8 million, while the actual amount expended was \$9.7 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 2010, King County Primary Government has a total of \$4,673.3 million in bonds and notes outstanding for its governmental and business-type activities. Of this amount, \$2,239.9 million is comprised of debt backed by the full faith and credit of the County. The \$2,433.4 million remainder of the County's debt represents bonds secured solely by specified revenue sources.

	Outstanding Debt (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 728.4	\$ 724.3	\$ 1,031.2	\$ 919.7	\$ 1,759.6	\$ 1,644.0
General obligation bond anticipation notes	84.3	27.1	-	-	84.3	27.1
Lease revenue bonds	396.0	402.5	-	-	396.0	402.5
Revenue bonds	-	-	2,433.4	2,167.4	2,433.4	2,167.4
Total	<u>\$ 1,208.7</u>	<u>\$ 1,153.9</u>	<u>\$ 3,464.6</u>	<u>\$ 3,087.1</u>	<u>\$ 4,673.3</u>	<u>\$ 4,241.0</u>

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.

The total debt increased over the previous year by 10.2 percent or \$432.3 million (a 4.8 percent or \$54.8 million increase for governmental activities and 12.2 percent or \$377.5 million increase for business-type activities). The increase of debt outstanding in governmental activities was primarily due to the issuance of \$82.5 million of limited general obligation bonds in 2010. Business-type activities' debt increased primarily due to the issuance of \$334.4 million of sewer revenue and refunding bonds and \$100 million of Multi-Modal limited general obligation bonds payable by sewer revenues to finance the capital needs of the Water Quality Enterprise.

During 2010, the County refinanced some of its existing debt to take advantage of favorable interest rates. The County refinanced \$26.6 million of general obligation various purpose bonds which will decrease future aggregate debt service payments by \$3.3 million over the life of the bonds. The County also refinanced \$19.8 unlimited general obligation bonds which will decrease future aggregate debt service payments by \$2.2 million over the life of the bonds.

Using excess proceeds from special taxes and revenues, the County completed a partial defeasance of general obligation (baseball stadium) bonds that is expected to decrease debt service payments by \$15.0 million.

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 Water Quality Enterprise's revenue debt are "Aa2" from Moody's and "AA+" from Standard & Poor's.

State statutes limit the amount of general obligation debt that the County may issue to 2.5 percent of its total assessed valuation for general county purposes and 2.5 percent for metropolitan functions. The current debt limitation of total general obligations for general county purposes is \$8,260.4 million, significantly higher than the County's outstanding net general obligation long-term liabilities of \$1,139.2 million. For metropolitan functions the debt limitation is \$8,260.4 million and the County's outstanding net general obligation debt is \$1,079.1 million.

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

ECONOMIC OUTLOOK AND 2011 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 one-third of total revenues and consist primarily of taxes on real property. Property taxes tend to be stable because the County establishes assessed value from the preceding four years of real estate sales. Other tax

sources, such as retail sales tax, are more volatile and directly influenced by economic conditions in the region.

Property assessed valuation in 2010 for taxes collected in 2011 decreased by 11.6 percent compared to increases of 13.5 percent and 14.1 percent in 2009 and 2008, respectively. Unemployment in King County was 8.8 percent in 2010 compared with 8.5 percent in 2009. Median household income in the county is estimated to have decreased 2.9 percent from 2008 to 2009 and decreased 2.9 percent from 2009 to 2010. County taxable sales decreased in both 2009 and 2010, affecting several funds, most notably the General Fund and Public Transportation Fund.

By law, the County is required to adopt a balanced budget. The 2011 budget, adopted by the County Council in November 2010, totals \$5.0 billion, which includes annual, biennial, and the current year portion of multi-year capital improvement budgets. Of this amount, \$629.2 million is appropriated for the General Fund; \$1.8 billion (\$393.7 million annual and \$1,407.4 million biennial) is appropriated for enterprise funds including public transportation, solid waste and wastewater treatment; and \$1.16 billion (\$892.8 million annual and \$271.5 million biennial) is appropriated for special revenue funds including public health, mental health, emergency medical services, human services, and road funds. The budget also includes \$751.4 million committed to capital improvements for wastewater treatment, transit, roads, solid waste and other major public facilities. The general fund current expense budget maintained a 6.0 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 health care 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 taxes are the largest revenue source in the County general fund at 40 percent of general fund revenues. The County Council-approved property tax levy is limited by state law to one percent growth each year plus the property tax on new construction.

Three large annexations become effective in 2010 and 2011. Effective April 1, 2010, the southern portion of North Highline became part of the City of Burien. In July 2010, the Panther Lake area became part of the City of Kent, and effective July 1, 2011, the Juanita, Finn Hill and Kingsgate areas will become part of the City of Kirkland.

REQUESTS FOR INFORMATION

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



STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 922,075	\$ 913,074	\$ 1,835,149	\$ 207,437
Investments	551	-	551	42,944
Receivables, net	196,948	174,859	371,807	128,950
Due from primary government	-	-	-	1,103
Internal balances	(23,147)	23,147	-	-
Inventories	2,618	24,764	27,382	8,234
Prepayments and other assets	10,679	8,057	18,736	1,969
Capital assets				
Non-depreciable assets	1,872,919	2,469,701	4,342,620	55,696
Depreciable assets, net of depreciation	856,892	2,748,704	3,605,596	767,182
Deferred charges	8,177	29,707	37,884	-
Deposits with other governments	-	-	-	600
Regulatory assets - environmental remediation	-	47,079	47,079	-
Other utility assets	-	22,703	22,703	-
Other assets	-	815	815	12,261
TOTAL ASSETS	3,847,712	6,462,610	10,310,322	1,226,376
LIABILITIES				
Accounts payable and other current liabilities	94,767	100,851	195,618	51,389
Due to component unit	1,103	-	1,103	-
Accrued liabilities	41,267	102,435	143,702	34,552
Notes payable	84,920	100,000	184,920	-
Unearned revenues	37,030	14,251	51,281	6,227
Rate stabilization	-	51,000	51,000	-
Noncurrent liabilities				
Due within one year	170,646	101,527	272,173	5,088
Due in more than one year	1,256,324	3,738,938	4,995,262	56,843
TOTAL LIABILITIES	1,686,057	4,209,002	5,895,059	154,099
NET ASSETS				
Invested in capital assets, net of related debt	1,922,455	1,577,670	3,500,125	781,983
Restricted for:				
Capital projects	127,077	10,068	137,145	-
Debt service	73,346	215,599	288,945	-
General government	10,854	-	10,854	-
Law, safety and justice	79,484	-	79,484	-
Physical environment	40,331	-	40,331	-
Transportation	26,543	-	26,543	-
Economic environment	21,444	-	21,444	-
Mental and physical health	75,784	-	75,784	-
Culture and recreation	12,909	-	12,909	-
Regulatory assets and environmental liabilities	-	30,302	30,302	-
Other purposes	-	3,388	3,388	-
Expendable	-	-	-	38,567
Nonexpendable	-	-	-	28,896
Unrestricted	(228,572)	416,581	188,009	222,831
TOTAL NET ASSETS	\$ 2,161,655	\$ 2,253,608	\$ 4,415,263	\$ 1,072,277

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 252,042	\$ (58,521)	\$ 54,187	\$ 4,863	\$ 112
Law, safety & justice	575,373	30,023	155,182	30,128	-
Physical environment	79,092	805	47,598	3,826	22,006
Transportation	106,019	2,367	14,631	18,017	88,710
Economic environment	101,614	1,539	27,836	29,459	1,626
Mental & physical health	450,758	5,920	266,270	106,618	-
Culture & recreation	53,427	644	6,799	195	76
Interest and other					
debt service costs	49,979	-	706	5,406	-
Total governmental activities	<u>1,668,304</u>	<u>(17,223)</u>	<u>573,209</u>	<u>198,512</u>	<u>112,530</u>
Business-type activities:					
Airport	21,996	300	20,766	-	5,300
Public Transportation	685,219	12,392	223,278	57,514	17,635
Solid Waste	99,204	2,006	109,949	-	650
Water Quality	288,417	2,456	305,738	-	2,431
Institutional Network	2,906	52	2,841	-	-
Radio Communications Services	4,650	17	4,002	-	204
Total business-type activities	<u>1,102,392</u>	<u>17,223</u>	<u>666,574</u>	<u>57,514</u>	<u>26,220</u>
Total primary government	<u>\$ 2,770,696</u>	<u>\$ -</u>	<u>\$ 1,239,783</u>	<u>\$ 256,026</u>	<u>\$ 138,750</u>
Component units	<u>\$ 745,587</u>		<u>\$ 700,354</u>	<u>\$ 18,320</u>	<u>\$ 6,635</u>
General revenues					
Property taxes					
Retail sales and use taxes					
Business and other taxes					
Penalties and interest - delinquent taxes					
Interest earnings					
Transfers					
Total general revenues and transfers					
Change in net assets					
Net assets - January 1, 2010 (Restated)					
Net assets - December 31, 2010					

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
			Units Total
Governmental Activities	Business-type Activities	Total	
\$ (134,359)	\$	\$ (134,359)	\$
(420,086)		(420,086)	
(6,467)		(6,467)	
12,972		12,972	
(44,232)		(44,232)	
(83,790)		(83,790)	
(47,001)		(47,001)	
(43,867)		(43,867)	
(766,830)		(766,830)	
	3,770	3,770	
	(399,184)	(399,184)	
	9,389	9,389	
	17,296	17,296	
	(117)	(117)	
	(461)	(461)	
-	(369,307)	(369,307)	
(766,830)	(369,307)	(1,136,137)	
			(20,278)
593,135	22,174	615,309	-
180,914	375,943	556,857	-
32,432	-	32,432	-
21,328	-	21,328	-
10,295	8,810	19,105	5,570
2,423	(2,423)	-	-
840,527	404,504	1,245,031	5,570
73,697	35,197	108,894	(14,708)
2,087,958	2,218,411	4,306,369	1,086,985
\$ 2,161,655	\$ 2,253,608	\$ 4,415,263	\$ 1,072,277

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)**

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 55,685	\$ 71	\$ 596,691	\$ 652,447
Taxes receivable - delinquent	7,533	-	10,181	17,714
Accounts receivable, net	9,487	769	24,031	34,287
Other receivables, net	-	-	588	588
Interest receivable	6,829	-	-	6,829
Due from other funds	5,057	1,171	22,868	29,096
Interfund short-term loans receivable	4,731	-	-	4,731
Due from other governments, net	41,819	29,192	57,457	128,468
Inventory of supplies	-	1,223	-	1,223
Prepayments	-	-	8,070	8,070
Advances to other funds	3,800	-	407	4,207
TOTAL ASSETS	\$ 134,941	\$ 32,426	\$ 720,293	\$ 887,660
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 8,426	\$ 14,965	\$ 45,838	\$ 69,229
Due to other funds	5,048	697	27,802	33,547
Interfund short-term loans payable	-	2,289	22,247	24,536
Due to other governments	898	-	6,616	7,514
Due to component unit	-	-	1,103	1,103
Interest payable	-	-	2,220	2,220
Wages payable	15,928	4,461	8,056	28,445
Taxes payable	95	-	60	155
Bonds payable	-	-	3,285	3,285
Deferred revenues	14,566	1,799	41,648	58,013
Notes and contracts payable	-	-	84,920	84,920
Custodial accounts	1,737	843	6,048	8,628
Advances from other funds	-	-	707	707
Total liabilities	46,698	25,054	250,550	322,302
Fund balances				
Reserved	16,632	1,558	93,233	111,423
Unreserved				
Designated, reported in				
General Fund	4,001			4,001
Special Revenue Funds			71,036	71,036
Undesignated, reported in				
General Fund	67,610			67,610
Public Health Fund		5,814		5,814
Special Revenue Funds			185,632	185,632
Debt Service Funds			42,694	42,694
Capital Projects Funds			77,148	77,148
Total fund balances	88,243	7,372	469,743	565,358
TOTAL LIABILITIES AND FUND BALANCES	\$ 134,941	\$ 32,426	\$ 720,293	

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.	2,341,183
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	29,769
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net assets.	76,347
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(851,002)
Net assets of governmental activities	\$ 2,161,655

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, 2010
(IN THOUSANDS)

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property taxes	\$ 271,832	\$ -	\$ 321,266	\$ 593,098
Retail sales and use taxes	82,759	-	98,155	180,914
Business and other taxes	6,241	-	26,191	32,432
Penalties and interest - delinquent taxes	21,328	-	-	21,328
Licenses and permits	8,242	12,434	3,722	24,398
Intergovernmental revenues	108,719	137,295	314,980	560,994
Charges for services	109,034	11,269	109,279	229,582
Fines and forfeits	8,740	-	261	9,001
Interest earnings	2,067	-	5,505	7,572
Miscellaneous revenues	14,522	6,275	39,405	60,202
TOTAL REVENUES	633,484	167,273	918,764	1,719,521
EXPENDITURES				
Current				
General government	98,787	-	46,321	145,108
Law, safety and justice	456,769	-	99,702	556,471
Physical environment	4,742	-	102,555	107,297
Transportation	-	-	114,436	114,436
Economic environment	425	-	102,379	102,804
Mental and physical health	24,500	190,584	245,500	460,584
Culture and recreation	-	-	51,069	51,069
Debt Service				
Principal	-	-	62,901	62,901
Interest and other debt service costs	5	14	31,701	31,720
Refunding bond issuance costs	-	-	78	78
Payment to escrow agent	-	-	14,997	14,997
Capital outlay	819	234	114,346	115,399
TOTAL EXPENDITURES	586,047	190,832	985,985	1,762,864
Excess (deficiency) of revenues over (under) expenditures	47,437	(23,559)	(67,221)	(43,343)
OTHER FINANCING SOURCES (USES)				
Transfers in	951	26,713	114,905	142,569
Transfers out	(42,865)	(96)	(96,812)	(139,773)
General government debt issued	-	-	82,465	82,465
Premium on bonds sold	-	-	6,521	6,521
Refunding bonds issued	-	-	41,250	41,250
Sale of capital assets	294	7	(693)	(392)
Payment to refunded bonds escrow agent	-	-	(45,561)	(45,561)
TOTAL OTHER FINANCING SOURCES (USES)	(41,620)	26,624	102,075	87,079
Net changes in fund balances	5,817	3,065	34,854	43,736
Fund balances - January 1, 2010	82,426	4,307	434,889	521,622
Fund balances - December 31, 2010	<u>\$ 88,243</u>	<u>\$ 7,372</u>	<u>\$ 469,743</u>	<u>\$ 565,358</u>

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, 2010
(IN THOUSANDS)**

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

Net change in fund balances - total governmental funds	\$ 43,736
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.	83,190
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets.	(33,253)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,672
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.	(7,963)
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.	(7,297)
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	(6,388)
Change in net assets of governmental activities	<u>\$ 73,697</u>

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, 2010
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes				
Property taxes	\$ 270,366	\$ 270,366	\$ 271,832	\$ 1,466
Retail sales and use taxes	86,470	86,470	82,759	(3,711)
Business and other taxes	6,972	6,972	6,241	(731)
Penalties and interest - delinquent taxes	15,000	15,000	21,328	6,328
Licenses and permits	8,071	8,367	8,242	(125)
Intergovernmental revenues	101,092	101,321	108,719	7,398
Charges for services	107,136	107,240	109,034	1,794
Fines and forfeits	9,687	9,687	8,740	(947)
Interest earnings	3,062	3,062	2,115	(947)
Miscellaneous revenues	15,542	15,693	14,490	(1,203)
Sale of capital assets	100	100	294	194
Transfers in	23	23	951	928
TOTAL REVENUES	623,521	624,301	634,745	10,444
EXPENDITURES				
Current				
General government services	103,549	105,463	99,730	5,733
Law, safety and justice	457,258	461,206	458,588	2,618
Physical environment	2,451	4,951	4,742	209
Economic environment	608	607	425	182
Mental and physical health	24,725	24,663	24,563	100
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	-	3
Capital outlay	1,048	1,815	1,268	547
Transfers out	42,855	48,832	43,276	5,556
TOTAL EXPENDITURES	632,531	647,574	632,592	14,982
Deficiency of revenues under expenditures (budgetary basis)	\$ (9,010)	\$ (23,273)	2,153	\$ 25,426
Adjustment from budgetary basis to GAAP basis			3,664 (a)	
Net change in fund balance			5,817	
Fund balance - January 1, 2010			82,426	
Fund balance - December 31, 2010			\$ 88,243	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized loss on investments on a GAAP basis			\$ (48)	
Recognition of donation revenue on a GAAP basis			32	
Adjustments to expenditures				
Encumbrances, not included in GAAP basis expenditures			3,274	
Budgeted transfers out reported as a reduction of advance on a GAAP basis			594	
Non-budgeted transfers out			(183)	
Non-budgeted interest and other debt service costs			(5)	
Adjustment from budgetary basis to GAAP basis			\$ 3,664	

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, 2010
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Licenses and permits	\$ 12,771	\$ 12,894	\$ 12,434	\$ (460)
Intergovernmental revenues	130,458	146,489	137,295	(9,194)
Charges for services	15,222	13,228	11,269	(1,959)
Miscellaneous revenues	12,478	11,737	6,275	(5,462)
Transfers in	26,575	26,667	26,713	46
Sale of capital assets	-	-	7	7
Total Revenues	197,504	211,015	193,993	(17,022)
EXPENDITURES				
Current				
Mental and physical health	197,451	210,111	190,902	19,209
Debt service				
Interest and other debt service costs	40	40	14	26
Capital outlay	667	770	234	536
Transfers out	94	94	96	(2)
Total Expenditures	198,252	211,015	191,246	19,769
Excess (Deficiency) of revenues over (under) expenditures (budgetary basis)	\$ (748)	\$ -	2,747	\$ 2,747
Adjustment from budgetary basis to GAAP basis - encumbrances			318	
Net change in fund balance			3,065	
Fund balances - January 1, 2010			4,307	
Fund balance - December 31, 2010			\$ 7,372	

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



STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES					
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 342,809	\$ 24,018	\$ 74,335	\$ 441,162	\$ 267,361	
Restricted cash and cash equivalents	11,522	185,942	212	197,676	1,519	
Investments	-	-	-	-	551	
Accounts receivable	14,576	27,529	13,548	55,653	1,493	
Estimated uncollectible						
accounts receivable	(178)	-	(113)	(291)	(2)	
Due from other funds	1,333	5,845	2,358	9,536	4,189	
Interfund short-term loans receivable	116,118	-	-	116,118	-	
Property tax receivable-delinquent	347	-	-	347	-	
Due from other governments, net	106,797	9,550	1,944	118,291	571	
Inventory of supplies	17,462	5,758	1,542	24,762	1,397	
Prepayments and other assets	404	77	-	481	2,629	
Total current assets	611,190	258,719	93,826	963,735	279,708	
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	34,640	191,036	39,253	264,929	10,055	
Due from other governments, net	22	354	-	376	414	
Assessments receivable	420	-	-	420	-	
Property tax receivable-delinquent	63	-	-	63	-	
Total restricted assets	35,145	191,390	39,253	265,788	10,469	
Capital assets						
Non-depreciable assets	246,867	2,143,881	78,953	2,469,701	20,395	
Depreciable assets, net of depreciation	855,549	1,715,105	176,080	2,746,734	370,199	
Total capital assets	1,102,416	3,858,986	255,033	5,216,435	390,594	
Other noncurrent						
Prepayments	7,293	-	-	7,293	-	
Notes receivable	815	-	-	815	-	
Regulatory assets - environmental remediation	-	47,079	-	47,079	-	
Other utility assets, net of accumulated depreciation	-	22,703	-	22,703	-	
Deferred charges	1,088	28,525	94	29,707	4,339	
Other assets	283	-	-	283	-	
Total other noncurrent	9,479	98,307	94	107,880	4,339	
Total noncurrent assets	1,147,040	4,148,683	294,380	5,590,103	405,402	
TOTAL ASSETS	1,758,230	4,407,402	388,206	6,553,838	685,110	

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities					
Accounts payable	\$ 50,088	\$ 39,520	\$ 10,844	\$ 100,452	\$ 7,681
Retainage payable	1,537	18,106	190	19,833	120
Claims and judgments payable	-	-	-	-	2,237
Estimated claim settlements	-	-	-	-	99,784
Due to other funds	966	2,068	4,725	7,759	1,515
Interest payable	605	76,146	244	76,995	1,621
Interfund short-term loans payable	-	96,313	-	96,313	-
Wages payable	19,893	3,690	1,857	25,440	3,630
Compensated absences payable	8,224	393	135	8,752	662
Taxes payable	150	-	193	343	11
Unearned revenues	10,523	-	3,728	14,251	2,217
Environmental remediation - current portion	-	5,599	-	5,599	-
Revenue bonds payable	-	33,860	-	33,860	10,465
General obligation bonds payable	9,490	2,630	3,449	15,569	125
Capital leases payable	94	-	-	94	-
State revolving loan payable	-	7,896	-	7,896	-
Notes payable	-	100,000	-	100,000	-
Landfill closure and post-closure care liability	-	-	5,938	5,938	-
Other liabilities	-	-	265	265	1,481
Total current liabilities	101,570	386,221	31,568	519,359	131,549
Noncurrent liabilities					
Retainage payable	660	1,340	31	2,031	-
Rate stabilization	-	51,000	-	51,000	-
Compensated absences payable	43,596	10,681	5,703	59,980	10,862
Other postemployment benefits	4,628	673	567	5,868	995
Advances from other funds	3,500	-	-	3,500	-
General obligation bonds payable	143,885	827,885	43,872	1,015,642	-
Revenue bonds payable	-	2,399,490	-	2,399,490	385,525
Deferred bond premium, discount and refunding loss	2,212	7,462	1,768	11,442	-
Capital leases payable	3,185	-	-	3,185	-
State revolving loans payable	-	128,099	-	128,099	-
Landfill closure and post-closure care liability	-	-	79,559	79,559	-
Estimated claim settlements	-	-	-	-	63,541
Environmental remediation	351	32,157	4,433	36,941	-
Other liabilities	-	-	425	425	-
Total noncurrent liabilities	202,017	3,458,787	136,358	3,797,162	460,923
TOTAL LIABILITIES	303,587	3,845,008	167,926	4,316,521	592,472
NET ASSETS					
Invested in capital assets, net of related debt	962,595	407,161	205,944	1,575,700	(1,182)
Restricted for:					
Capital projects	10,068	-	-	10,068	218
Debt service	11,473	204,126	-	215,599	11,770
Regulatory assets and environmental liabilities	-	30,302	-	30,302	-
Other purposes	3,388	-	-	3,388	-
Unrestricted	467,119	(79,195)	14,336	402,260	81,832
TOTAL NET ASSETS	\$ 1,454,643	\$ 562,394	\$ 220,280	2,237,317	\$ 92,638
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				16,291	
Net assets of business-type activities				\$ 2,253,608	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
OPERATING REVENUES					
I-Net fees	\$ -	\$ -	\$ 2,820	\$ 2,820	\$ -
Radio services	-	-	3,741	3,741	-
Solid waste disposal charges	-	-	84,877	84,877	-
Airfield fees	-	-	3,481	3,481	-
Hangar, building, and site rentals and leases	-	-	13,835	13,835	-
Reimbursement for services to tenants	-	-	1,673	1,673	-
Passenger	194,148	-	-	194,148	-
Special service contracts	10,049	-	-	10,049	-
Sewage disposal fees	-	253,684	-	253,684	-
Other operating revenues	18,939	51,141	469	70,549	438,231
Total operating revenues	223,136	304,825	110,896	638,857	438,231
OPERATING EXPENSES					
Personal services	392,754	41,597	49,411	483,762	84,147
Materials and supplies	63,479	9,417	7,872	80,768	10,786
Contract services and other charges	23,065	14,711	26,731	64,507	287,285
Utilities	5,580	11,608	3,498	20,686	-
Purchased transportation	52,220	-	-	52,220	-
Internal services	52,621	26,349	13,895	92,865	22,807
Environmental related amortization	-	1,535	-	1,535	-
Depreciation and amortization	101,760	92,627	21,948	216,335	17,935
Total operating expenses	691,479	197,844	123,355	1,012,678	422,960
OPERATING INCOME (LOSS)	(468,343)	106,981	(12,459)	(373,821)	15,271
NONOPERATING REVENUES					
Sales tax	375,943	-	-	375,943	-
Property tax	22,174	-	-	22,174	-
Intergovernmental	57,514	-	-	57,514	37
Interest earnings	4,356	3,220	1,150	8,726	2,807
DNR administration	-	-	3,623	3,623	-
Rental income	-	-	1,355	1,355	-
Landfill closure and post-closure care	-	-	19,330	19,330	-
Other nonoperating revenues	142	828	2,354	3,324	-
Total nonoperating revenues	460,129	4,048	27,812	491,989	2,844
NONOPERATING EXPENSES					
Interest	3,447	81,099	2,311	86,857	19,675
DNR administration	-	-	3,343	3,343	-
(Gain) Loss on disposal of capital assets	5,192	10,171	1,419	16,782	(481)
Other nonoperating expenses	236	2,937	1,741	4,914	955
Total nonoperating expenses	8,875	94,207	8,814	111,896	20,149
Income (loss) before contributions and transfers	(17,089)	16,822	6,539	6,272	(2,034)
Capital grants and contributions	17,638	2,431	6,161	26,230	1,137
Transfers in	-	-	574	574	1,054
Transfers out	(10)	(632)	(1,565)	(2,207)	(2,217)
CHANGE IN NET ASSETS	539	18,621	11,709	30,869	(2,060)
NET ASSETS - JANUARY 1, 2010	1,454,104	543,773	208,571		94,698
NET ASSETS - DECEMBER 31, 2010	\$ 1,454,643	\$ 562,394	\$ 220,280		\$ 92,638
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				4,328	
Change in net assets of business-type activities				\$ 35,197	

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, 2010
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 214,048	\$ 308,538	\$ 108,311	\$ 630,897	\$ 451,044
Cash payments to suppliers for goods and services	(186,443)	(77,713)	(49,898)	(314,054)	(315,852)
Cash payments for employee services	(388,341)	(40,110)	(48,665)	(477,116)	(83,129)
Other receipts	-	-	5,742	5,742	1,226
Other payments	-	-	(4,611)	(4,611)	-
Net cash provided (used) by operating activities	(360,736)	190,715	10,879	(159,142)	53,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	471,858	-	-	471,858	38
Interfund loan principal amounts loaned to other funds	(116,118)	-	-	(116,118)	-
Interfund loan principal repayments from other funds	131,480	-	-	131,480	-
Interest paid on short-term loans	-	(762)	-	(762)	-
Interfund loan principal borrowed from other funds	-	96,313	-	96,313	-
Interfund loan principal repayment amounts	-	(82,633)	-	(82,633)	-
Transfers in	-	-	574	574	1,054
Transfers out	(10)	(632)	(1,565)	(2,207)	(2,217)
Net cash provided (used) by noncapital financing activities	487,210	12,286	(991)	498,505	(1,125)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(81,189)	(409,691)	(19,554)	(510,434)	(14,133)
Financing of environmental remediation	-	3,719	-	3,719	-
Proceeds from capital debt	27,573	436,909	-	464,482	-
Principal paid on capital debt	(8,354)	(78,625)	(4,915)	(91,894)	(6,585)
Interest paid on capital debt	(6,558)	(142,454)	(2,423)	(151,435)	(19,699)
Assessment principal, interest, and penalties received	400	-	-	400	(34)
Deferred Cost	-	18,666	-	18,666	-
Capital grants and contributions	29,853	2,431	7,691	39,975	196
Other capitalized payments	-	-	(3,324)	(3,324)	-
Proceeds from disposal of capital assets	559	-	665	1,224	889
Net cash used by capital and related financing activities	(37,716)	(169,045)	(21,860)	(228,621)	(39,366)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	4,241	3,220	1,150	8,611	2,811
Proceeds from sales of investments	-	-	-	-	9,609
Net cash provided by investing activities	4,241	3,220	1,150	8,611	12,420
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	92,999	37,176	(10,822)	119,353	25,218
CASH AND CASH EQUIVALENTS - JANUARY 1, 2010	295,972	363,820	124,622	784,414	253,717
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2010	<u>\$ 388,971</u>	<u>\$ 400,996</u>	<u>\$ 113,800</u>	<u>\$ 903,767</u>	<u>\$ 278,935</u>

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, 2010
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (468,343)	\$ 106,981	\$ (12,459)	\$ (373,821)	\$ 15,271
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and amortization	101,760	94,162	21,948	217,870	17,935
Other nonoperating revenue/expense	-	-	2,723	2,723	-
Changes in assets - (increase) decrease					
Accounts receivable, net	3,467	(1,860)	(2,108)	(501)	4,991
Due from other funds	285	(727)	156	(286)	263
Due from other governments, net	(5,935)	(9,550)	(392)	(15,877)	243
Inventory of supplies	(1,907)	(374)	(213)	(2,494)	236
Prepayments	404	75	-	479	2,979
Changes in liabilities - increase (decrease)					
Accounts payable	11,729	521	2,994	15,244	(3,436)
Due to other funds	66	(1,434)	212	(1,156)	(559)
Retainage payable	(153)	(14,416)	(41)	(14,610)	78
Rate stabilization	-	15,850	-	15,850	-
Wages payable	1,844	536	80	2,460	329
Taxes payable	92	-	(26)	66	(4)
Unearned revenues	(6,600)	-	-	(6,600)	1,434
Claims and judgments payable	-	-	-	-	2,237
Estimated claim settlements	-	-	-	-	10,396
Compensated absences	1,370	781	521	2,672	447
Other postemployment benefits	1,180	170	144	1,494	242
Customer deposits and other liabilities	5	-	(2,660)	(2,655)	207
Total adjustments	107,607	83,734	23,338	214,679	38,018
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (360,736)	\$ 190,715	\$ 10,879	\$ (159,142)	\$ 53,289

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Public Transportation received land from a government with a value of \$1,723 thousand and transferred land with a book value of \$4 thousand to the same entity. During 2010, the Enterprise transferred capital assets to other funds in the amount of \$236 thousand.

The King County International Airport issued capital bonds during 2010. The bond proceeds of \$5,691 thousand were placed in an escrow account with the purpose of defeasing \$5,280 thousand of outstanding bond principal.

The Stadium Fund transferred land to the General Government with a book value of \$473 thousand.

During 2010, Internal Service Funds received \$891 thousand of capital assets from other funds and transferred \$521 thousand of capital assets to other funds.

The Water Quality Fund issued capital bonds. The proceeds of \$39,289 thousand were placed in an escrow account for the defeasance of \$36,290 thousand of outstanding bond principal. In addition, the Enterprise received contributions of capital assets from the General Government in the amount of \$1,239 thousand.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 106,093
Assets held in trust - external investment pool	-	2,648,969
Assets held in trust - external impaired investment pool	-	9,994
Investments	2,658,454	2,790
Assets held in trust - individual investment accounts	-	891
Taxes receivable - delinquent	-	79,086
Accounts receivable	-	7,463
Interest receivable	1,400	-
Assessments receivable	-	7,086
Notes and contracts receivable	-	52
TOTAL ASSETS	<u>2,659,854</u>	<u>2,862,424</u>
LIABILITIES		
Warrants payable	-	73,149
Accounts payable	-	445
Wages payable	-	3,903
Custodial accounts - County agencies	-	51,741
Due to special districts/other governments	-	2,733,186
TOTAL LIABILITIES	<u>-</u>	<u>\$ 2,862,424</u>
NET ASSETS		
Held in trust for pool/individual investment account participants	<u>\$ 2,659,854</u>	

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, 2010
 (IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>
ADDITIONS	
Contributions	\$ 8,417,320
Net investment earnings	
Interest	24,655
Increase in the fair value of investments	<u>58</u>
TOTAL ADDITIONS	8,442,033
DEDUCTIONS	
Distributions	<u>8,308,361</u>
Change in net assets	133,672
Net assets - January 1, 2010	<u>2,526,182</u>
Net assets - December 31, 2010	<u><u>\$ 2,659,854</u></u>

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2010
(IN THOUSANDS)

	Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
ASSETS				
Cash and cash equivalents	\$ 198,117	\$ 3,435	\$ 5,885	\$ 207,437
Investments	-	-	42,944	42,944
Receivables, net	128,115	3	832	128,950
Due from primary government	-	-	1,103	1,103
Inventories	8,234	-	-	8,234
Prepayments	1,956	13	-	1,969
Non-depreciable assets	17,272	38,424	-	55,696
Depreciable assets, net of depreciation	395,923	371,259	-	767,182
Deposits with other governments	600	-	-	600
Other assets	12,261	-	-	12,261
Total assets	<u>762,478</u>	<u>413,134</u>	<u>50,764</u>	<u>1,226,376</u>
LIABILITIES				
Accounts payable and other current liabilities	50,679	36	674	51,389
Accrued liabilities	34,552	-	-	34,552
Unearned revenues	230	-	5,997	6,227
Noncurrent liabilities				
Due within one year	1,366	3,271	451	5,088
Due in more than one year	22,169	32,770	1,904	56,843
Total liabilities	<u>108,996</u>	<u>36,077</u>	<u>9,026</u>	<u>154,099</u>
NET ASSETS				
Invested in capital assets, net of related debt	408,341	373,642	-	781,983
Restricted for:				
Expendable	20,852	-	17,715	38,567
Nonexpendable	2,518	-	26,378	28,896
Unrestricted	221,771	3,415	(2,355)	222,831
Total net assets	<u>\$ 653,482</u>	<u>\$ 377,057</u>	<u>\$ 41,738</u>	<u>\$ 1,072,277</u>

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



**STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)**

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Harborview Medical Center	\$ 720,823	\$ 696,146	\$ 7,180	\$ 5,661
WSMLB Stadium	15,107	4,123	-	974
Cultural Development Authority	9,657	85	11,140	-
Total component units	<u>\$ 745,587</u>	<u>\$ 700,354</u>	<u>\$ 18,320</u>	<u>\$ 6,635</u>
General revenues				
Interest earnings				
Change in net assets				
Net assets - January 1, 2010 (Restated - see Note 17)				
Net assets - December 31, 2010				

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

Net (Expense) Revenue and Changes in Net Assets			
Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
\$ (11,836)	\$ -	\$ -	\$ (11,836)
-	(10,010)	-	(10,010)
-	-	1,568	1,568
(11,836)	(10,010)	1,568	(20,278)
3,796	40	1,734	5,570
(8,040)	(9,970)	3,302	(14,708)
661,522	387,027	38,436	1,086,985
<u>\$ 653,482</u>	<u>\$ 377,057</u>	<u>\$ 41,738</u>	<u>\$ 1,072,277</u>

Notes to the Financial Statements

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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 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. 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 financial data is as of its fiscal year-end, June 30, 2010, rather than the County's fiscal year-end of December 31, 2010.

The primary classification of HMC is that of a component unit, however the County is the issuer of HMC's general obligation bonds. Note 14 - "Debt," reports on all the general obligation bonds issued by the County as of December 31, 2010, including bonds reported by HMC as a component unit as of June 30, 2010.

HMC hires 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, P.O. Box 94445, Seattle, Washington 98124.

Cultural Development Authority of King County (CDA)

The Cultural Development Authority of King County (CDA) is a public authority organized pursuant to chapter 35.21 RCW and King County Ordinance 14482. The CDA commenced operations on January 1, 2003, and began doing business as "4Culture" effective April 4, 2004. It was created to support, advocate for and preserve the cultural resources of the region in a manner that fosters excellence, vitality, and diversity.

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 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 nonrestrictive 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) was created under the authority of chapter 36.54 RCW to expand local transportation options 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 appoints the voting majority of the KCFD board because the County Council members 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. It issues its own financial statements, which are audited by the State Auditor. 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

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

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 appoints the voting majority of the FCZD board because the County Council members are the *ex officio* supervisors of the FCZD; and (3) the County can impose its will on the FCZD. The FCZD financial presentation is on a blended basis because the two governing boards are substantively the same. It issues its own financial statements, which are audited by the State Auditor. Financial statements for the FCZD are included with other Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR.

Building Development and Management Corporations

King County has project lease agreements with four Washington state nonprofit corporations, each a single-purpose entity 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 bonds, the majority of which are tax-exempt, issued on behalf of the County by each of the corporations in accordance with IRS Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the agreements, the buildings are 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 would cause the King County reporting entity's financial statements to be misleading or incomplete. Because they provide services 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 report the activities of the corporations.

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 & Jefferson Building. Separately issued and independently audited financial statements may be obtained from the National Development Council, 1425 4th Avenue, Suite 608, Seattle, WA 98101.

Joint Venture

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 of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because of potential liability 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 responsible for one-half of the disallowed amount. As of December 31, 2010, there are no outstanding program eligibility issues that might lead to a liability on the part of King County.

The WDC contracts with King County to provide programs related to dislocated workers, welfare to work, and workforce centers. For 2010 the WDC reimbursed King County approximately \$1.9 million for the Work Training Program and \$2.7 million for the Dislocated Worker Program in eligible program costs.

Separately issued and independently audited financial statements may be obtained from the Workforce Development Council, 2003 Western Avenue, Suite 250, Seattle, Washington 98121.

Related Organizations

Four entities are classified as related organizations because they are legally separate entities, though each is related to King County. These are the King County Library System (KCLS), the Library Capital Facility District (LCFD), the King County Housing Authority (KCHA), and the Washington State Convention Center (WSCC) public facilities district. The County Council appoints a majority of the board of the KCLS and the KCHA and selected Councilmembers make up the three-member board of the LCFD. There is no evidence that the County Council can influence the programs and activities of these four organizations or that they create a significant financial benefit or burden to the County. For these reasons, they are related organizations.

The WSCC was created in July 2010 to acquire, own and operate the convention and trade center transferred from the public nonprofit corporation that owned the Washington State Convention Center. The district's initial board of directors consists of those nine directors who served at the time of the transfer. Following the expiration of the terms of the initial board, three members will be nominated by the County Executive subject to confirmation by the County Council, three members will be nominated by the City of Seattle, and three members will be appointed by the Washington state governor.

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 reported as agency funds to distinguish them from County funds.

Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary 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 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and 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. The County also has 67 nonmajor Special Revenue and Capital Projects funds that are combined into 17 roll-up funds.

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, bond issuance, and federal grants.

The Water Quality Enterprise accounts for the operations, capital improvements, and maintenance of the County's water pollution control facilities. The enterprise has two large treatment plants, the West Point Treatment Plant in Seattle and the South Treatment Plant in Renton, as well as two smaller facilities, the Carnation and Vashon Island Treatment Plants.

Nonmajor Governmental Funds

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

Capital Projects Funds are used to account for the acquisition, construction, and improvement of major capital assets and other capital-related activities such as infrastructure preservation, 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 the Undistributed Taxes Fund and the 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.

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 have been met.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating

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

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

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.

Terminology

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.

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

Economic Environment – Provided for the development and improvement of the welfare of the community and individual. This function includes expenditures for employment opportunity and development, veterans' services, child-care 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 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 – 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 or discount on bonds sold, Deferred charges – refunding losses, and other liabilities.

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 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 (See Note 4 – “Deposits, Investments and Receivables”)

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 150.105, 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 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. 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.

Abatements Receivable – This 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 received. Abatement costs may be certified to the property tax parcel; as a result, these costs might not be paid until the property is sold, which may take years.

Civil Penalties Receivable – This 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 received. Liens may be filed by the County against the property and are released once the penalties have been 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 noncurrent 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; expenditures are recognized when inventories are actually consumed. Proprietary funds expense inventories when used or sold. The first-in, first-out (FIFO) valuation method is used by the Solid Waste, King County International Airport, Radio Communications, Construction and Facilities Management, and Public Health Funds. The Weighted Average valuation method is used by the Motor Pool Equipment Rental Fund, Public Works Equipment Rental Fund, and the Public Transportation and Water Quality Enterprises.

Prepayments

Payments made to vendors for goods or services that will benefit future periods are recorded as prepaid items.

Capital Assets (See Note 6 – "Capital Assets")

Capital assets include: Land (fee simple land, rights-of-way and easements, and farmland development rights); Infrastructure (roads and bridges network); Buildings; Improvements other than buildings;

Furniture, machinery and equipment; 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. 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.

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 assets are maintained and preserved at the predetermined condition level set by the Road Services Division. The asset management system tracks the mileage, condition, and the actual and planned maintenance and preservation costs of individual infrastructure assets.

Certain equipment and facilities used in the Solid Waste Enterprise landfill closure and post-closure activities are not reported as capital assets. Instead, the liability for landfill post-closure care is reduced by 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 normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item, or extend its useful life beyond the original estimate, are expensed as incurred. Expenditures for repairs and upgrades that materially add to the value or life of an asset are capitalized. Costs incurred to extend the life of governmental infrastructure assets are considered preservation costs and are therefore not capitalized.

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

Using the straight-line method, capital assets and their components are depreciated over their estimated useful lives as follows:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings - constructed	40 - 60 years
Buildings - transfer stations, shops, scales offices, etc.	10 - 30 years
Buses and trolleys	12 - 18 years
Cars, vans, and trucks	5 - 10 years
Data processing equipment	3 - 10 years
Downtown transit tunnel	50 years
Heavy equipment	7 - 20 years
Medical and office equipment, software	3 - 25 years
Sewer lines	50 years
Shop equipment	5 - 20 years
Telecommunications equipment	3 - 20 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; (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.

Rate Stabilization – The County 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 County Council approved the application of FASB Statement No. 71 to treat pollution remediation obligations as regulatory assets to allow for cost recovery through future rate increases. The portion that has been paid out is being amortized over a recovery period of 30 years.

Rebatable Arbitrage

The County's tax-exempt debt is subject to arbitrage restrictions as defined by the Internal Revenue Code. All of the County's bonded debts are tax-exempt except certain taxable debts as identified in Note 14 - "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. An unlimited amount of sick leave and a maximum of 60 days of vacation may be carried over at year-end. An employee leaving employment at King County is entitled to be paid for unused vacation leave and, if leaving employment due to death or retirement, for 35 percent of the value of unused sick leave. For reporting purposes, a variety of factors are used to estimate the portion of the accumulated sick leave that is subject to accrual.

A liability is accrued for estimated excess compensation 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 an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a 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

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 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.

New Accounting Standard

In June 2007, the Governmental Accounting Standards Board issued Statement No. 51, *Accounting and Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting requirements for recognition, initial measurement and amortization of intangible assets. The statement is effective for reporting periods beginning after June 15, 2009, and was adopted by the County in 2010 without a material impact on the County's financial statements.

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 (in thousands):**

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."

Bonds payable	\$ 724,999
Less: Deferred charge on refunding (to be amortized as interest expense)	(9,021)
Deferred charge for issuance costs (to be amortized over the life of the debt)	(3,838)
Plus: Unamortized premiums on bonds sold	24,233
Accrued interest payable	5,351
Compensated absences	82,935
Unemployment compensation payable	2,466
Other postemployment benefits	<u>23,877</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 851,002</u>

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

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 governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in*

Capital outlay	\$ 115,402
Depreciation expense	<u>(32,212)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 83,190</u>

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 increase net assets."

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.

\$ 116,036

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.

(82,783)

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 33,253

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."

Property tax accrual

\$ 38

Surface Water Management service charge accrual

92

Probation and parole service charge accrual

82

Fines and forfeits net accrual

1,460

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 1,672

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."

Debt issued or incurred

Issuance of general government debt

\$ 82,465

Issuance of refunding bonds

41,250

Premium on bonds sold

6,520

Bond issuance costs

(815)

Principal repayments

(62,901)

Receipts from component units for principal repayments

1,211

Payment to escrow agent

(59,767)

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 7,963

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."

Compensated absences	\$ 2,806
Accrued unemployment compensation	(112)
Other postemployment benefits	6,092
Accrued rebatable arbitrage	(17)
Accrued interest	(310)
Amortization of issuance costs	705
Amortization of deferred charge on refunding	2,977
Amortization of bond premiums	<u>(4,844)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 7,297</u></u>

Another element of that reconciliation states, "Net revenues and expenses of certain activities of

internal service funds are reported with governmental activities."

Investment interest earnings	\$ (2,723)
Revenues related to services provided to outside parties	(4,154)
Expenses related to services provided to outside parties	4,408
Gain on disposal of capital assets	(406)
Interest on long-term debt	19,675
Capital contributions	(1,096)
Transfers in	(1,054)
Transfers out	2,635
Internal service fund gains allocated to governmental activities	<u>(10,897)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 6,388</u></u>

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

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.

Net assets of the business-type activities internal service fund	\$ 11,173
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	1,818
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	<u>3,300</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	<u>\$ 16,291</u>

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 (in thousands):

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."

Investment interest earnings	\$ 84
Revenues related to services provided to outside parties	85
Expenses related to services provided to outside parties	(83)
Gain on disposal of capital assets	75
Transfers in	41
Transfers out	(102)
Internal service fund gains allocated to business-type activities	<u>4,228</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	<u>\$ 4,328</u>

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.

Two Special Revenue Funds (the County Road Fund and the Marine Operating Fund) have adopted biennial budgets for 2010 and 2011.

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 multiyear 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 Flood Control Zone District Fund, the King County Ferry District Fund, the Parks Trust and Contribution Fund, the Road Improvement Districts Maintenance Fund, and the Treasurer's Operations and Maintenance Fund are not budgeted.

Four Debt Service Funds have annual budgets. Three have annual budgets with budgeting concepts identical to the General Fund. 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.

All funds in the Capital Projects Fund type, except the Road Improvement Districts Construction Fund, are controlled by multiyear 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.

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 during the fiscal year. Estimated revenues are based on the amount estimated to be earned and available during the fiscal year. Several divisions within the Department of Transportation are appropriated as biennial budgets for the 2010-2011 biennium.

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 claims 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.

The Building Development and Management Corporations Fund and the Trust and Agency Funds are not budgeted.

Encumbrances

Encumbrances outstanding as of December 31, 2010, by fund type (in thousands):

General Fund	\$	3,274
Public Health Fund		318
Special Revenue Funds		9,107
Capital Projects Funds		48,150
Enterprise Funds		2,590
Internal Service Funds		4,900
Total All Funds	\$	<u>68,339</u>

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. 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 seven Special Revenue Funds (Children and Family Services, Community Development Block Grant, County Roads, Developmental Disabilities, Mental Illness and Drug Dependency, Miscellaneous Grants and Public Health), which are appropriated at the department/division level. The Capital Projects Funds are appropriated at the project level.

These are the legal levels of budgetary control. Unless otherwise provided by the appropriation ordinances, all unexpended and unencumbered annual appropriations lapse at year-end. 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, Materially in Excess of Amounts Legally Authorized

Funds with Annual or Biennial Budgets

Except for the departments/funds listed below, all other funds and departments/divisions with annual or biennial budgets completed the year within their legally authorized expenditures, including other financing uses. In the General Fund, expenditures for Adult and Juvenile Detention and the appropriation unit used to pay State Auditor billings exceeded their legally authorized budgets. Expenditures in the Road Improvement Guaranty Fund also exceeded the legally authorized budget.

Funds with Multi-year Budgets

One hundred three capital projects in twenty Capital Projects and Enterprise Funds with multi-year budgets have a combined total of \$8.6 million of expenditures in excess of budget. These deficits are expected to be corrected by additional appropriations in 2011.

Material Fund Balance and Net Asset Deficits

Building Development and Management Corporations – The deficit of \$19.0 million is the result of assets being depreciated at a greater rate than the principal payments of the lease revenue bonds, especially in the earlier years of the bonds, and bond interest expenses exceeding rent collected by NJB Properties. Once the bond principal payments begin to increase and additional rent is assessed and collected by NJB Properties, the fund balance deficit will be reduced.

Building Repair and Replacement Fund – The deficit of \$268 thousand is the result of critical building and improvement projects funded with a short-term loan. The County plans to issue general obligation bonds, which will eliminate this deficit.

County Road Fund – The fund ended 2010 with a deficit of \$10.7 million as a result of a combination of lower than anticipated revenues including unrealized property sales (Covington and Summit pit sites), under collection of property taxes, lower timber tax receipts and delayed grant receipts. Under expenditure in 2010 was less than projected resulting from extra unanticipated storm response expenses and additional expenses incurred for non-billable costs by staff budgeted to distribute their labor to cost centers outside the fund. In 2011, the deficit will be addressed by constraining expenditures in the operating and capital improvement program budgets; matching one-time revenue shortfalls with one-time reductions; and matching ongoing revenue shortfalls with ongoing expenditure reductions.

Green River Flood Mitigation Fund – The deficit of \$15.7 million is the result of expenditures related to flood control mitigation projects financed with short-term financing through the issuance of bond anticipation notes. The County plans to issue general obligation bonds, which will eliminate this deficit.

Office of Information Resource Management Capital Fund – The deficit of \$16.9 million was the result of expenditures for a major project funded by a short-term loan. The County plans to issue general obligation bonds, which will eliminate this deficit.

Renton Maintenance Facilities Construction – The deficit of \$3.2 million was the result of costs to begin the design of a new regional maintenance

facility in Ravensdale. The deficit will be eliminated from proceeds received from the sale of property at a future date.

Safety and Workers' Compensation Fund – The deficit of \$1.2 million was the result of a change in 2004 of the method for estimating workers' compensation claim liabilities. In that year the County changed from using the case reserves liabilities to an actuarially developed estimate of liabilities. 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 each year since its inception.

Work Training Program/Youth Employment – The deficit of \$47 thousand is due to an error in the division's internal allocation of Information Technology application development costs during year end 2010 and a one-time unbudgeted common area charge related to the program's WorkSource Renton facilities lease. The cost allocation model has been corrected and will resolve this deficiency.

Unrestricted Net Asset Deficits

Solid Waste Enterprise Fund – The deficit of \$17.4 million in unrestricted net assets is the result of recognizing a long-term liability for landfill closure and post-closure care which is being funded through annual contributions from operations.

Water Quality Enterprise Fund – The deficit of \$79.2 million in unrestricted net assets is the result of short term borrowing by the Water Quality Enterprise from other County funds. The Enterprise plans to issue general obligation bonds, which will eliminate this deficit.

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 fully 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 depositories within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance, in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 150.110.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositories in the State of Washington and total deposits cannot exceed the net worth of the financial institution. The County establishes deposit limitations for all financial institutions with which deposits are placed, based on publications by IDC Financial Publishing, Incorporated. 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.

As of December 31 the County's total deposits, excluding the equity in the component units, were \$78.7 million in carrying amount and \$60.3 million in bank balance, of which \$11.6 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	\$ 67,072	\$ 48,768	\$ -
Money Market Accounts	11,574	11,574	11,574
Total deposits	<u>\$ 78,646</u>	<u>\$ 60,342</u>	<u>\$ 11,574</u>

The money market accounts are cash held with trustees 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 United States Government Money Market accounts. All of the \$11.6 million held in money market accounts is 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 depositories and in certificates, notes, or bonds of the United States. The County is also authorized to invest in other

obligations of the United States, its agencies, or in any corporation wholly owned by the U.S. 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 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 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.

Although the County is authorized to enter into reverse repurchase agreements, the County has chosen to not enter into this type of transaction during the year.

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 U.S. agency collateralized mortgage obligation securities. 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.

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, which reviews pool performance monthly, consists of the Chair of the County Council, the County Executive, the Director of the Office of Performance, Strategy and Budget, and the Director of the Finance and Business Operations Division, or their designees. All investments are subject to written policies adopted by the EFC.

As of December 31, 2010, all four impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) holds one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. In the other three commercial paper investments the County accepted the cash out option. The fair value of the total impaired investments at December 31, 2010, was \$17.6 million and the principal balance was \$38.2 million.

The King County Investment Pool, excluding the equity in the component units, has a balance of \$4.0 billion. The change in the fair value of the total investments for the reporting entity as of December 31, 2010, after considering purchases, sales and maturities, resulted in a net markup from cost of \$13.4 million. The following schedule shows the types of investments, the average interest rate, and the effective duration limits of the various components of the King County Investment Pool as of December 31, 2010 (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>
Repurchase Agreements	\$ 350,000	\$ 350,000	0.18%	0.010
U.S. Treasury Bills	959,381	960,000	0.18%	0.387
U.S. Agency Discount Notes	929,581	930,306	0.36%	0.422
Taxable Municipal Notes	15,303	15,000	5.17%	0.485
U.S. Treasury Notes	1,083,655	1,075,000	0.92%	1.198
U.S. Agency Notes	828,009	820,000	1.49%	1.392
U.S. Agency Zero Coupon Notes	19,211	19,312	2.20%	0.640
U.S. Agency Collateralized Mortgage Obligations	34,459	32,625	4.50%	3.091
State Treasurer's Investment Pool	493,235	493,235	0.26%	0.008
Totals	<u>\$ 4,712,834</u>	<u>\$ 4,695,478</u>	<u>0.68%</u>	<u>0.711</u>

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 2010, 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.

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.

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–6 percent, Federal National Mortgage Association–21 percent, Federal Home Loan Bank–6 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 two and one-quarter years plus or minus one year. Securities in the core portfolio cannot have an average life greater than five years at purchase. Based on historical and projected cash flows, the Executive Finance Committee established the maximum amount that can be invested in the core portfolio at \$2.2 billion, and the County is in compliance with this policy. As of December 31, 2010, the combined effective duration of the liquidity and core portfolios was 0.711 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. As of December 31, the King County Investment Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments

in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

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." This table shows the credit quality for all securities in the King County Investment Pool not backed by the full faith and credit of the United States (in thousands):

Credit Quality Distribution

Investment Type	AAA or A-1	AA	Not Rated	Total
Repurchase Agreements	\$ 350,000	\$ -	\$ -	\$ 350,000
U.S. Agency Discount Notes	929,581	-	-	929,581
Taxable Municipal Notes	-	15,303	-	15,303
U.S. Agency Notes	828,009	-	-	828,009
U.S. Agency Zero Coupon Notes	19,211	-	-	19,211
U.S. Agency Collateralized Mortgage Obligations	34,459	-	-	34,459
State Treasurer's Investment Pool	-	-	493,235	493,235
TOTAL	\$ 2,161,260	\$ 15,303	\$ 493,235	\$ 2,669,798

The King County Investment Pool's policies limit the maximum amount that can be invested in various securities. At year-end the Pool was in compliance. The Pool's actual composition consisted of Repurchase agreements, 7.4 percent, U.S. Treasury Bills, 20.4 percent, U.S. Treasury

Notes, 23.0 percent, Agency Securities, 37.7 percent, Agency Mortgage Backed Securities, 0.7 percent, the State Treasurer's Investment Pool, 10.5 percent, and Municipal Notes, 0.3 percent. The following table summarizes the Pool's diversification policy.

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

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Security Type Limit</u>	<u>Single Issuer Limit</u>	<u>Minimum Credit Rating</u>
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency	5 Years	75%	75%	N/A
U.S. Federal Agency MBS	5 Year WAL	25%	25%	N/A
Certificates of Deposit	5 Years	20%	7.50%	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 Obligation and Revenue bonds. Other states: only GO 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.

(6) Bankers' acceptances can only be purchased from the 50 largest banks in the world by asset size.

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

King County Investment Pool (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, 2010 (in thousands):

Condensed Statement of Net Assets

	<u>Total</u>	<u>Main Pool</u>	<u>Impaired Pool</u>
Assets	\$ 4,731,732	\$ 4,714,180	\$ 17,552
Net assets held in trust for pool participants	<u>\$ 4,731,732</u>	<u>\$ 4,714,180</u>	<u>\$ 17,552</u>
Equity of internal pool participants	\$ 2,074,163	\$ 2,066,605	\$ 7,558
Equity of external pool participants	2,657,569	2,647,575	9,994
Total equity	<u>\$ 4,731,732</u>	<u>\$ 4,714,180</u>	<u>\$ 17,552</u>

Condensed Statement of Changes in Net Assets

Net assets - January 1, 2010	\$ 4,351,668	\$ 4,335,604	\$ 16,064
Net change in investments by pool participants	380,064	378,576	1,488
Net assets - December 31, 2010	<u>\$ 4,731,732</u>	<u>\$ 4,714,180</u>	<u>\$ 17,552</u>

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 \$4.2 million and the carrying amount of \$4.2 million. In addition, HMC has equity in the Investment Pool (reported as cash equivalents on June 30, 2010). 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, 2010, HMC's equity in the pool was \$209.4 million and the carrying amount was \$198.1 million, as shown in the following table (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash in other banks	\$ 4,229	\$ 4,230
Equity in Investment Pool		
Investments	193,888	205,153
Total Equity in Investment Pool	193,888	205,153
Total	<u>\$ 198,117</u>	<u>\$ 209,383</u>

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 \$16 thousand and the carrying amount of \$16 thousand. In addition, the PFD has equity in the King County Investment Pool. The PFD's equity in the pool applies the same criteria as the Investment Pool to classify the amounts of deposits and investments exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2010, the PFD's equity in the pool was \$3.4 million and the carrying amount was \$3.4 million as shown in the following table (in thousands):

	Carrying Amount	Bank Balance
Cash in other banks	\$ 16	\$ 16
Equity in Investment Pool		
Investments	3,435	3,435
Total Equity in Investment Pool	3,435	3,435
Total	<u>\$ 3,451</u>	<u>\$ 3,451</u>

Cultural Development Authority of King County (CDA)

Deposits The CDA maintains a deposit relationship with a local commercial bank. All deposits with this qualified public depository that are not insured by the Federal Deposit Insurance Corporation (FDIC) are 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.

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. Funds in the amount of \$5.2 million were held in the LGIP at December 31, 2010; the interest rate for these funds was 0.26% at December 31, 2010.

Investments The CDA has an Investment Policy to guide the management of its assets and ensure that

investment activity is within regulations established by State and County Code. The primary objective is the preservation of principal.

State statutes authorize the CDA to invest in certificates, notes, or bonds of the United States, 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.

All investment securities are recorded at fair market value based on reports provided by the CDA's investment trustee.

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, 2010 (in thousands):

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)	Concentration
U.S. Treasury Notes	\$ 21,219	\$ 20,217	3.13%	4.353	49.41%
Federal Home Loan Mortgage Corp Debentures	6,608	6,430	4.09%	2.868	15.39%
Federal National Mortgage Association Notes	9,587	9,322	4.28%	3.027	22.32%
Federal Home Loan Bank Bonds	3,187	3,182	4.29%	8.002	7.42%
Federal Farm Credit Bank Bonds	1,368	1,303	3.91%	4.963	3.19%
Other	976	976	0.19%	0.003	2.27%
Totals	<u>\$ 42,945</u>	<u>\$ 41,430</u>	<u>3.58%</u>	<u>4.020</u>	<u>100.00%</u>

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the CDA manages its exposure to interest rate risk by setting maturity and effective duration limits for its portfolio. As of December 31, 2010, the combined weighted average effective duration of the CDA's portfolio was 4.02 years.

Credit risk Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2010, all issuers of investments in the CDA portfolio had a Standard & Poor's rating of "AAA."

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, 2010, the CDA had concentrations greater than 5

percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal National Mortgage Association-22 percent, Federal Home Loan Mortgage Corporation-15 percent, and Federal Home Loan Bank-7 percent.

Receivables

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):

	<u>General Fund</u>	<u>Public Health Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Accounts receivable				
Accounts receivable	\$ 82,582	\$ 799	\$ 31,555	\$ 114,936
Estimated uncollectible accounts receivable	(73,095)	(30)	(7,524)	(80,649)
Net accounts receivable	<u>\$ 9,487</u>	<u>\$ 769</u>	<u>\$ 24,031</u>	<u>\$ 34,287</u>
Other receivables				
Abatements receivable	\$ -	\$ -	\$ 666	\$ 666
Estimated uncollectible abatements receivable	-	-	(133)	(133)
Assessments receivable - current	-	-	55	55
Net other receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 588</u>	<u>\$ 588</u>
Due from other governments	\$ 41,898	\$ 29,197	\$ 57,457	\$ 128,552
Estimated uncollectible due from other governments	(79)	(5)	-	(84)
Net due from other governments	<u>\$ 41,819</u>	<u>\$ 29,192</u>	<u>\$ 57,457</u>	<u>\$ 128,468</u>

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 rate limitations and amount limitations 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 \$1.16171 per thousand in 2010. 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 \$1.93572 per thousand in 2010. 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; (3) a non-voted levy for conservation futures, limited to \$0.0625 per thousand (authorized by RCW 84.34.230); and (4) a non-voted levy for transit-related purposes, limited to \$0.075 per \$1,000 (authorized by RCW 84.52.140). The County’s levy rate for conservation futures in 2010 is \$0.04918 per \$1,000 of assessed value.

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 2010 rate was \$0.30 per \$1,000 of assessed value). On November 8, 2005, voters approved a \$0.05 Veterans and Human Services temporary lid lift for six years. The County levied \$0.04468 per thousand for Veterans and Human Services in 2010. 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 2010 levy rate is \$0.04571 per thousand. A Regional and Rural Parks lid lift plus a companion lid lift for the Woodland Park Zoo/Open Space and Trails were approved by voters in 2007 for a six-year period beginning in 2008. The 2010 levy rate is \$0.05451 per \$1,000 of assessed value.

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. 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.

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 County Council created a countywide flood control zone district and a countywide 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 portions 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.

Property Tax Calendar

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

addition, a federal civil judgment lien is senior to a lien on real property taxes once the federal lien has been recorded. In all other respects, and subject to the possible homestead exemption described below, the lien of property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County may commence foreclosure on a tax lien on real property after three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first \$125 thousand in proceeds of the forced sale of a family residency or other homestead property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

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 2009 and 2010 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 2010 countywide assessed valuation was \$342.0 billion, a decrease of \$44.9 billion from 2009; the assessed valuation for the unincorporated area levy was \$44.0 billion, a decrease of \$8.8 billion from 2009.

ALLOCATION OF 2010 AND 2009 TAX LEVIES

	2010 Original Taxes Levied (in thousands)	2010 Levy Rate (per thousand)	2009 Original Taxes Levied (in thousands)	2009 Levy Rate (per thousand)
Countywide Levy Assessed Valuation:				
\$341,971,517 thousand ^(a)				
Items Within Operating Levy^(b)				
General Fund	\$ 274,311	\$ 0.80597	\$ 268,565	\$ 0.69697
Veterans' 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 GO Bonds Debt Service	22,850	0.06714	21,814	0.05661
Automated Fingerprint Identification System ^(c)	15,557	0.04571	17,236	0.04473
Parks Levy ^(d)	37,103	0.10902	36,598	0.09498
Veterans and Human Services ^(e)	15,207	0.04468	14,859	0.03856
Public Transportation ^(f)	22,124	0.06501	-	-
Total Operating Levy	<u>395,381</u>	<u>1.16171</u>	<u>367,110</u>	<u>0.95271</u>
Conservation Futures Levy^(g)				
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	<u>16,738</u>	<u>0.04918</u>	<u>16,361</u>	<u>0.04246</u>
Unlimited Tax GO Bonds				
(Voter-approved Excess Levy)	<u>25,044</u>	<u>0.07410</u>	<u>39,286</u>	<u>0.10255</u>
Total Countywide Levy	<u>437,163</u>	<u>1.28499</u>	<u>422,757</u>	<u>1.09772</u>
EMS Levy Assessed Valuation:				
\$218,205,271 thousand ^{(a) (h)}				
	<u>65,162</u>	<u>0.30000</u>	<u>68,010</u>	<u>0.27404</u>
Unincorporated County Levy Assessed Valuation:				
\$44,017,625 thousand ^{(a) (i)}				
County Road Fund	<u>84,684</u>	<u>\$ 1.93572</u>	<u>83,476</u>	<u>\$ 1.58880</u>
Total County Tax Levies ^(j)	<u>\$ 587,009</u>		<u>\$ 574,243</u>	

(a) Assessed valuation for taxes payable in 2010.

(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 assessed for six years beginning in 2007 at a levy rate of not more than \$0.05680 per thousand of assessed valuation (RCW 84.55.050).

(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 non-voted levy for transit-related purposes is limited to \$0.075 per \$1,000 of assessed value.

(g) The Conservation Futures levy tax rate is statutorily limited to \$0.0625 per thousand of assessed value.

(h) 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.

(i) The tax rate is statutorily limited to a maximum of \$2.25 per thousand of assessed valuation.

(j) Excludes tax levy of the blended component units a) the Flood Control Zone District (in 2010 and 2009, the original taxes levied were \$35,783 and \$35,152 thousand, respectively) and b) the Ferry District (in 2010 and 2009 the original taxes levied were \$1,186 thousand and \$19,335 thousand).

Note 6**Capital Assets****Primary Government**

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

	Balance 1/1/2010	Increases	Decreases	Balance 12/31/2010
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 383,914	\$ 55,419	\$ (2,556)	\$ 436,777
Right of way and easements	414,919	38,353	(30,236)	423,036
Infrastructure	943,117	61,923	(79,583)	925,457
Art collections	8,497	311	-	8,808
Work in progress	106,809	35,484	(63,452)	78,841
Total capital assets not being depreciated	1,857,256	191,490	(175,827)	1,872,919
Capital assets being depreciated				
Buildings	990,902	30,065	-	1,020,967
Improvements other than buildings	33,915	25,263	-	59,178
Infrastructure	-	5,294	-	5,294
Furniture, machinery & equipment	161,273	20,044	(15,919)	165,398
Software	32,995	6,577	-	39,572
Total capital assets being depreciated	1,219,085	87,243	(15,919)	1,290,409
Less accumulated depreciation for:				
Buildings	(259,328)	(30,689)	-	(290,017)
Improvements other than buildings	(6,769)	(1,548)	-	(8,317)
Furniture, machinery & equipment	(99,644)	(16,754)	6,885	(109,513)
Software	(25,198)	(472)	-	(25,670)
Total capital assets being depreciated - net	828,146	37,780	(9,034)	856,892
Governmental activities capital assets - net	<u>\$ 2,685,402</u>	<u>\$ 229,270</u>	<u>\$ (184,861)</u>	<u>\$ 2,729,811</u>
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 320,954	\$ 3,996	\$ (1,650)	\$ 323,300
Right of way and easements	37,399	60	-	37,459
Work in progress	1,766,480	571,526	(229,064)	2,108,942
Total capital assets not being depreciated	2,124,833	575,582	(230,714)	2,469,701
Capital assets being depreciated				
Buildings	1,620,229	42,977	(3,368)	1,659,838
Improvements other than buildings	978,345	46,028	(5,557)	1,018,816
Infrastructure	1,023,221	41,676	-	1,064,897
Furniture, machinery & equipment	1,518,375	91,287	(51,517)	1,558,145
Software	68,798	9,241	(502)	77,537
Total capital assets being depreciated	5,208,968	231,209	(60,944)	5,379,233
Less accumulated depreciation for:				
Buildings	(608,052)	(46,774)	3,491	(651,335)
Improvements other than buildings	(480,581)	(41,866)	65	(522,382)
Infrastructure	(314,227)	(22,397)	-	(336,624)
Furniture, machinery & equipment	(1,021,583)	(98,399)	46,944	(1,073,038)
Software	(39,772)	(7,866)	488	(47,150)
Total capital assets being depreciated - net	2,744,753	13,907	(9,956)	2,748,704
Business-type activities capital assets - net	<u>\$ 4,869,586</u>	<u>\$ 589,489</u>	<u>\$ (240,670)</u>	<u>\$ 5,218,405</u>

Beginning balances have been restated; see Note 17 - "Restrictions, Reserves, Designations and Changes in Equity." Governmental activities include capital assets of governmental internal service funds

except for the Wastewater Equipment Rental Fund, which is reported under business-type activities because it provides services exclusively to the Water Quality Enterprise.

Depreciation Expense

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

Governmental Activities	
General government services	\$ 12,023
Law, safety and justice	14,964
Physical environment	84
Transportation	358
Economic environment	141
Mental and physical health	1,638
Culture and recreation	3,004
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	17,252
Total depreciation amortization expense - governmental activities	<u>\$ 49,464</u>
Business-type Activities	
Water Quality	\$ 92,627
Public Transportation	101,760
Solid Waste	15,260
King County International Airport	4,178
Radio Communications	1,093
Institutional Network	1,417
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	683
Total depreciation and amortization expense - business-type activities	<u>\$ 217,018</u>

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 non-depreciable 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. Under the modified approach depreciation is not recorded; instead, costs incurred to extend an asset's useful life are 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.

Rights-of-Way and Easements

Rights-of-Way

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

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 ensures that land will not be developed in a nonagricultural use.

Governmental Buildings in Internal Service Funds

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 nonprofit property management corporations that are recognized as blended component units of the County in accordance with GASB Statement 14. These buildings are the King Street Center building, the Patricia Bracelin Steel Memorial building, the Chinook building and Goat

Hill parking garage; and the Ninth & Jefferson Building.

Construction Commitments

Project commitments are defined as authorized and planned expenditures for the capital budget period.

Proprietary Funds

Public Transportation Enterprise – \$239 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise – \$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 – \$160 million is committed to improving the County's solid waste regional landfill and transfer stations, \$50 million is committed to runway rehabilitation and facilities improvements at the King County International Airport, and \$2 million is committed to maintaining the radio communications systems within the county.

Capital Projects Funds

\$457 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 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, 2010 (in thousands):

	Balance 07/01/09	Increases	Decreases	Balance 06/30/10
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	14,693	13,288	(12,295)	15,686
Total capital assets not being depreciated	16,279	13,288	(12,295)	17,272
Capital assets being depreciated:				
Buildings	387,428	2,160	-	389,588
Improvements other than buildings	12,946	1,012	-	13,958
Equipment	331,447	26,143	(7,310)	350,280
Total capital assets being depreciated	731,821	29,315	(7,310)	753,826
Less accumulated depreciation for:				
Buildings	(107,323)	(13,392)	-	(120,715)
Improvements other than buildings	(1,382)	(856)	-	(2,238)
Equipment	(215,847)	(25,748)	6,645	(234,950)
Total accumulated depreciation	(324,552)	(39,996)	6,645	(357,903)
HMC capital assets, net	\$ 423,548	\$ 2,607	\$ (12,960)	\$ 413,195

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

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

Capital assets activity for the PFD for the fiscal year ended December 31, 2010 (in thousands):

	Balance 01/01/10	Increases	Decreases	Balance 12/31/10
Capital assets not being depreciated:				
Land	\$ 38,424	\$ -	\$ -	\$ 38,424
Capital assets being depreciated:				
Baseball stadium	489,886	225	(860)	489,251
Improvements other than buildings	26,630	239	-	26,869
Equipment	65	-	-	65
Total capital assets being depreciated	516,580	464	(860)	516,185
Less accumulated depreciation for:				
Baseball stadium	(130,694)	(12,187)	-	(142,881)
Improvements other than buildings	(1,264)	(716)	-	(1,980)
Equipment	(65)	-	-	(65)
Total accumulated depreciation	(132,023)	(12,903)	-	(144,926)
PFD capital assets, net	\$ 422,982	\$ (12,439)	\$ (860)	\$ 409,683

Note 7**Restricted Assets**

Within the Statement of Net Assets are amounts that are restricted to their use.

The restricted assets for these funds (in thousands):

Proprietary Funds

<u>Public Transportation</u> - restricted for future construction projects, debt service and obligations.	\$ 46,667
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	377,332
<u>King County International Airport</u> - restricted for construction projects and obligations.	668
<u>Solid Waste</u> - restricted for landfill closure and post-closure care costs.	38,797
<u>Building Development & Management Corporations</u> - restricted for construction projects and debt service.	11,988
Total Proprietary Funds restricted assets	<u>\$ 475,452</u>

Component Unit - Harborview Medical Center (HMC)

<u>HMC Construction Fund</u> - restricted for construction projects, seismic, public safety and other improvements, and furnishings of HMC buildings.	\$ 15,005
<u>HMC Special Purpose Fund</u> — restricted donations, gifts, and bequests from various sources for specific uses.	9,947
<u>HMC Operating Fund</u> - restricted resources that are board-designated for specific purposes, including planned capital and service components, self-insurance, commuter services, net fixed assets held for future use, research and training.	39,558
<u>HMC Plant Fund</u> - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.	21,615
Total HMC restricted assets	<u>\$ 86,125</u>

Component Unit - Cultural Development Authority of King County

<u>Public Arts Projects Fund</u> - restricted for the one percent for public art programs operated for the benefit of King County.	\$ 5,997
<u>Cultural Grant Awards Fund</u> - restricted for arts and heritage cultural programs.	18,389
<u>Cultural Endowment Fund</u> - a long-term endowment for the benefit of the arts and heritage cultural programs.	26,378
Total CDA restricted assets	<u>\$ 50,764</u>

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; or it may be downloaded from the DRS website at www.drs.wa.gov.

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.

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 irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3. PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits 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 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. The benefit is reduced to offset the cost of this annual adjustment.

PERS Plan 2 members are vested after the completion of five years of service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of 2 percent of the AFC per year

of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age for each year before age 65. PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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 3 percent annually.

PERS 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 one 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, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if 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 for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, 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.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

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 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent 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 percent 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 in JBM 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.

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 1,189 participating employers in PERS. Membership in PERS consisted of the following as

of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and beneficiaries receiving benefits	74,857
Terminated plan members entitled to, but not yet receiving benefits	28,074
Active plan members vested	105,339
Active plan members nonvested	53,896
Total	<u>262,166</u>

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 6.0 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 5.0 percent to 15.0 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, 2010, for members not participating in the JBM were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	5.31%	5.31%	5.31%
Employee	6.00%	3.90%	Variable

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

PERS Plan 3 is the defined benefit portion only.

Variable rate: 5.0% minimum/15.0% maximum based on rate selected by the PERS 3 member.

Members participating in the JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer - Local government	5.31%	5.31%	5.31%
Employee - Local government	12.26%	9.75%	7.50%

The employer rates include the employer administrative expense fee currently set at 0.16%.
 PERS Plan 3 is the defined benefit portion only.
 PERS Plan 3: 7.5% is the minimum rate.

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2008	\$ 3,501	\$ 47,203	\$ 6,923
2009	\$ 3,097	\$ 46,437	\$ 7,159
2010	\$ 2,197	\$ 37,286	\$ 6,083

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:

<u>Term of service</u>	<u>Percent of Final Average</u>
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).

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 2 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 3 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 3 percent annually.

Effective June 2010, benefits to LOEFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

There are 372 participating employers in LOEFF. Membership in LOEFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and beneficiaries receiving benefits	9,454
Terminated plan members entitled to, but not yet receiving benefits	674
Active plan members vested	13,363
Active plan members nonvested	<u>3,944</u>
Total	<u><u>27,435</u></u>

Funding Policy

Starting on July 1, 2000, LOEFF 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. LOEFF Plan 2 employers and employees are required to pay at the level adopted by the LOEFF 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 LOEFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LOEFF Plan 2 Retirement Board. 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, 2010, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer	0.16%	5.24%
Employee	None	8.46%

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 (in thousands):

	LEOFF Plan 1	LEOFF Plan 2
2008	\$ 1	\$ 3,537
2009	\$ 1	\$ 4,099
2010	\$ 1	\$ 4,035

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 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 and 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 2 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 3 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 and capped at 3 percent annually.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2009:

Retirees and beneficiaries receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members vested	-
Active plan members nonvested	4,340
Total	<u>4,342</u>

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, 2010, were as follows:

	PSERS
	<u>Plan 2</u>
Employer	7.85%
Employee	6.55%

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 (in thousands):

	PSERS
	<u>Plan 2</u>
2008	\$ 1,806
2009	\$ 2,156
2010	\$ 2,039

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 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 2008, 2009, and 2010 ending December 31 were \$644, \$615, and \$596 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 2010 no employees elected to participate in PERS). Employer contributions are paid by the District in accordance with rates specified by the individual plans.

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 2010 were \$400.

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 Health Care 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 health care plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the County, under GASB No. 45, has recorded a liability of \$30.7 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, 2010, 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, 2010, by approximately \$7.8 million.

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

Funding Policy LEOFF 1 retirees are not required to contribute to the Health Plan. All other retirees are required to pay the COBRA rate associated with the elected plan.

For the fiscal year ended December 31, 2010, the County contributed an estimated \$5.0 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, the actuary projects will cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the County's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the County's net OPEB obligation to the Health Plan for the year ended December 31, 2010 (in thousands):

Normal cost - Unit Credit Method	\$ 4,746
Amortization of unfunded actuarial accrued liability (UAAL)	369
Amortization of unfunded actuarial accrued liability (UAAL) at transition	7,989
Annual Required Contribution (ARC)	13,104
Interest on net OPEB obligation	603
Adjustment to annual required contribution	(872)
Annual OPEB cost (expense)	12,835
Contributions made	(5,007)
Increase in net OPEB obligation	7,828
Net OPEB obligation - beginning of year	22,912
Net OPEB obligation - end of year	<u>\$ 30,740</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 11,675	27.8%	\$ 15,083
12/31/2009	12,836	39.0%	22,912
12/31/2010	12,835	39.0%	30,740

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2010 (in thousands):

Actuarial accrued liability (AAL) – Unit Credit (12/31/09 Valuation)	\$ 149,390
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 149,390
Funded ratio (actuarial value of plan assets ÷ AAL)	0.00%
Covered payroll (2010)	\$ 969,082
UAAL as a percentage of covered payroll	15.4%

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

Actuarial Methods and Assumptions The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the County and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Members of the Health Plan members to that point. The actuarial methods and assumptions used include techniques that are

designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2009, valuation used the projected unit credit actuarial cost method. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 11.0 percent for KingCare medical, 8.5 percent for KingCare pharmacy, and 11.0 percent for HMO medical/pharmacy, each reduced by decrements to an ultimate rate of 5.2 percent after 71 years and 12 years for medical and pharmacy, respectively. The vision trend rate is 1.0 percent, the miscellaneous trend rate is 7.0 percent, and the Medicare Premium trend rate is 8.5 percent, for all years. All trend rates include a 3.0 percent 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, 2009, was 27.0 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)

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. 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.

An actuarial study performed by the Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington. 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 \$54,773 and \$38,828, for health care expenses for the years ended June 30, 2010, and 2009, respectively, which included funding of the OPEB liability.

Note 10**Risk Management**

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 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, 2010, is \$65.0 million.

The County purchases excess liability coverage that currently provides \$97.5 million in limits above a \$3.5 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. Effective September 1, 2010, the County renewed the property insurance policy. This policy has a blanket limit of \$500 million above a \$250 thousand per occurrence

deductible and provides an overall earthquake sublimit of \$100 million. The 2010 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 per occurrence and an annual aggregate deductible of \$50 thousand; a liability policy to cover police helicopter activities with a limit of \$50 million per occurrence; a policy to cover the King County International Airport properties with a limit of \$160 million above a \$100 thousand per occurrence deductible; several flood insurance policies to cover County property in the Green River Valley with limits of \$250 to \$500 thousand and a deductible of \$1 thousand; and excess statutory coverage for the Workers' Compensation program over a \$2.5 million per occurrence SIR.

In the past three years there were three occurrences that resulted in payment in excess of the self-insured retention of \$2.5 million.

During 2010, there was significant change made in the County's insurance program. In April 2010, the County renewed its excess insurance program with a new \$3.5 million SIR that eliminates the "corridor deductible" of \$1.0 million above the \$2.5 million SIR of prior years.

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. The County also purchased a vessel pollution liability policy to cover passenger-only vessels with a limit of \$5 million per incident.

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.

Changes in the Insurance Fund's estimated claims liability in 2009 and 2010 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	\$ 59,269	\$ 18,045	\$ (14,673)	\$ 62,641
2010	62,641	20,718	(18,316)	65,043

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 3 percent, the County's average forecasted rate of return on investments. As of December 31, 2010, the total discounted claim liability is \$79.4 million and the undiscounted

carrying amount of the claim liability is \$88.2 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 2009 and 2010 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	\$ 72,691	\$ 23,502	\$ (19,376)	\$ 76,817
2010	76,817	22,336	(19,722)	79,431

Employee Benefits Program Fund

The Employee Benefits Program Fund, an internal service fund, accounts for employee medical, dental, vision, life, accidental death and dismemberment (AD&D), and long-term disability (LTD) benefit programs. There are two self-insured medical plans. The pharmacy, dental and vision plans are also self-insured. The life, AD&D and LTD are fully

insured. Interfund premiums are determined on a per employee, per month basis and charged to departments through a composite rate of expected claims and expenses. 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, 2010, is \$18.9 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2009 and 2010 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	\$ 13,826	\$ 160,660	\$ (161,015)	\$ 13,471
2010	13,471	173,807	(168,427)	18,851

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 \$2.5 million is recorded in governmental long-term liability for the estimated future claims liability for employees as of December 31, 2010.

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	\$ 1,181	\$ 4,049	\$ (2,652)	\$ 2,578
2010	2,578	3,327	(3,439)	2,466

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, 2010, 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 was approximately \$1.7 million in the period July 1, 2008 to June 30, 2009, and \$2.0 million in the period July 1, 2009 to June 30, 2010.

Employee Benefits Program

Eligible permanent employees of HMC receive the basic insurance benefits package 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 available to employees.

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 – WSMILBS 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. Commercial personal property losses are covered up to the replacement value not exceeding \$67 thousand.

Component Unit – Cultural Development Authority of King County

Insurance Fund

The Cultural Development Authority of King County (CDA) carries comprehensive general liability, auto liability and employee benefit liability coverage with a limit of \$10 million per occurrence and no aggregate limit. Commercial property losses are covered up to the replacement cost on file with Washington Governmental Entity Pool. The CDA also carries Public Official Errors and Omissions Liability coverage with a limit of \$10 million per occurrence and an aggregate limit of \$10 million.

Employee Benefits Program

Employees of the CDA have a comprehensive health benefits package through the Public Employees Benefits Board (PEBB), which includes medical, dental, basic life, and long-term disability coverage. In addition, the PEBB offers the following optional products: long-term care, auto, and home insurance. The State of Washington Health Care Authority (HCA) is the administering 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 at their own expense.

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. All capital leases related to Governmental Activities were settled during 2010. Such assets and liabilities related to proprietary funds are accounted for within the proprietary funds (Business-type Activities).

Capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2010 (in thousands):

	Business-type Activities	
	Capital Assets	Capital Leases Payable
Leasehold improvements	\$ 4,900	\$ 3,279
Less depreciation	(1,430)	-
Totals	\$ 3,470	\$ 3,279

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, 2010 (in thousands):

	Minimum Lease Payments
2011	\$ 255
2012	255
2013	255
2014	255
2015	255
2016-2020	1,275
2021-2025	1,275
2026-2030	1,275
2031-2035	148
Total minimum lease payments	5,248
Less: Amount representing interest	(1,969)
Present value of net minimum lease payments	\$ 3,279

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, 2010, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$40.4 million. The patterns of future lease payment requirements are systematic and rational.

Future minimum lease payments for these leases (in thousands):

<u>Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2011	\$ 6,927	\$ 315	\$ 1,299	\$ 8,541
2012	5,930	276	1,131	7,337
2013	5,868	161	1,126	7,155
2014	5,164	-	1,082	6,246
2015	4,286	-	1,006	5,292
2016-2020	10,718	-	4,385	15,103
2021-2025	1,385	-	3,550	4,935
2026-2030	1,036	-	2,656	3,692
2031-2035	817	-	2,582	3,399
2036-2040	418	-	2,784	3,202
2041-2045	-	-	3,007	3,007
2046-2050	-	-	3,020	3,020
2051-2055	-	-	1,685	1,685

The County currently leases some of its property to various tenants under long-term, renewable, and noncancelable contracts. Under business-type activities, the King County Airport Enterprise leases out most of the buildings and grounds in the King

County International Airport/Boeing Field complex to companies and government agencies in the aviation industry.

The County's investment in property under long-term, noncancelable operating leases as of December 31, 2010 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
		<u>Airport</u>	<u>Other</u>
Land	\$ 819	\$ 11,220	\$ 3,657
Buildings	2,548	33,375	1,218
Less depreciation	(1,839)	(16,206)	(595)
Total cost of property under lease	<u>\$ 1,528</u>	<u>\$ 28,389</u>	<u>\$ 4,280</u>

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2010 (in thousands):

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Total</u>
		<u>Airport</u>	<u>Other</u>	
2011	\$ 2,268	\$ 5,008	\$ 987	\$ 8,263
2012	18,905	4,859	7,446	31,210
2013	1,797	4,637	6,901	13,335
2014	1,732	4,518	6,673	12,923
2015	1,656	4,295	6,343	12,294

Note 12**Landfill Closure and Post-Closure 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, deflation, changes in technology, or changes in laws or 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 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, 2010, cash and cash equivalents of \$32.9 million were held in the Landfill Reserve Fund. Cash and cash equivalents and other restricted assets of \$5.0 million were held in the Landfill Post-closure Maintenance Fund.

The County expects that future cost increases resulting from inflation will be covered by the interest income earned on these annual contributions. 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. Because landfill investigations and foreseeable remediation efforts are complete there is no liability recorded for custodial landfills.

In 2010, estimated Cedar Hills Landfill capacity increased due to the approval of Area 8, and the post-closure estimate was revised based on historical post-closure costs, resulting in a negative landfill closure and post-closure expense recognition.

The \$85.5 million reported as landfill closure and post-closure care liability as of December 31, 2010, 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	74%	\$ 56,376	\$ 58,524	2024
Covered	100%	21,906	-	Closed
Custodial	100%	7,215	-	Closed

Note 13**Environmental Remediation**

The County accounts for pollution remediation liabilities in accordance with GASBS 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This guidance mandates recognition and reporting of a liability for pollution remediation whenever the County is obligated for future cleanup and the amounts are reasonably estimable.

Liabilities reported at the end of 2010 do not include potential costs of cleanup that may arise out of the legal issues described in Note 18 - "Legal Matters, Contingent Liabilities, and Other Commitments." The likelihood of negative outcomes in these matters and the amount of liabilities that may arise cannot be reasonably estimated. The major sites where the County is conducting remediation activities are:

Elliott Bay and the Lower Duwamish Waterway – These ongoing projects include the sediment management of aquatic habitats along Elliott Bay and the cleanup of certain sites along the Lower Duwamish Waterway. The Sediment Management Project has been approved by the King County Council as a self-obligated pollution remediation program. The Lower Duwamish Waterway project became an obligation when King County entered into an Administrative Order on Consent (AOC) with the Washington State Department of Ecology (DOE) and the U.S. Environmental Protection Agency (EPA). This AOC also includes the Boeing Company, the City of Seattle, and the Port of Seattle as parties to the cleanup. Each party has agreed to pay one-fourth of the cleanup costs.

Both projects may result in additional cleanup efforts as a result of additional regulatory orders. The EPA has announced its intention to negotiate an agreement with local governments, including King County, and other Potentially Responsible Parties (PRPs) for the remediation of Combined Sewer Outflows which may result in the recording of additional pollution remediation liabilities in the future. These potential cleanup liabilities cannot be currently estimated. Ongoing regulatory action may identify other PRPs for the Lower Duwamish Waterway cleanup.

There are no estimated recoveries at this time that will reduce the amount of these obligations. However, the State of Washington has indicated that it intends to fund grants in support of the Lower Duwamish Waterway cleanup. These

amounts are forecast at \$1.2 million over the period from 2011 to 2016. The total environmental remediation liability at December 31, 2010, stands at \$37.8 million. This liability is an estimate and is subject to changes resulting from price increases or reductions, changes in technology, or changes in applicable laws or regulations.

The methods for estimating liabilities are based on internal engineering analysis, program experience, and cost projections for the remediation activities scheduled to be undertaken in future years as programmed under Water Quality's Regional Wastewater Services Plan. Certain costs were developed by consulting engineers. Costs were estimated using the expected cash flow method. For the Lower Duwamish Waterway Project a weighted average method is used to calculate the liability. The Sediment Management Plan does not employ a weighted average cost estimate because the remaining work is well-defined and negates the utility of multiple estimates. The cost estimates continue to be remeasured as succeeding benchmarks are reached or when cost assumptions are modified.

Lake Union Tank and Dearborn Groundwater Monitoring – The Public Transportation Enterprise reported an environmental remediation liability of \$351 thousand at year-end. The remediation obligation is primarily related to monitoring soil and groundwater contamination at the Lake Union Tank and Dearborn (under consent decrees from the DOE), and groundwater monitoring at two bus operation bases on a voluntary basis. The liability was measured at the estimated amounts compiled by Public Transportation staff with knowledge of environmental issues at the sites, using the expected cash flow technique. This liability is an estimate and is subject to changes resulting from additional information regarding the level of contamination at specific sites, price increases or reductions, changes in technology, or changes in applicable laws or regulations.

Gasworks Park – In 2005, the City of Seattle and Puget Sound Energy (PSE) entered an agreed order with the DOE for investigating and identifying cleanup options for Lake Union sediments surrounding Gasworks Park. The City and PSE named the Public Transportation Enterprise and Chevron Corporation as additional potentially liable parties (PLPs) related to this site. Subsequently, the DOE notified the Public Transportation Enterprise and Chevron Corporation that they might be PLPs

under the Model Toxics Control Act. The DOE has not issued a final decision regarding the Enterprise's status as a PLP. No liability has been recorded because outlays for the site cleanup were not reasonably estimable at December 31, 2010.

Lower Duwamish Waterway Slip 4 – Remediation work includes an approved dredge and cap operation. Slip 4, which is within the Lower Duwamish Waterway, was designated an early action site for cleanup by the EPA and the DOE. The EPA has designated King County and the City of Seattle as PRPs. The total liability, which was estimated using the expected cash flow technique, is estimated to be \$6.9 million. King County and the City of Seattle have agreed to each bear 50 percent of this cost, with the City acting as Project Manager. The County and the City expect to recover the full \$6.9 million from Boeing. Remediation cost estimates are subject to changes due to price increases or reductions, changes in technology, or changes in applicable laws or agreements.

Lower Duwamish Waterway North Boeing Field – Remediation work involves source control of contaminants which may feed into Slip 4. The DOE has issued a determination that King County, the City of Seattle, and the Boeing Company are PLPs to this site. The total liability, estimated by an independent engineering firm using the expected cash flow technique, is estimated to be \$2.5 million; the County expects to recover all but \$869 thousand from the City and Boeing. Remediation cost estimates are subject to changes due to price increases or reductions, changes in technology, or changes in applicable laws or agreements.

7777 Perimeter Road – Remediation work involved DOE-required cleanup of a contaminated site. Work at this site, which involved building an underground wall to seal off the contaminants, was substantially completed in 2010. Contaminated levels will continue to be monitored for one year after completion of the project. If the contaminant levels pass standards for one year the DOE will issue a "no further action" determination. The remaining amount of the contract under which remediation work was performed is \$114 thousand; this amount remains as a potential liability due to the possible need for using these funds if further work is required.

Maury Island Gravel Mine Site – In December 2010, King County acquired approximately 250 acres of property on Vashon Island. The property is within the footprint of the former ASARCO smelter plume, and contains elevated levels of lead and arsenic. King County is investigating the extent of contamination and potential remedial actions. King County is negotiating with the Washington State DOE regarding a potential Agreed Order under the Model Toxics Control Act. The Agreed Order is not final and the scope of required remediation has not been determined. Due to the high level of regulatory review, approval requirements, and environmental permitting associated with any remediation project, at present the County is unable to determine what type of remediation activity may be required or the schedule of any required remediation. In addition, the County is unable to determine any potential cost obligations or possible recoveries that would reduce the amount of these obligations.

Note 14**Debt****Short-term Debt Instruments and Liquidity**

For governmental activities, the County has three short-term debt instruments outstanding at year-end. On June 9, 2010, the County completed the sale of \$6.3 million Series B tax-exempt and \$17.8 million Series C taxable limited tax general obligation (GO) Bond Anticipation Notes with a maturity date of December 1, 2011. The proceeds of the notes are accounted for in the Green River Flood Mitigation fund. Proceeds from the sale of the notes are used to refinance two Bond Anticipation Notes issued on December 29, 2009. Also, a portion of the proceeds from the sale of the notes will be used to pay for the costs of issuing the notes. The County intends to finance the repayment of the notes by issuing bonds in 2011. In addition, the

County completed the sale of \$60.2 million tax-exempt limited tax general obligation (GO) Bond Anticipation Notes with a maturity date of June 15, 2011. The proceeds of the Notes have been accounted for in the Office of Information Resource Management capital project fund. The proceeds were used to provide interim financing to upgrade the County's technology infrastructure. The County has financed the repayment of the Notes by issuing new Bond Anticipation Notes in June 2011.

For business-type activities, the County has \$100 million of commercial paper outstanding in the Water Quality Enterprise Fund at year-end. The commercial paper has maturity dates ranging from 62 to 94 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. The debt will be repaid from operating revenues.

**CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)**

	Balance 01/01/10	Additions	Reductions	Balance 12/31/10
Governmental activities:				
Limited tax GO bond anticipation notes	\$ 27,095	\$ 84,290	\$ (27,095)	\$ 84,290
Unamortized premium bonds sold	-	630	-	630
Governmental activities short-term debt	<u>\$ 27,095</u>	<u>\$ 84,920</u>	<u>\$ (27,095)</u>	<u>\$ 84,920</u>
Business-type activities:				
Commercial paper	\$ 100,000	\$ 953,409	\$ (953,409)	\$ 100,000
Business-type activities short-term debt	<u>\$ 100,000</u>	<u>\$ 953,409</u>	<u>\$ (953,409)</u>	<u>\$ 100,000</u>

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 and lease revenue bonds accounted for in the Internal Service Funds.

For business-type activities, long-term debt consisted 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; and Sewer Revenue Bonds and State of Washington revolving loans accounted for in the Water Quality Enterprise Fund.

SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/10
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
2001 Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	\$ 26,865	\$ 1,200
2002 Refunding 1997B Bonds (Baseball Stadium)	06/04/02	12/01/14	4.00-5.50%	124,575	37,365
2002 Various Purpose (Road CIP) Bonds	10/01/02	12/01/16	2.00-5.00%	38,340	8,910
2003 Limited Tax GO (Payoff BAN 2003B) Series A	10/30/03	06/01/23	2.00-5.25%	27,605	20,755
2003 Various Purpose Refunding Bonds Series B (Partial)	10/30/03	06/01/23	2.00-5.25%	27,890	9,400
2004 Refunding Bonds Series A	09/21/04	01/01/16	2.00-5.00%	57,045	40,445
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	01/01/25	2.50-5.00%	82,435	68,690
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	28,455
2006 HUD Section 108 Bonds – Greenbridge Project	08/01/06	08/01/24	4.96-5.70%	6,783	4,905
2007 Kingdome Debt Series A Refunding 1997F	09/05/07	12/01/15	4.00-5.00%	48,665	48,100
2007 Various Purpose Series C	11/01/07	01/01/28	4.00-4.50%	10,695	9,915
2007 Various Purpose Series D	11/01/07	01/01/28	4.00-5.00%	34,630	32,185
2007 Various Purpose Series E (Partial)	11/27/07	12/01/17	4.00-5.00%	3,070	2,290
2009 Multi-Modal Limited Tax GO Bond Series A	02/26/09	06/01/29	Variable ^(a)	50,000	48,100
2009 Various Purpose Capital Facilities Project Series B2	05/12/09	06/01/29	2.00-5.13%	34,810	33,895
2009 Limited Tax GO (Refg 1993B) Series C	12/10/09	01/01/24	4.50%	17,150	16,975
2009 Refunding Bonds Series D (Partial)	12/10/09	12/01/12	4.50-5.25%	6,149	4,154
2010 Partial Refunding 2001VP Series A	10/18/10	12/31/21	2.00-5.00%	11,695	11,475
2010 Partial Refunding 2002 VP Series A	10/18/10	12/31/21	2.00-5.00%	9,600	9,600
2010 Tax Exempt Series A	11/15/10	12/01/14	2.00-5.00%	21,970	21,970
2010 Taxable BABs Series B	11/15/10	12/01/30	2.85-6.05%	24,480	24,480
2010 Taxable RZEDBs Series C	11/15/10	12/01/30	4.58-6.05%	23,165	23,165
2010 Taxable QECBs Series D	11/15/10	12/01/25	4.33-5.43%	2,825	2,825
2010 Tax Exempt Series E	11/15/10	12/01/30	2.00-4.50%	10,025	10,025
Total Payable From Limited Tax GO Redemption Fund				<u>761,307</u>	<u>541,789</u>
Payable From Internal Service Funds					
2001 Various Purpose (Partial)	11/01/01	12/01/11	3.00-5.00%	1,050	125
Total Payable From Internal Service Funds				<u>1,050</u>	<u>125</u>
Total Limited Tax General Obligation Debt				<u>762,357</u>	<u>541,914</u>
IB. Unlimited Tax General Obligation Bonds (ULTGO)					
Payable From Unlimited Tax GO Redemption Fund					
2003 Refunding 1993 Series C Bonds	04/23/03	06/01/19	2.00-5.25%	108,795	12,985
2004 Harborview Medical Center Series A	05/04/04	12/01/23	2.00-5.00%	110,000	89,750
2004 Harborview Medical Center Series B	09/14/04	06/01/23	3.00-5.00%	54,000	45,085
2009 Refunding 2001(HMC) Series A	12/10/09	12/01/20	4.30-5.00%	19,570	19,325
2010 Partial Refunding 2000 UTGO Series A	10/18/10	12/31/15	3.00-5.00%	16,305	15,915
Total Payable From Unlimited Tax GO Bond Redemption Fund				<u>308,670</u>	<u>183,060</u>
Payable From Stadium GO Bond Redemption Fund					
2010 Refunding 2000 UTGO Series A	10/18/10	12/31/12	3.00-5.00%	3,500	3,435
Total Unlimited Tax General Obligation Bonds				<u>312,170</u>	<u>186,495</u>
IC. 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	55,915
2005 Goathill Property – Chinook Building	02/03/05	12/01/33	4.00-5.25%	101,035	94,360
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	55,995
Total Lease Revenue Bonds Payable from Internal Service Funds				<u>415,695</u>	<u>395,990</u>
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				<u>1,490,222</u>	<u>1,124,399</u>

SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/10
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
2001 LTGO Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	\$ 8,635	\$ 415
2002 LTGO (Public Transp. Sales Tax) Refunding Bonds	11/05/02	12/01/19	3.00-5.50%	64,285	40,840
2004 LTGO (Public Transp. Sales Tax) Bonds	06/08/04	06/01/34	2.50-5.50%	49,695	44,590
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	3,100
2007 Various Purpose Series E (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	36,685
2008 LTGO (WQ-LTGO) Refunding Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	230,515
2009 LTGO (Public Transp. Sales Tax) Refunding Bonds	02/18/09	12/01/19	2.00-4.00%	48,535	40,535
2009 LTGO (WQ-LTGO) Bonds Series B	04/08/09	01/01/39	5.00-5.25%	300,000	300,000
2009 Refunding Bonds Series D (Partial)	12/10/09	12/01/12	2.00-4.00%	3,126	2,111
2010 Partial Refunding 2001VP Series A	10/18/10	12/31/21	2.00-5.00%	5,110	5,010
2010 Tax Exempt Series A	11/15/10	12/01/14	2.00-5.00%	3,855	3,855
2010 Taxable BABs Series B	11/15/10	12/01/30	2.85-6.05%	20,555	20,555
2010 Taxable QECBs Series D	11/15/10	12/01/25	4.33-5.43%	3,000	3,000
2010 LTGO (WQ) Series A	01/12/10	01/01/40	Variable ^(a)	50,000	50,000
2010 LTGO (WQ) Series B	01/12/10	01/01/40	Variable ^(a)	50,000	50,000
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>1,092,376</u>	<u>1,031,211</u>
IIB. Revenue Bonds, Capital Leases and Loans					
Payable From Enterprise Funds					
2001 WQ Revenue Bonds Junior Lien Series A	08/06/01	01/01/32	Variable ^(c)	50,000	50,000
2001 WQ Revenue Bonds Junior Lien Series B	08/06/01	01/01/32	Variable ^(c)	50,000	50,000
2001 WQ Revenue and Refunding Bonds	11/28/01	01/01/35	3.00-5.25%	270,060	183,555
2002 WQ Revenue Bonds Series A	08/14/02	01/01/35	5.00-5.50%	100,000	94,960
2002 WQ Revenue Refunding Bonds Series B	10/03/02	01/01/33	3.00-5.50%	346,130	226,670
2003 WQ Revenue Refunding Bonds	04/24/03	01/01/35	2.00-5.25%	96,470	90,905
2004 WQ Revenue Bonds Series A	03/18/04	01/01/35	4.50-5.00%	185,000	185,000
2004 WQ Revenue Refunding 1999-2 Bonds Series B	03/18/04	01/01/35	2.00-5.00%	61,760	57,015
2006 WQ Revenue and Refunding 1999-1 Bonds Series A	05/16/06	01/01/36	5.00%	124,070	124,070
2006 WQ Revenue and Refunding Bonds Series B-2	11/30/06	01/01/36	3.50-5.00%	193,435	186,810
2007 WQ Revenue Bonds	06/26/07	01/01/47	5.00%	250,000	250,000
2008 WQ Revenue Bonds	08/14/08	01/01/48	5.00-5.75%	350,000	350,000
2009 WQ Revenue Bonds	08/12/09	01/01/42	4.00-5.25%	250,000	250,000
2010 WQ Revenue Bonds	07/19/10	01/01/50	2.00-5.00%	334,365	334,365
2000-2010 State of Washington Revolving Loans	Various	Various	0.50-3.10%	177,834	135,995
2000 Public Transp. Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	3,279
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				<u>2,843,846</u>	<u>2,572,624</u>
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				<u>3,936,222</u>	<u>3,603,835</u>
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				<u>\$ 5,426,444</u>	<u>\$ 4,728,234</u>

(a) The Multi-Modal bonds initially issued in the Weekly Mode bear interest at Weekly Rates. The bonds in the Weekly Mode may be converted to Daily Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode.

(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.

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES

Year	General Obligation Bonds		Lease Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 51,588	\$ 33,207	\$ 10,465	\$ 19,390	\$ 62,053	\$ 52,597
2012	68,235	31,006	10,965	18,892	79,200	49,898
2013	81,415	27,831	11,490	18,365	92,905	46,196
2014	67,497	23,977	12,060	17,795	79,557	41,772
2015	64,172	21,016	12,675	17,180	76,847	38,196
2016-2020	192,650	71,744	73,225	76,050	265,875	147,794
2021-2025	151,284	29,958	90,940	56,581	242,224	86,539
2026-2030	51,568	6,900	88,205	35,217	139,773	42,117
2031-2035	-	-	73,365	13,106	73,365	13,106
2036-2040	-	-	12,600	634	12,600	634
TOTAL	\$ 728,409	\$ 245,639	\$ 395,990	\$ 273,210	\$ 1,124,399	\$ 518,849

BUSINESS-TYPE ACTIVITIES

**Debt Service
Requirements to Maturity**

Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 15,648	\$ 49,720	\$ 42,096	\$ 114,861	\$ 57,744	\$ 164,581	\$ 119,797	\$ 217,178
2012	16,260	49,320	46,621	114,761	62,881	164,081	142,081	213,979
2013	15,776	48,666	46,936	112,992	62,712	161,658	155,617	207,854
2014	21,951	47,848	52,139	110,668	74,090	158,516	153,647	200,288
2015	24,505	46,770	54,474	108,135	78,979	154,905	155,826	193,101
2016-2020	175,126	211,737	260,750	506,262	435,876	717,999	701,751	865,793
2021-2025	168,466	168,130	297,266	462,755	465,732	630,885	707,956	717,424
2026-2030	202,562	121,137	343,312	408,245	545,874	529,382	685,647	571,499
2031-2035	215,670	67,348	528,370	297,300	744,040	364,648	817,405	377,754
2036-2040	175,247	30,288	349,300	190,537	524,547	220,825	537,147	221,459
2041-2045	-	-	340,110	96,944	340,110	96,944	340,110	96,944
2046-2050	-	-	211,250	20,185	211,250	20,185	211,250	20,185
TOTAL	\$ 1,031,211	\$ 840,964	\$ 2,572,624	\$ 2,543,645	\$ 3,603,835	\$ 3,384,609	\$ 4,728,234	\$ 3,903,458

Summary of changes in long-term liabilities for the year ended December 31, 2010 (in thousands):

	Balance 01/01/10	Additions	Reductions	Balance 12/31/10	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 724,295	\$ 125,175	\$ (121,061)	\$ 728,409	\$ 51,588
Lease revenue bonds ^(a)	402,455	-	(6,465)	395,990	10,465
Less deferred amounts:					
Unamortized premium bonds sold	22,557	6,520	(4,844)	24,233	-
Refunding	(8,340)	(3,658)	2,977	(9,021)	-
Total bonds payable	1,140,967	128,037	(129,393)	1,139,611	62,053
Claims and judgments payable	-	2,237	-	2,237	2,237
Compensated absences liability	91,206	6,397	(3,144)	94,459	4,106
Other postemployment benefits	18,538	6,334	-	24,872	-
Unemployment compensated liabilities	2,578	(2,764)	2,652	2,466	2,466
Estimated claims settlements and other liabilities	152,959	216,861	(206,495)	163,325	99,784
Rebatable arbitrage	17	-	(17)	-	-
Total Governmental activities long-term liabilities	<u>\$ 1,406,265</u>	<u>\$ 357,102</u>	<u>\$ (336,397)</u>	<u>\$ 1,426,970</u>	<u>\$ 170,646</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 919,681	\$ 132,520	\$ (20,990)	\$ 1,031,211	\$ 15,569
Revenue bonds	2,167,365	334,365	(68,380)	2,433,350	33,860
Less deferred amounts:					
Unamortized premium bonds sold	52,927	22,783	(4,635)	71,075	-
Refunding	(62,325)	(3,007)	5,699	(59,633)	-
Total bonds payable	3,077,648	486,661	(88,306)	3,476,003	49,429
Capital leases	3,368	-	(89)	3,279	94
State revolving loans	141,165	2,545	(7,715)	135,995	7,896
Retainage payable	23,834	1,644	(3,614)	21,864	19,833
Compensated absences liability	66,060	21,074	(18,402)	68,732	8,752
Other postemployment benefits	4,374	2,214	(720)	5,868	-
Landfill closure and post-closure care liability	108,150	-	(22,653)	85,497	5,938
Environmental remediation and other liabilities	50,381	3,980	(11,821)	42,540	5,599
Customer Deposits ^(b)	2,362	336	(2,008)	690	265
Total Business-type activities long-term liabilities	<u>\$ 3,477,342</u>	<u>\$ 518,454</u>	<u>\$ (155,328)</u>	<u>\$ 3,840,468</u>	<u>\$ 97,806</u>

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 \$163.4 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.

(b) Customer deposits in business-type activities were reclassified from current liabilities to non-current liabilities in 2010.

Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2.5 percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax

general obligation debt in an amount up to 1.5 percent of assessed value of property within the County for general county purposes and 0.75 percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1.5 percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2.5 percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy.

The legal debt margin computation for the year ended December 31, 2010 (in thousands):

2010 ASSESSED VALUE (2011 TAX YEAR)	<u>\$ 330,414,999</u>
Debt limit of limited tax (LT) general obligations for metropolitan functions	
0.75 % of assessed value	\$ 2,478,112
Less: Net LT general obligation indebtedness for metropolitan functions	<u>(1,079,114)</u>
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 1,398,998</u>
Debt limit of LT general obligations for general county purposes and metropolitan functions - 1.5 % of assessed value	<u>\$ 4,956,225</u>
Less: Net LT general obligation indebtedness for general county purposes	<u>(963,289)</u>
Net LT general obligation indebtedness for metropolitan functions	<u>(1,079,114)</u>
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	<u>(2,042,403)</u>
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 2,913,822</u>
Debt limit of total general obligations for metropolitan functions	
2.5 % of assessed value	\$ 8,260,375
Less: Net total general obligation indebtedness for metropolitan functions	<u>(1,079,114)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 7,181,261</u>
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	<u>\$ 8,260,375</u>
Less: Net unlimited tax general obligation indebtedness for general county purposes	<u>(175,952)</u>
Net LT general obligation indebtedness for general county purposes	<u>(963,289)</u>
Net total general obligation indebtedness for general county purposes	<u>(1,139,241)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 7,121,134</u>

Refunding and Defeasing General Obligation Bond Issues – 2010

Limited Tax General Obligation Refunding Bonds, 2010A – On October 18, 2010, the County issued \$16.8 million in limited tax general obligation bonds, 2010 Series A with an effective interest cost of 2.02 percent to advance refund \$17.4 million of outstanding limited tax general obligation refunding bonds, 2001 various purpose with an effective interest cost of 4.9 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1.2 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2021, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$2.6 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$2.1 million.

Limited Tax General Obligation Refunding Bonds, 2010A – Also on October 18, 2010, the County issued \$9.8 million in limited tax general obligation bonds, 2010 Series A with an effective interest cost of 1.37 percent to advance refund \$10.2 million of outstanding limited tax general obligation refunding bonds, 2002 various purpose with an effective interest cost of 1.37 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1.1 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2021, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$770 thousand over the life of the bonds, resulting in an economic gain

(difference between the present values of the old and new debt service payments) of \$668 thousand.

Unlimited Tax General Obligation Refunding Bonds, 2010A – Also on October 18, 2010, the County issued \$16.3 million in unlimited tax general obligation bonds, 2010 Series A with an effective interest cost of 0.8 percent to advance refund \$17 million of outstanding unlimited tax general obligation refunding bonds, 2001 Kingdome Bonds with an effective interest cost of 5.42 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$454 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2016, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$2.0 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$1.9 million.

Unlimited Tax General Obligation Refunding Bonds, 2010A – Also on October 18, 2010, the County issued \$3.5 million in unlimited tax general obligation bonds, 2010 Series A with an effective interest cost of 0.55 percent to advance refund \$3.6 million of outstanding unlimited tax general obligation refunding bonds, 2000 with an effective interest cost of 5.25 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$93 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2016, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$194 thousand over the life of the bonds, resulting in an economic gain

(difference between the present values of the old and new debt service payments) of \$197 thousand.

Partial Defeasances of Limited Tax General Obligation (Baseball Stadium) Refunding Bonds, 2010 – On September 7, 2010, the County completed defeasance of limited tax general obligation (Baseball Stadium) refunding bonds, 2002 for \$13.8 million using the excess proceeds from special taxes and revenues. The reacquisition price exceeded the net carrying amount of the old debt by \$1.2 million. This amount, reported in the statement of net assets as a reduction in bonds payable, was charged to operations during 2010, using the outstanding principal balance method. The transaction resulted in an economic gain of \$36 thousand for the year.

Limited Tax General Obligation (Sewer Revenue) Refunding Bonds, 2010 – On July 19, 2010, the County issued \$34.4 million in limited tax general obligation (Sewer Revenue) bonds, 2010 with an effective interest cost of 2.56 percent to advance partial refund \$36.3 million of outstanding limited tax general obligation (Sewer Revenue) bonds, 2001 with an effective interest cost of 5.13 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the

business-type activities column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$2.6 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2023, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$4.0 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$3.1 million.

Refunded Bonds

King County has twelve outstanding refunded and defeased bond issues consisting of limited tax general obligation bonds (\$67.2 million), unlimited tax general obligation bonds (\$21.3 million) and sewer revenue bonds (\$41.3 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, U.S. Bank of Washington, and the liability for the defeased bonds has been removed from the statement of net assets.

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."

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 5,730
	Nonmajor Enterprise Funds	2,833
	All Others	1,225
Public Health Fund	Nonmajor Governmental Funds	879
	All Others	292
Nonmajor Governmental Funds	General Fund	2,218
	Nonmajor Governmental Funds	18,031
	Public Transportation Enterprise	522
	Nonmajor Enterprise Funds	972
	Internal Service Funds	646
	All Others	479
Public Transportation Enterprise	Public Health Fund	2,289
	Nonmajor Governmental Funds	18,547
	Water Quality Enterprise	96,313
	All Others	302
Water Quality Enterprise	General Fund	2,192
	Nonmajor Governmental Funds	3,342
	All Others	311
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	2,109
	All Others	249
Internal Service Funds	Nonmajor Governmental Funds	1,410
	Water Quality Enterprise	1,556
	All Others	1,223
Total		<u>\$ 163,670</u>

The interfund balances resulted from the time lag between the dates: (1) when interfund goods and services were provided or reimbursable expenditures incurred, and when interfund payments were made; and (2) when interfund short-term loans were made and when the loans were repaid. \$4,731 thousand due from Nonmajor Governmental Funds to the General Fund, \$2,289 thousand due

from the Public Health Fund to the Public Transportation Enterprise, \$17,516 thousand due from Nonmajor Governmental Funds to the Public Transportation Enterprise, and \$96,313 thousand due from the Water Quality Enterprise to the Public Transportation Enterprise were short-term loans made for the purpose of cash flow.

Advances from/to other funds (in thousands)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Transportation Enterprise	\$ 3,500
	Nonmajor Governmental Funds	300
Nonmajor Governmental Funds	Nonmajor Governmental Funds	407
Total		<u>\$ 4,207</u>

All three of these advances consisted of loans made for the purpose of cash flow. None of the advances is scheduled to be repaid in 2011.

Interfund Transfers (in thousands)

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Public Health Fund	\$ 26,667
	Nonmajor Governmental Funds	14,757
	Nonmajor Enterprise Funds	541
	Internal Service Funds	900
Public Health Fund	All Others	96
Nonmajor Governmental Funds	Nonmajor Governmental Funds	96,318
	All Others	494
Public Transportation Enterprise	All Others	10
Water Quality Enterprise	General Fund	521
	All Others	111
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	1,542
	All Others	23
Internal Service Funds	Nonmajor Governmental Funds	2,079
	All Others	138
Total transfers out		<u>\$ 144,197</u>

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

Note 16**Related Party Transactions**

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth & Jefferson Building. Rent is paid to two non-profit corporations which are reported under a blended component unit of the County – the building development and management corporations fund. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofits which funded construction of the buildings. HMC has agreed to include the annual rental payments in their operating budget for as long as they use the buildings. In 2010, the primary government, through the building development and management corporations fund, received \$12.7 million from HMC for rent on the two buildings.

The Cultural Development Authority (CDA), a discretely presented component unit of King

County, annually receives funding from various County funds under the One Percent for Art program. Revenues are used to support activities related to the development and maintenance of County public art. In 2010, the King County primary government transferred \$418 thousand to the CDA. The CDA spent \$1.9 million of prior year funds on art projects for which the County recorded a corresponding receivable and work-in-progress.

The Public Transportation Enterprise (Transit) has a ground lease agreement as lessor with the King County Housing Authority (KCHA), a related organization to the County, 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 term is 50 years with an option to extend by an additional 25 years. Transit recorded revenues related to the lease of \$36.9 thousand in 2010. Transit also provided loans to KCHA for which \$815.3 thousand was outstanding at year-end.

Note 17**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 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)

Public Transportation Enterprise restricted for future construction projects (\$10,068), debt service (\$11,473) and other purposes (\$3,388).	\$ 24,929
Water Quality Enterprise restricted for debt service (\$204,126) and regulatory assets and environmental liabilities (\$30,302).	<u>234,428</u>
Total Business-type Restricted Net Assets	<u><u>\$ 259,357</u></u>

Restricted Net Assets - Internal Service Funds (in thousands)

Building Development & Management Corporations Fund restricted for future construction projects (\$218) and debt service (\$11,770).	<u><u>\$ 11,988</u></u>
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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.

Reserves and designations used by King County, followed by a description of each (in thousands):

	General Fund	Public Health Fund	Special Revenue	Nonmajor Debt Service	Capital Projects
Reserved for:					
Inventory	\$ -	\$ 1,223	\$ -	\$ -	\$ -
Prepayments	-	-	5,997	-	2,073
Encumbrances	3,274	318	9,107	-	48,150
Advances to other funds	3,800	-	407	-	-
Animal services	-	-	209	-	-
Crime victim compensation program	51	-	-	-	-
Criminal justice	3,570	-	-	-	-
Debt service	-	-	389	-	-
Drug enforcement program	2,756	-	-	-	-
Antiprofitteering program	95	-	-	-	-
Dispute resolution centers	157	-	-	-	-
Inmate welfare	2,904	-	-	-	-
Real property title assurance	25	-	-	-	-
Training and equipment for Medic One	-	17	-	-	-
Youth sports facilities grant endowment	-	-	2,620	-	-
PFD stadium bond debt service	-	-	-	23,844	-
Traffic mitigation	-	-	-	-	437
Total reserved fund balances	<u>\$ 16,632</u>	<u>\$ 1,558</u>	<u>\$ 18,729</u>	<u>\$ 23,844</u>	<u>\$ 50,660</u>

Reserved for inventory – Segregates a portion of fund balance in the amount of the inventory of supplies carried as an asset; represents resources not available or spendable for the fund's current operations.

Reserved for prepayments – Segregates a portion of fund balance equal to the asset prepayments; 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 not 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 resources reserved for the purpose of funding the animal services program.

Reserved for crime victim compensation program – Segregates a portion of fund balance to indicate resources legally restricted to the crime victim compensation program under chapter 7.68 RCW.

Reserved for criminal justice – Segregates a portion of fund balance to indicate resources to be used exclusively for criminal justice purposes under RCW 82.14.340.

Reserved for debt service – Segregates a portion of fund balance to indicate resources to be used solely for the payment of debt service.

Reserved for drug enforcement program – Segregates a portion of fund balance to indicate resources 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 antiprofitteering program – Segregates a portion of fund balance to indicate resources legally restricted 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 resources legally restricted for the purpose of funding dispute resolution centers (RCW 7.75.035).

Reserved for inmate welfare – Segregates a portion of fund balance to indicate resources reserved 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 resources legally restricted for 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 donations from individuals to Medic One reserved for equipment purchases and training for paramedics and medical services officers.

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.

Reserved for PFD stadium bond debt service – Segregates revenues collected by the County that are earmarked for future debt service payments on the tax exempt Baseball Stadium bond issues.

Reserved for traffic mitigation – Segregates a portion of fund balance related to the mitigation payment system revenues to indicate resources reserved for funding growth-related traffic mitigation projects (King County Code 14.75.030).

Designated Fund Balances (in thousands):

	General Fund	Nonmajor Special Revenue
Designated for:		
Capital projects	\$ 3,509	\$ 793
DDES	-	6,600
EMS	-	15,956
Equipment replacement	-	4,888
Mental health	-	27,573
SIP project commitments	-	7,481
Revenue stabilization	-	3,000
Reappropriation	492	4,745
Total designated fund balances	<u>\$ 4,001</u>	<u>\$ 71,036</u>

Designated for capital projects – Identifies a portion of fund balance equal to the budget for capital projects not expended and expected to be reappropriated for the coming year. The projects may be changed in scope by the County Council in their budget deliberations.

Designated for DDES – Revenues designated 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 EMS – Sets aside funds to cover replacement of equipment for King County Medic One; outstanding retirement liabilities for moving paramedics from the PERS to LEOFF system, unanticipated costs including costs related to vehicles, risk/liability, diesel, pharmaceuticals, medical equipment, and call volumes; potential reduction to millage requirements for the next levy; and program and provider balances to cover unanticipated or extra anticipated future costs.

Designated for equipment replacement – Identifies a portion of fund balance that has been designated for the replacement of equipment.

Designated for mental health – Identifies revenues that are designated according to the King County Regional Support Network's (KCRSN) contract with the State Mental Health Division. These funds are

used to cover inpatient adjustments, outpatient tier benefits, and closeout expenditures in case the KCRSN becomes insolvent. The KCRSN is funded primarily by 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 SIP project commitments – Identifies funds used to cover planned Veterans and Human Services Levy (VHSL) Service Improvement Plan (SIP) project commitments. The voters of King County approved the 2005 VHSL requiring the expansion of services related to veterans and their families, and other low-income people in need for the six years from 2006 through 2011. The County Council has adopted a Levy SIP which laid out the goals and objectives, as well as the general activities to be funded, with the levy dollars.

Designated for revenue stabilization – According to the Mental Illness and Drug Dependency (MIDD) Action Plan, funds will be designated from MIDD sales tax revenue to stabilize mental illness and drug dependency services in the event that sales tax revenue falls short of forecast. \$3 million is designated in 2010, \$4 million in 2011, and 10% of annual MIDD revenues are to be designated every year thereafter.

Designated for reappropriation – Used at year-end for lapsed appropriations for which special requests have been made to obtain reappropriation in the coming year.

Management Plans for Internal Service Fund Unrestricted Net Assets

Insurance Fund – \$12.4 million for catastrophic losses. The catastrophic loss reserve will be used to

respond to large, nonrecurring losses exceeding \$1 million per incident.

Restatements of Beginning Balances

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

	Governmental Activities	Component Units	Cultural Development Authority
Net Assets - December 31, 2009	\$ 2,049,496	\$ 1,087,116	\$ 38,567
Prior year adjustments to construction work in progress	38,462	-	-
Revenue recognition correction	-	(131)	(131)
Net Assets - January 1, 2010 (Restated)	<u>\$ 2,087,958</u>	<u>\$ 1,086,985</u>	<u>\$ 38,436</u>

Governmental Activities – The beginning balance of construction work in progress for governmental capital assets was restated to include \$38.5 million of construction work in progress of prior periods.

Cultural Development Authority – The adjustment for \$131 thousand was to reduce the beginning 2010 net assets for grant revenue recognized in 2009. The Cultural Development Authority recorded this income in 2010.

Component Unit – Harborview Medical Center (HMC)**Restricted Net Assets**

Restricted expendable net assets – The \$20.9 million 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 \$2.5 million consists of permanent endowments by donors.

Component Unit – Cultural Development Authority of King County (CDA)**Restricted Net Assets**

Restricted expendable net assets – \$17.7 million 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 – \$26.4 million 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 18**Legal Matters, Contingent Liabilities, and Other Commitments****Pending Litigation and Other Claims**

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 pending lawsuit 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. During litigation, various claims were dismissed by the court by summary judgment. In March 2011 a ruling came down in favor of the County with one issue left unresolved. Although still in dispute, the remaining claim is expected to be approximately \$2 million. Plaintiffs have indicated their intention to appeal the court’s rulings.
- An administrative order from the Environmental Protection Agency (EPA) that requires the County, the City of Seattle, the Boeing Company, and the Port of Seattle to conduct a feasibility study to determine the nature and extent of the contamination in the Lower Duwamish Waterway. The final draft of the report and public comments are being reviewed by the EPA. Due to the high level of regulatory review, the County is unable to determine the particular remediation alternative, the schedule and cost of any required remediation, or the extent of County responsibility.
- A potential requirement for more 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 the Washington State Department of Ecology, which reserves its rights to require additional remediation.
- 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 share of the costs of the study, and that this portion may potentially be allocated among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the study is completed.
- King County and two co-defendants in a property damage lawsuit won summary judgments of dismissal in August 2010 for all claims against them. In December 2010 a verdict was handed down against another co-defendant, the State of Washington, amounting to \$447 thousand for the plaintiff, with a hearing for the remaining specific performance claim scheduled for June 2011. Once this remaining claim is settled, the County will be entitled to entry of judgment based on the earlier summary dismissal action.
- In March, 2011, a contractor initiated a suit against the County related to its outstanding claim at the end of 2010 in the amount of \$3.7 million for the Juanita Bay Pump Station Replacement project alleging defective specifications. The County has issued counterclaims for defective work and breach of contract and is defending against all claims, pursuing damages, and negotiating insurance recoveries.
- A series of requests for change orders and claims for damages from the prime contractor for the Brightwater Treatment Plant central conveyance system alleging differing site conditions and defective specifications. The County is vigorously defending against the claims and has filed suit alleging contract default by the contractor for failure to complete the contract work within time limits. The contractor is asserting damages of approximately \$75 million. The County has updated its estimated damages amount to \$132 million.

- A claim by a vendor for additional compensation of approximately \$427 thousand to cover unexpected tariff increases on imported construction materials. The dispute is being handled through contract administration.
- A class action lawsuit filed in King County Superior Court against two counties and two conservation districts alleging that special assessments imposed by the counties on behalf of the conservation districts are illegal charges, their collection should be prohibited, and the funds previously collected should be returned to the class members, which are made up of owners of property within the two conservation districts. Pending before the Court are a motion on class certification and a motion to amend the complaint. The parties are awaiting a ruling. The potential exposure for the King County defendants, including the King Conservation District, range from \$0 to \$24 million, depending in part upon the applicable statute of limitations.
- A Public Defender sued the County alleging that he should have been enrolled in the State retirement system. The Pierce County Superior Court (Court) has certified a class of approximately 400 attorneys and staff who worked for four nonprofit public defender organizations under contract with the County within three years prior to filing the complaint (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. Oral argument was heard on October 28, 2010.
- An individual, on behalf of a class of individuals, sued the County seeking increased PERS contributions based on the settlement proceeds from the *Duncan/Roberts v. King County* litigation. The plaintiff successfully argued in Superior Court that settlement proceeds were compensation earnable and should have been reported to the State Department of Retirement Systems (DRS). The Court also ruled that DRS could not collect additional PERS contributions from the County or from class members if the class members’ retirement benefit was not increased or decreased because of the error. The matter has been briefed and argued at the Court of Appeals.
- A proposed class of Department of Transportation crew chiefs sued the County alleging that the County failed to pay them for all hours they worked. Plaintiff asserts double damages for unpaid wages and attorney fees.

Contingent Liability

King County has entered into several contingent loan agreements with the King County Housing Authority (KCHA) and other owners/developers of affordable housing; these agreements total \$172.6 million at the end of 2010. 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 \$8.4 million for rent on the Cedar Hills landfill site in 2010. The Enterprise is committed to paying rent to the General Fund as long as the Cedar Hills site continues to accept waste.

Component Unit – Harborview Medical Center

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

Note 19**Subsequent Events****Debt Issuances in 2011**

In January 2011 the County issued \$175 million of Sewer Revenue Bonds. The proceeds from these bonds will be used to finance capital construction and improvements to the sewer system of the County.

In February 2011 the County issued Limited Tax General Obligation Bond Anticipation Notes in the amount of \$40.0 million. The proceeds from these notes will provide interim financing for the County's Capital Improvement Program for the Solid Waste facilities.

In June 2011 the County issued Limited Tax General Obligation Bond Anticipation Notes in the amount of \$82.3 million. The proceeds of these Notes will provide a portion of the interim financing for an upgrade of the County's budget, finance, human resources, payroll, and employee benefits computer systems.

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 pave-

ment'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 most recent condition assessments of the County's roads are shown below.

Condition ratings	2010-2008		2007-2005		2004-2002	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	348.2	71.8	485.4	89.6	442.9	81.7
Fair	20.3	4.2	14.5	2.7	61.1	11.3
Poor to substandard	116.7	24.0	41.6	7.7	38.0	7.0
Total	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>	<u>542.0</u>	<u>100.0</u>
Local access roads						
Excellent to good	867.0	75.6	1,094.5	83.4	1,075.4	81.6
Fair	74.2	6.5	127.3	9.7	139.0	10.6
Poor to substandard	205.8	17.9	91.2	6.9	102.9	7.8
Total	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>	<u>1,317.3</u>	<u>100.0</u>

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

PCI score interval	2010-2008		2007-2005		2004-2002	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	360.0	74.2	493.4	91.1	475.6	87.7
PCI 0 - 39	125.3	25.8	48.1	8.9	66.4	12.3
Total	<u>485.3</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>	<u>542.0</u>	<u>100.0</u>
Local access roads						
PCI 40 - 100	900.0	78.5	1,170.3	89.1	1,165.6	88.5
PCI 0 - 39	247.0	21.5	142.7	10.9	151.7	11.5
Total	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>	<u>1,317.3</u>	<u>100.0</u>

It is the policy of the King County Roads Services Division to maintain at least 80 percent of the road system at a PCI of 40 or better. The 2010 Condition Assessment indicates the arterial and local access road networks have fallen below the 80/40 threshold for Modified Approach. The accelerated condition deterioration observed between the 2009 and 2010 reports are primarily the result of weather and system age. The extreme ranges of weather experienced between 2007 and 2011 have resulted in a higher than normal amount of asphalt cracking caused by the freezing and thawing of a rain-saturated road base. Many of the arterial roadways are beyond their cost effective life cycles, resulting in roadway deterioration earlier than what was estimated or budgeted.

The County Roads Division's current budget conditions do not allow for additional funds to increase the number of miles overlaid, thereby

increasing PCI scores. Bringing road system scores into compliance with GASB Modified Method Roads will reduce the number of Hot Mix Asphalt (HMA) miles resurfaced and increase the number of miles resurfaced with Bituminous Surface Treatment (Chip Seal) at a lower unit cost and reduced life cycle. Roads will also investigate a short section paving program that will only resurface road segments with PCI less than 40. While this methodology is not cost effective, it will most immediately correct the PCI deficiencies.

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 2006 to 2010. The budgeted amount is equivalent to the anticipated amount needed to maintain roads up to the required condition level (in thousands).

	2010	2009	2008	2007	2006
Budgeted	\$78,843	\$64,660	\$69,345	\$61,864	\$58,709
Expended	52,967	58,488	57,367	51,549	49,029
amounts for 2007-2009 restated					

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 180 bridges. Physical inspections to determine the condition of bridges and the degree of wear and deterioration are carried out at least every two years. Inspections reveal deficiencies in bridges such as steel corrosion, damaged guardrails, rotted timbers, deteriorated bridge decks, bank erosion, and cracked concrete. These are documented in an inspection report along with recommended repairs. Four pedestrian bridges are included in the list of bridges being maintained by the County. These are also subject to condition assessments, but are subject to different standards than the more heavily used 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. The sufficiency rating may vary from 100 (a bridge in new condition) to 0 (a bridge incapable of carrying traffic). A sufficiency rating of 50 or over indicates a bridge with a good deal of service life remaining. A bridge that scores between 0 and 49 could be considered for replacement or rehabilitation funding, though typically only bridges that score less than 30 are selected for funding.

The three most recent bridge sufficiency ratings:

Bridge Sufficiency Rating	Number of Bridges		
	2010	2009	2008
0 - 20	6	8	8
21 - 30	1	2	2
31 - 49	13	12	14
50 - 100	160	160	159
Totals	180	182	183

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 (in thousands):

	2010	2009	2008	2007	2006
Budgeted	\$19,866	\$13,465	\$18,855	\$24,834	\$17,024
Expended	9,760	10,625	11,761	16,189	11,526
amounts for 2007-2009 restated					

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level. Backlogs in maintenance work orders greatly affect the trend in maintenance costs. Factors

contributing to these backlogs include increased bridge traffic, higher weight loads, labor shortages, stringent environmental restrictions, and an aging inventory.

Postemployment Health Care Plan

Schedule of Funding Progress for the Plan (in thousands)

Year	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)
2008	12/31/2008	\$ -	\$ 145,393	\$ 145,393	0.0%	\$ 890,310	16.3%
2009	12/31/2009	\$ -	\$ 149,390	\$ 149,390	0.0%	\$ 947,530	15.8%
2010	12/31/2009	\$ -	\$ 149,390	\$ 149,390	0.0%	\$ 969,082	15.4%

NONMAJOR GOVERNMENTAL FUNDS

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

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt or capital projects. The County has 36 nonmajor Special Revenue funds that are combined into ten rollup funds for financial reporting purposes:

Justice and Safety Fund – Revenues are derived principally from levies and excise taxes dedicated to ensuring fair and accessible justice systems, and decreasing damage or harm in the event of a regional crisis.

Health Fund – Revenues are derived principally from Federal grants and local taxes dedicated to supporting the King County Mental Health Regional Support Network to ensure that effective health and human services are available to people in need.

Human Potential Fund – Revenues are derived principally from taxes dedicated to increasing the number of healthy years that residents live, protecting the health of communities, and supporting the optimal growth and development of children and youth.

Economic Growth Fund – Revenues are derived principally from Federal grants and local taxes dedicated to shaping a built environment that allows our communities to flourish.

Built Environment Fund – Revenues are derived principally from taxes dedicated to meeting the growing need for transportation facilities throughout the County, and supporting strong, diverse and sustainable communities.

Environmental Sustainability Fund – Revenues are derived principally from Federal grants and local taxes dedicated to protecting and restoring water quality; biodiversity; preserving open space and ecosystems; and improving flood water conveyance, capacity, and public drainage systems.

Service Excellence Fund – Revenues are derived principally from customer fees dedicated to improving customer satisfaction with King County,

and improving the effectiveness and accessibility of the County Records and Treasury services.

Financial Stewardship Fund – Revenues are derived principally from taxes apportioned for the long-term sustainability of County services.

Public Engagement Fund – Revenues are derived principally from donations dedicated to funding programs that provide the public with choices about which services King County delivers within existing resources and for which services they would like to provide additional funding.

Flood Control Zone District – Revenues are derived from taxes levied for a special taxing district to acquire at-risk floodplain properties and to support improved flood prediction capacity.

King County Ferry District – Revenues are derived from taxes levied for a special taxing district to expand transportation options for County residents through passenger-only ferry services.

Debt Service Funds – Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on the County's general obligation bonds and special assessment debt for certain Districts. The County has five nonmajor Debt Service Funds:

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

Road Improvement Districts Special Assessment Debt Redemption Fund – Accounts for special assessment collections and debt service payments for Road Improvement District debt for which the government is liable in the event of default by the property owners subject to the assessment.

Road Improvement Guaranty Fund – Accounts for County Road Improvement Districts' special assessment bonds.

Stadium General Obligation Bond Redemption Fund – Accounts for the payment of bonds issued for Kingdome construction.

Unlimited General Obligation Bond Redemption Fund – Accounts for the payment of bonds which have been issued with a 3/5-approval vote of the people,

with the exception of those issued for Kingdome construction.

Capital Projects Funds – Capital Projects funds account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition, construction, maintenance, and improvement of capital assets. The County has 31 nonmajor Capital Projects funds that are combined into six rollup funds for financial reporting purposes, as follows:

Justice and Safety Fund – Accounts for the acquisition, construction and remodeling of criminal detention facilities.

Health and Human Potential Fund – Primarily accounts for the acquisition, construction and remodeling of housing for low-income families, senior citizens, and the homeless in the County.

Economic Growth and Built Environment Fund – Primarily accounts for the acquisition and construction of infrastructure designed to meet transportation needs throughout the County, to

shape a built environment that allows communities to flourish, and to preserve the unique character of our rural communities.

Environmental Sustainability Fund – Primarily accounts for the acquisition and construction of land and infrastructure designed to protect and restore water quality, biodiversity, open space and ecosystems.

Service Excellence Fund – Accounts for the acquisition and construction of infrastructure designed to improve the effectiveness and efficiency of County programs, services, and systems.

Financial Stewardship Fund – Accounts for the acquisition, construction and remodeling of County facilities designed to provide for the long-term delivery of County services in a fiscally sustainable manner.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
ASSETS				
Cash and cash equivalents	\$ 321,279	\$ 62,944	\$ 212,468	\$ 596,691
Taxes receivable – delinquent	8,263	1,647	271	10,181
Accounts receivable, net	23,704	-	327	24,031
Other receivables, net	540	24	24	588
Due from other funds	11,404	-	11,464	22,868
Due from other governments, net	37,331	8,508	11,618	57,457
Prepayments	5,997	-	2,073	8,070
Advances to other funds	407	-	-	407
TOTAL ASSETS	\$ 408,925	\$ 73,123	\$ 238,245	\$ 720,293
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 39,433	\$ -	\$ 6,405	\$ 45,838
Due to other funds	19,415	-	8,387	27,802
Interfund short-term loans payable	17,560	-	4,687	22,247
Due to other governments	6,592	-	24	6,616
Due to component unit	1,103	-	-	1,103
Interest payable	-	1,629	591	2,220
Wages payable	7,591	-	465	8,056
Taxes payable	42	-	18	60
Bonds payable	-	3,285	-	3,285
Deferred revenues	35,484	1,671	4,493	41,648
Notes and contracts payable	-	-	84,920	84,920
Custodial accounts	5,601	-	447	6,048
Advances from other funds	707	-	-	707
Total Liabilities	133,528	6,585	110,437	250,550
Fund Balances				
Reserved	18,729	23,844	50,660	93,233
Unreserved, designated	71,036	-	-	71,036
Unreserved, undesignated	185,632	42,694	77,148	305,474
Total fund balances	275,397	66,538	127,808	469,743
TOTAL LIABILITIES AND FUND BALANCES	\$ 408,925	\$ 73,123	\$ 238,245	\$ 720,293

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
REVENUES				
Taxes	\$ 328,421	\$ 100,119	\$ 17,072	\$ 445,612
Licenses and permits	3,722	-	-	3,722
Intergovernmental revenues	282,643	6,970	25,367	314,980
Charges for services	95,210	352	13,717	109,279
Fines and forfeits	261	-	-	261
Interest earnings	3,009	507	1,989	5,505
Miscellaneous revenues	6,824	-	32,581	39,405
TOTAL REVENUES	720,090	107,948	90,726	918,764
EXPENDITURES				
Current				
General government	6,836	-	39,485	46,321
Law, safety and justice	99,647	-	55	99,702
Physical environment	80,184	-	22,371	102,555
Transportation	96,052	-	18,384	114,436
Economic environment	84,687	-	17,692	102,379
Mental and physical health	240,118	-	5,382	245,500
Culture and recreation	44,079	-	6,990	51,069
Debt service				
Redemption of long-term debt	-	62,901	-	62,901
Interest and other debt service costs	94	30,235	1,372	31,701
Refunding bond issuance costs	-	78	-	78
Payment to escrow agent	-	14,997	-	14,997
Capital outlay				
Capital projects	8,144	-	43,333	51,477
Capitalized expenditures	13,291	-	49,578	62,869
TOTAL EXPENDITURES	673,132	108,211	204,642	985,985
Excess (deficiency) of revenues over (under) expenditures	46,958	(263)	(113,916)	(67,221)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,992	10,759	88,154	114,905
Transfers out	(76,752)	(192)	(19,868)	(96,812)
General government debt issued	-	-	82,465	82,465
Premium on bonds sold	-	4,390	2,131	6,521
Refunding bonds issued	-	41,250	-	41,250
Sale of capital assets	(345)	24	(372)	(693)
Payment to refunded bond escrow agent	-	(45,561)	-	(45,561)
TOTAL OTHER FINANCING SOURCES (USES)	(61,105)	10,670	152,510	102,075
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(14,147)	10,407	38,594	34,854
Fund balances - January 1, 2010	289,544	56,131	89,214	434,889
Fund balances - December 31, 2010	<u>\$ 275,397</u>	<u>\$ 66,538</u>	<u>\$ 127,808</u>	<u>\$ 469,743</u>



NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010
(IN THOUSANDS)

	TOTAL	JUSTICE AND SAFETY	HEALTH	HUMAN POTENTIAL	ECONOMIC GROWTH
ASSETS					
Cash and cash equivalents	\$ 321,279	\$ 80,375	\$ 40,380	\$ 70,136	\$ 1,304
Taxes receivable - delinquent	8,263	2,296	77	562	-
Abatements receivable	666	-	-	-	-
Estimated uncollectible abatements receivable	(133)	-	-	-	-
Accounts receivable	31,218	2,238	99	-	14,709
Estimated uncollectible accounts receivable	(7,514)	-	-	-	-
Assessments receivable	7	-	-	-	7
Due from other funds	11,404	1,296	99	1,819	1,270
Due from other governments	37,331	56	813	23,683	4,801
Prepayments	5,997	-	-	-	-
Advances to other funds	407	-	-	-	-
TOTAL ASSETS	\$ 408,925	\$ 86,261	\$ 41,468	\$ 96,200	\$ 22,091
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 39,216	\$ 7,246	\$ 10,693	\$ 15,217	\$ 2,904
Retainage payable	217	-	-	4	47
Due to other funds	19,415	4,322	79	4,751	1,169
Due to other governments	6,592	-	356	6,236	-
Interfund loans payable	17,560	-	-	2,886	-
Due to component unit	1,103	-	-	-	-
Wages payable	7,591	1,219	350	1,061	190
Taxes payable	42	-	-	-	-
Deferred revenues	35,484	2,296	77	609	16,364
Custodial accounts	5,601	-	-	8	3
Advances from other funds	707	-	-	300	324
Total liabilities	133,528	15,083	11,555	31,072	21,001
Fund balances					
Reserved	18,729	2,561	94	7,082	389
Unreserved (designated)	71,036	26,382	27,573	10,481	-
Unreserved (undesignated)	185,632	42,235	2,246	47,565	701
Total fund balances (deficit)	275,397	71,178	29,913	65,128	1,090
TOTAL LIABILITIES AND FUND BALANCES	\$ 408,925	\$ 86,261	\$ 41,468	\$ 96,200	\$ 22,091

BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP	PUBLIC ENGAGEMENT	FLOOD CONTROL ZONE DISTRICT	KING COUNTY FERRY DISTRICT
\$ 17,537	\$ 18,808	\$ 1,855	\$ 24,479	\$ 232	\$ 40,645	\$ 25,528
3,115	1,071	-	-	-	959	183
666	-	-	-	-	-	-
(133)	-	-	-	-	-	-
11,105	3,007	-	60	-	-	-
(7,492)	(21)	-	(1)	-	-	-
-	-	-	-	-	-	-
1,795	4,879	-	-	8	-	238
2,846	4,737	-	-	-	-	395
5,997	-	-	-	-	-	-
-	-	-	-	-	-	407
<u>\$ 35,436</u>	<u>\$ 32,481</u>	<u>\$ 1,855</u>	<u>\$ 24,538</u>	<u>\$ 240</u>	<u>\$ 41,604</u>	<u>\$ 26,751</u>
\$ 884	\$ 2,263	\$ 9	\$ -	\$ -	\$ -	\$ -
157	9	-	-	-	-	-
5,073	2,606	57	-	13	1,314	31
-	-	-	-	-	-	-
12,838	1,836	-	-	-	-	-
1,103	-	-	-	-	-	-
2,713	2,026	29	-	3	-	-
24	18	-	-	-	-	-
10,311	4,684	-	-	-	959	184
5,577	13	-	-	-	-	-
-	83	-	-	-	-	-
<u>38,680</u>	<u>13,538</u>	<u>95</u>	<u>-</u>	<u>16</u>	<u>2,273</u>	<u>215</u>
6,678	1,210	99	-	209	-	407
6,600	-	-	-	-	-	-
(16,522)	17,733	1,661	24,538	15	39,331	26,129
<u>(3,244)</u>	<u>18,943</u>	<u>1,760</u>	<u>24,538</u>	<u>224</u>	<u>39,331</u>	<u>26,536</u>
<u>\$ 35,436</u>	<u>\$ 32,481</u>	<u>\$ 1,855</u>	<u>\$ 24,538</u>	<u>\$ 240</u>	<u>\$ 41,604</u>	<u>\$ 26,751</u>

NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010
(IN THOUSANDS)

	<u>TOTAL</u>	<u>LIMITED GO BOND REDEMPTION</u>	<u>ROAD IMPROVEMENT DISTRICTS SA DEBT REDEMPTION</u>	<u>ROAD IMPROVEMENT GUARANTY</u>
ASSETS				
Cash and cash equivalents	\$ 62,944	\$ 53,838	\$ 3	\$ 9
Taxes receivable - delinquent	1,647	811	-	-
Assessments receivable - current	24	-	24	-
Due from other governments	8,508	7,884	-	-
	<u>8,508</u>	<u>7,884</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 73,123</u></u>	<u><u>\$ 62,533</u></u>	<u><u>\$ 27</u></u>	<u><u>\$ 9</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred revenues	\$ 1,671	\$ 811	\$ 24	\$ -
Bonds payable - current	3,285	3,285	-	-
Interest payable - current	1,629	1,629	-	-
Total liabilities	<u>6,585</u>	<u>5,725</u>	<u>24</u>	<u>-</u>
Fund balances				
Reserved for PFD Stadium bond debt service	23,844	23,844	-	-
Unreserved, undesignated	42,694	32,964	3	9
Total fund balances	<u>66,538</u>	<u>56,808</u>	<u>3</u>	<u>9</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 73,123</u></u>	<u><u>\$ 62,533</u></u>	<u><u>\$ 27</u></u>	<u><u>\$ 9</u></u>

<u>STADIUM GO BOND REDEMPTION</u>	<u>UNLIMITED GO BOND REDEMPTION</u>
\$ 4,000	\$ 5,094
-	836
-	-
624	-
<u>\$ 4,624</u>	<u>\$ 5,930</u>
\$ -	\$ 836
-	-
-	-
<u>-</u>	<u>836</u>
-	-
4,624	5,094
<u>4,624</u>	<u>5,094</u>
<u>\$ 4,624</u>	<u>\$ 5,930</u>

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010
(IN THOUSANDS)

	<u>TOTAL</u>	<u>JUSTICE AND SAFETY</u>	<u>HEALTH AND HUMAN POTENTIAL</u>	<u>ECONOMIC GROWTH AND BUILT ENVIRONMENT</u>
ASSETS				
Cash and cash equivalents	\$ 212,468	\$ 2,332	\$ 32,313	\$ 46,225
Taxes receivable - delinquent	271	6	-	-
Accounts receivable	337	-	-	335
Estimated uncollectible accounts receivable	(10)	-	-	(10)
Assessments receivable	24	-	-	24
Due from other funds	11,464	-	2,021	135
Due from other governments	11,618	-	53	8,734
Prepayments	2,073	-	-	-
TOTAL ASSETS	<u><u>\$ 238,245</u></u>	<u><u>\$ 2,338</u></u>	<u><u>\$ 34,387</u></u>	<u><u>\$ 55,443</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,979	\$ 11	\$ 1,725	\$ 833
Retainage payable	426	-	-	313
Due to other funds	8,387	65	522	1,938
Interfund short-term loans payable	4,687	-	-	3,120
Due to other governments	24	-	-	24
Wages payable	465	-	13	-
Taxes payable	18	-	-	18
Interest payable	591	-	-	-
Deferred revenues	4,493	6	-	4,222
Notes and contracts payable	84,920	-	-	-
Custodial accounts	447	-	-	-
Total liabilities	<u>110,437</u>	<u>82</u>	<u>2,260</u>	<u>10,468</u>
Fund balances				
Reserved for encumbrances	48,150	-	27,172	4,122
Reserved for traffic mitigation	437	-	-	437
Reserved for prepayments	2,073	-	-	-
Unreserved	-	-	-	-
Undesignated (deficit)	77,148	2,256	4,955	40,416
Total fund balances (deficit)	<u>127,808</u>	<u>2,256</u>	<u>32,127</u>	<u>44,975</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 238,245</u></u>	<u><u>\$ 2,338</u></u>	<u><u>\$ 34,387</u></u>	<u><u>\$ 55,443</u></u>

<u>ENVIRONMENTAL SUSTAINABILITY</u>	<u>SERVICE EXCELLENCE</u>	<u>FINANCIAL STEWARDSHIP</u>
\$ 47,442	\$ 50,777	\$ 33,379
265	-	-
-	-	2
-	-	-
-	-	-
1,438	5,495	2,375
2,729	-	102
-	-	2,073
<u>\$ 51,874</u>	<u>\$ 56,272</u>	<u>\$ 37,931</u>

\$ 834	\$ 1,536	\$ 1,040
34	-	79
2,413	2,202	1,247
-	-	1,567
-	-	-
-	452	-
-	-	-
-	591	-
265	-	-
24,229	60,691	-
-	-	447
<u>27,775</u>	<u>65,472</u>	<u>4,380</u>
6,683	1,926	8,247
-	-	-
-	-	2,073
-	-	-
17,416	(11,126)	23,231
<u>24,099</u>	<u>(9,200)</u>	<u>33,551</u>
<u>\$ 51,874</u>	<u>\$ 56,272</u>	<u>\$ 37,931</u>

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	TOTAL	JUSTICE AND SAFETY	HEALTH	HUMAN POTENTIAL	ECONOMIC GROWTH
REVENUES					
Taxes	\$ 328,421	\$ 96,668	\$ 2,812	\$ 64,648	\$ -
Licenses and Permits	3,722	-	-	196	-
Intergovernmental revenues	282,643	24	144,871	41,403	29,900
Charges for services	95,210	721	4,077	24,577	107
Fines and forfeits	261	-	-	-	-
Interest earnings	3,009	691	408	550	41
Miscellaneous revenues	6,824	225	518	1,958	578
TOTAL REVENUES	720,090	98,329	152,686	133,332	30,626
EXPENDITURES					
Current					
General government services	6,836	-	-	4,611	-
Law, safety and justice	99,647	88,600	-	11,037	-
Physical environment	80,184	-	-	-	-
Transportation	96,052	-	-	-	6,661
Economic environment	84,687	-	-	42,387	23,521
Mental and physical health	240,118	-	149,062	78,939	-
Culture and recreation	44,079	-	-	1,191	-
Total current	651,603	88,600	149,062	138,165	30,182
Debt service					
Interest and other debt service costs	94	-	-	-	2
Total debt service	94	-	-	-	2
Capital outlay					
Capitalized projects	8,144	-	-	-	-
Capitalized expenditures	13,291	2,042	9	1,092	69
Total capital outlay	21,435	2,042	9	1,092	69
TOTAL EXPENDITURES	673,132	90,642	149,071	139,257	30,253
Excess (deficiency) of revenues over (under) expenditures	46,958	7,687	3,615	(5,925)	373
OTHER FINANCING SOURCES (USES)					
Transfers in	15,992	-	-	2,930	915
Transfers out	(76,752)	(3,787)	-	(9,656)	(1,071)
Sale of capital assets	(345)	59	1	9	-
TOTAL OTHER FINANCING SOURCES (USES)	(61,105)	(3,728)	1	(6,717)	(156)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(14,147)	3,959	3,616	(12,642)	217
Fund balances - January 1, 2010	289,544	67,219	26,297	77,770	873
Fund balances (deficit) - December 31, 2010	\$ 275,397	\$ 71,178	\$ 29,913	\$ 65,128	\$ 1,090

BUILT ENVIRONMENT	ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP	PUBLIC ENGAGEMENT	FLOOD CONTROL ZONE DISTRICT	KING COUNTY FERRY DISTRICT
\$ 88,701	\$ 38,548	\$ -	\$ -	\$ -	\$ 35,680	\$ 1,364
3,467	59	-	-	-	-	-
23,564	41,347	587	-	-	21	926
15,742	47,755	1,414	-	-	-	817
205	56	-	-	-	-	-
353	216	18	218	1	281	232
38	3,384	-	-	123	-	-
132,070	131,365	2,019	218	124	35,982	3,339
(19)	162	1,970	30	82	-	-
30	(20)	-	-	-	-	-
(816)	70,433	-	-	-	10,567	-
82,350	(7)	-	-	-	-	7,048
18,779	-	-	-	-	-	-
-	12,117	-	-	-	-	-
9,661	33,227	-	-	-	-	-
109,985	115,912	1,970	30	82	10,567	7,048
45	47	-	-	-	-	-
45	47	-	-	-	-	-
1	-	-	-	-	8,143	-
889	387	-	-	-	8,803	-
890	387	-	-	-	16,946	-
110,920	116,346	1,970	30	82	27,513	7,048
21,150	15,019	49	188	42	8,469	(3,709)
2,665	9,299	-	-	183	-	-
(37,088)	(24,380)	(757)	-	(13)	-	-
(435)	21	-	-	-	-	-
(34,858)	(15,060)	(757)	-	170	-	-
(13,708)	(41)	(708)	188	212	8,469	(3,709)
10,464	18,984	2,468	24,350	12	30,862	30,245
\$ (3,244)	\$ 18,943	\$ 1,760	\$ 24,538	\$ 224	\$ 39,331	\$ 26,536

NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	TOTAL	LIMITED GO BOND REDEMPTION	ROAD IMPROVEMENT DISTRICTS SA DEBT REDEMPTION	ROAD IMPROVEMENT GUARANTY
REVENUES				
Taxes	\$ 100,119	\$ 73,034	\$ -	\$ -
Intergovernmental revenues	6,970	6,967	-	-
Charges for services	352	352	-	-
Interest earnings	507	459	6	3
TOTAL REVENUES	107,948	80,812	6	3
EXPENDITURES				
Debt service				
Redemption of long-term debt	62,901	45,491	-	-
Interest and other debt service costs	30,235	20,990	-	-
Refunding bond issuance costs	78	47	-	-
Payment to escrow agent	14,997	14,997	-	-
TOTAL EXPENDITURES	108,211	81,525	-	-
Excess (deficiency) of revenues over (under) expenditures	(263)	(713)	6	3
OTHER FINANCING SOURCES (USES)				
Transfers in	10,759	10,611	-	40
Transfers out	(192)	(121)	(29)	(42)
Premium on bonds sold	4,390	2,921	-	-
Refunding bonds issued	41,250	21,445	-	-
Sale of capital assets	24	15	-	-
Payment to refunded bond escrow agent	(45,561)	(24,318)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10,670	10,553	(29)	(2)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	10,407	9,840	(23)	1
Fund balances - January 1, 2010	56,131	46,968	26	8
Fund balances - December 31, 2010	<u>\$ 66,538</u>	<u>\$ 56,808</u>	<u>\$ 3</u>	<u>\$ 9</u>

STADIUM GO BOND REDEMPTION	UNLIMITED GO BOND REDEMPTION
\$ 2,027	\$ 25,058
-	3
-	-
39	-
<u>2,066</u>	<u>25,061</u>
1,690	15,720
290	8,955
5	26
-	-
<u>1,985</u>	<u>24,701</u>
81	360
108	-
-	-
211	1,258
3,500	16,305
-	9
<u>(3,706)</u>	<u>(17,537)</u>
<u>113</u>	<u>35</u>
194	395
<u>4,430</u>	<u>4,699</u>
<u>\$ 4,624</u>	<u>\$ 5,094</u>

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	TOTAL	JUSTICE AND SAFETY	HEALTH AND HUMAN POTENTIAL	ECONOMIC GROWTH AND BUILT ENVIRONMENT
REVENUES				
Taxes	\$ 17,072	\$ -	\$ -	\$ 7,369
Intergovernmental revenues	25,367	-	329	6,733
Charges for services	13,717	-	11,357	585
Interest earnings	1,989	28	297	352
Miscellaneous revenues				
Rent and maintenance reimbursement	30,098	-	-	22
Grant from private source	2,067	-	1,296	-
Other miscellaneous revenues	416	1	130	201
TOTAL REVENUES	90,726	29	13,409	15,262
EXPENDITURES				
Current				
General government services	39,485	-	-	-
Law, safety and justice	55	55	-	-
Physical environment	22,371	-	-	3
Transportation	18,384	-	-	18,355
Economic environment	17,692	-	17,692	-
Mental and physical health	5,382	-	5,382	-
Culture and recreation	6,990	-	-	-
Total current	110,359	55	23,074	18,358
Debt service				
Interest and other debt service costs	1,372	-	-	406
Total debt service	1,372	-	-	406
Capital outlay				
Capital projects	43,333	5	-	17,547
Capitalized expenditures	49,578	-	-	3,752
Total capital outlay	92,911	5	-	21,299
TOTAL EXPENDITURES	204,642	60	23,074	40,063
Excess (deficiency) of revenues over (under) expenditures	(113,916)	(31)	(9,665)	(24,801)
OTHER FINANCING SOURCES (USES)				
Transfers in	88,154	-	8,284	35,404
Transfers out	(19,868)	(182)	-	(15,106)
General government debt issued	82,465	-	-	42,535
Premium on bonds sold	2,131	-	-	608
Sale of capital assets	(372)	-	-	(387)
TOTAL OTHER FINANCING SOURCES (USES)	152,510	(182)	8,284	63,054
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	38,594	(213)	(1,381)	38,253
Fund balances (deficit) - January 1, 2010	89,214	2,469	33,508	6,722
Fund balances (deficit) - December 31, 2010	\$ 127,808	\$ 2,256	\$ 32,127	\$ 44,975

ENVIRONMENTAL SUSTAINABILITY	SERVICE EXCELLENCE	FINANCIAL STEWARDSHIP
\$ 9,703	\$ -	\$ -
18,193	-	112
1,247	14	514
646	349	317
2,418	-	27,658
771	-	-
-	59	25
<u>32,978</u>	<u>422</u>	<u>28,626</u>
-	6,013	33,472
-	-	-
22,368	-	-
29	-	-
-	-	-
-	-	-
6,990	-	-
<u>29,387</u>	<u>6,013</u>	<u>33,472</u>
231	232	503
<u>231</u>	<u>232</u>	<u>503</u>
1,805	20,115	3,861
44,173	1,645	8
<u>45,978</u>	<u>21,760</u>	<u>3,869</u>
<u>75,596</u>	<u>28,005</u>	<u>37,844</u>
<u>(42,618)</u>	<u>(27,583)</u>	<u>(9,218)</u>
24,457	10,158	9,851
(1,789)	(427)	(2,364)
-	15,184	24,746
-	686	837
15	-	-
<u>22,683</u>	<u>25,601</u>	<u>33,070</u>
<u>(19,935)</u>	<u>(1,982)</u>	<u>23,852</u>
<u>44,034</u>	<u>(7,218)</u>	<u>9,699</u>
<u>\$ 24,099</u>	<u>\$ (9,200)</u>	<u>\$ 33,551</u>

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 1 OF 3)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
MAJOR FUNDS			
General Fund			
County Council	\$ 5,358	\$ -	\$ 5,358
Office of Council Administration	8,622	(43)	8,579
Office of the Hearing Examiner	608	(1)	607
Office of the Auditor	1,735	16	1,751
Ombudsman/Tax Advisor	1,154	22	1,176
King County Civic Television	652	-	652
Board of Appeals and Equalization	704	(2)	702
Office of Law Enforcement Oversight	357	-	357
Office of Economic and Financial Analysis	309	11	320
County Executive	323	-	323
Office of the Executive	3,680	(17)	3,663
Office of Management and Budget	4,300	(5)	4,295
Finance	3,903	-	3,903
Office of Strategic Planning & Performance Management	3,713	(3)	3,710
Sheriff	142,310	2,509	144,819
Sheriff - Drug Enforcement Forfeits	861	120	981
Office of Emergency Management	1,316	(9)	1,307
Executive Services Administration	2,914	13	2,927
Human Resources Management	8,346	(10)	8,336
Cable Communications	394	-	394
Real Estate Services	3,667	64	3,731
Security Screeners	2,501	-	2,501
Records and Licensing Services	11,097	3,187	14,284
Elections	18,549	(1,245)	17,304
Prosecuting Attorney	56,432	(473)	55,959
Prosecuting Attorney - Antiprofitteering	120	-	120
Superior Court	42,711	247	42,958
District Courts	26,722	679	27,401
Judicial Administration	19,560	56	19,616
State Auditor	807	-	807
Boundary Review Board	328	(1)	327
Federal Lobbying	368	-	368
Special Programs			
Memberships and Dues	427	229	656
Executive Contingency	100	(100)	-
Internal Support	7,783	2,432	10,215
Assessments	20,018	(27)	19,991
Fund Transfers			
Human Services Transfers	849	48	897
General Government Transfers	941	-	941
Public Health and EMS Transfers	26,575	92	26,667
Physical Environment Transfers	2,390	377	2,767
CIP Transfers	8,826	5,462	14,288
Jail Health Services	24,739	(62)	24,677
Adult and Juvenile Detention	126,973	(17)	126,956
Office of the Public Defender	37,545	1,494	39,039
Inmate Welfare - Adult	937	-	937
Inmate Welfare - Juvenile	7	-	7
Total of General Fund	632,531	15,043	647,574

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

VARIANCE	ACTUAL		
	TOTAL	2010 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 163	\$ 5,195	\$ 6	\$ 5,189
890	7,689	219	7,470
182	425	-	425
62	1,689	203	1,486
-	1,176	8	1,168
9	643	-	643
20	682	-	682
326	31	25	6
3	317	-	317
5	318	-	318
63	3,600	173	3,427
391	3,904	24	3,880
-	3,903	-	3,903
88	3,622	14	3,608
1,439	143,380	285	143,095
142	839	-	839
5	1,302	-	1,302
216	2,711	-	2,711
490	7,846	-	7,846
86	308	-	308
401	3,330	5	3,325
174	2,327	-	2,327
699	13,585	98	13,487
1,154	16,150	143	16,007
280	55,679	-	55,679
120	-	-	-
561	42,397	-	42,397
592	26,809	667	26,142
113	19,503	728	18,775
(93)	900	-	900
8	319	-	319
45	323	65	258
223	433	-	433
-	-	-	-
2,101	8,114	-	8,114
230	19,761	-	19,761
-	897	-	897
-	941	-	941
-	26,667	-	26,667
-	2,767	-	2,767
4,129	10,159	-	10,159
114	24,563	63	24,500
(863)	127,819	-	127,819
53	38,986	540	38,446
359	578	8	570
2	5	-	5
14,982	632,592	3,274	629,318

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 2 OF 3)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
Public Health			
Public Health	\$ 193,790	\$ 12,701	\$ 206,491
Medical Examiner	4,462	62	4,524
Total Public Health	198,252	12,763	211,015
Total for Major Funds	830,783	27,806	858,589
NONMAJOR FUNDS			
Special Revenue Funds			
JUSTICE AND SAFETY			
Automated Fingerprint Identification System	20,795	(33)	20,762
Emergency Medical Services	67,105	-	67,105
Enhanced 911 Emergency Telephone System	26,324	5,030	31,354
TOTAL JUSTICE AND SAFETY	114,224	4,997	119,221
HEALTH			
Mental Health	181,325	(12)	181,313
HUMAN POTENTIAL			
Alcoholism and Substance Abuse	28,502	(1)	28,501
Children and Family Services - DCHS	1,626	-	1,626
Children and Family Services - Operating	6,574	109	6,683
Community and Human Services Administration	2,844	(29)	2,815
Developmental Disabilities Division	26,625	(2)	26,623
Judicial Administration MIDD	1,410	-	1,410
Prosecuting Attorney MIDD	899	206	1,105
Superior Court MIDD	915	165	1,080
Sheriff MIDD	187	-	187
Office of Public Defender MIDD	1,404	291	1,695
District Court MIDD	630	253	883
Adult and Juvenile Detention MIDD	406	-	406
Jail Health Services MIDD	3,115	-	3,115
Mental Health and Substance Abuse MIDD	4,900	-	4,900
Mental Illness and Drug Dependency	38,826	(899)	37,927
Human Services Levy	13,070	-	13,070
Veterans and Family Levy	14,796	196	14,992
Veterans' Relief	2,780	-	2,780
Youth Sports Facilities Grant	1,647	1	1,648
Youth Employment Programs	12,111	(1)	12,110
TOTAL HUMAN POTENTIAL	163,267	289	163,556

VARIANCE	ACTUAL		
	TOTAL	2010 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 19,769	\$ 186,722	\$ 318	\$ 186,404
-	4,524	-	4,524
19,769	191,246	318	190,928
34,751	823,838	3,592	820,246
878	19,884	1,374	18,510
9,830	57,275	118	57,157
11,523	19,831	1,069	18,762
22,231	96,990	2,561	94,429
32,148	149,165	94	149,071
9,996	18,505	79	18,426
-	1,626	-	1,626
54	6,629	632	5,997
578	2,237	-	2,237
2,285	24,338	-	24,338
(1)	1,411	6	1,405
525	580	-	580
47	1,033	-	1,033
145	42	-	42
29	1,666	-	1,666
118	765	-	765
4	402	-	402
2	3,113	-	3,113
104	4,796	17	4,779
7,267	30,660	79	30,581
(635)	13,705	1,550	12,155
4,199	10,793	1,707	9,086
246	2,534	-	2,534
81	1,567	379	1,188
2,283	9,827	13	9,814
27,327	136,229	4,462	131,767

GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 3 OF 3)

APPROPRIATION UNIT	BUDGET		
	ORIGINAL	ADJUSTMENTS	FINAL
Special Revenue Funds-continued			
BUILT ENVIRONMENT			
Arts and Cultural Development	\$ 11,890	\$ -	\$ 11,890
Development and Environmental Services	21,996	(53)	21,943
DDES Abatement	-	424	424
Tiger Mountain Lawsuit Settlement	20	-	20
Historical Preservation Programs	-	321	321
TOTAL BUILT ENVIRONMENT	33,906	692	34,598
ENVIRONMENTAL SUSTAINABILITY			
Parks and Recreation	27,935	(86)	27,849
Expansion Levy	18,424	-	18,424
Intercounty River Improvement	50	-	50
King County Flood Control Operating Contract	36,223	37,016	73,239
Local Hazardous Waste	14,293	-	14,293
Noxious Weed Control	1,758	178	1,936
River Improvement	15	(15)	-
Water and Land Resources Shared Services	28,063	299	28,362
Surface Water Management			
Local Drainage Services	23,173	(54)	23,119
TOTAL ENVIRONMENTAL SUSTAINABILITY	149,934	37,338	187,272
SERVICE EXCELLENCE			
Recorder's Operation and Maintenance	2,917	99	3,016
FINANCIAL STEWARDSHIP			
OMB/Duncan Robert Lawsuit Administration	243	-	243
OMB/2006 Fund	250	-	250
TOTAL FINANCIAL STEWARDSHIP	493	-	493
PUBLIC ENGAGEMENT			
Animal Bequest	-	100	100
Citizen Counselor Network	137	-	137
TOTAL PUBLIC ENGAGEMENT	137	100	237
Total Nonmajor Special Revenue Funds with annual budgets	646,203	43,503	689,706
Debt Service Funds			
Limited GO Bond Redemption	161,519	-	161,519
Road Improvement Guaranty	-	-	-
Stadium GO Bond Redemption	5,732	-	5,732
Unlimited GO Bond Redemption	24,774	-	24,774
Total of debt service funds	192,025	-	192,025
Total of Governmental Funds with annual budgets	\$ 1,669,011	\$ 71,309	\$ 1,740,320

VARIANCE	ACTUAL		
	TOTAL	2010 YEAR-END ENCUMBRANCES	EXPENDITURES
\$ 1,893	\$ 9,997	\$ -	\$ 9,997
1,953	19,990	-	19,990
207	217	-	217
5	15	-	15
15	306	-	306
4,073	30,525	-	30,525
1,509	26,340	276	26,064
-	18,424	-	18,424
-	50	-	50
40,101	33,138	699	32,439
2,176	12,117	-	12,117
370	1,566	22	1,544
(15)	15	-	15
791	27,571	213	27,358
320	22,799	-	22,799
45,252	142,020	1,210	140,810
596	2,420	99	2,321
246	(3)	-	(3)
217	33	-	33
463	30	-	30
87	13	-	13
55	82	-	82
142	95	-	95
132,232	557,474	8,426	549,048
18,983	142,536	-	142,536
(42)	42	-	42
3,751	1,981	-	1,981
99	24,675	-	24,675
22,791	169,234	-	169,234
\$ 189,774	\$ 1,550,546	\$ 12,018	\$ 1,538,528

GOVERNMENTAL FUNDS WITH BIENNIAL BUDGETS
SCHEDULE OF EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2010
 (IN THOUSANDS)

<u>APPROPRIATION UNIT</u>	<u>BUDGET – 2010-11 BIENNIUM</u>		
	<u>ORIGINAL</u>	<u>ADJUSTMENTS</u>	<u>FINAL</u>
NONMAJOR FUNDS			
Special Revenue Funds			
BUILT ENVIRONMENT			
Stormwater Decant Program	\$ 1,237	\$ -	\$ 1,237
Roads	179,386	(8,329)	171,057
Roads Construction Transfer	72,398	(4,862)	67,536
ECONOMIC GROWTH			
Marine Division	<u>18,427</u>	<u>14,706</u>	<u>33,133</u>
Total of Governmental Funds with biennial budgets	<u>\$ 271,448</u>	<u>\$ 1,515</u>	<u>\$ 272,963</u>

<u>VARIANCE</u>	<u>ACTUAL – 2010-11 BIENNium</u>		
	<u>TOTAL</u>	<u>2010 YEAR-END ENCUMBRANCES</u>	<u>EXPENDITURES</u>
\$ 749	\$ 488	\$ -	\$ 488
89,563	81,494	681	80,813
32,136	35,400	-	35,400
<u>26,405</u>	<u>6,728</u>	<u>-</u>	<u>6,728</u>
<u>\$ 148,853</u>	<u>\$ 124,110</u>	<u>\$ 681</u>	<u>\$ 123,429</u>

**GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 55,685	\$ 37,283
Taxes receivable - delinquent	7,533	7,597
Accounts receivable	82,582	80,868
Estimated uncollectible accounts receivable	(73,095)	(73,009)
Interest receivable	6,829	14,323
Due from other funds	5,057	7,063
Interfund short-term loans receivable	4,731	2,859
Due from other governments	41,898	40,263
Estimated uncollectible due from other governments	(79)	(78)
Advances to other funds	<u>3,800</u>	<u>3,800</u>
TOTAL ASSETS	<u><u>\$ 134,941</u></u>	<u><u>\$ 120,969</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 8,426	\$ 6,371
Due to other funds	5,048	1,883
Interfund short-term loans payable	-	589
Due to other governments	898	167
Wages payable	15,928	15,028
Taxes payable	95	180
Deferred revenues	14,566	13,035
Custodial accounts	<u>1,737</u>	<u>1,290</u>
Total liabilities	<u>46,698</u>	<u>38,543</u>
Fund balance		
Reserved for encumbrances	3,274	3,306
Reserved for advances to other funds	3,800	3,800
Reserved for animal services	-	151
Reserved for crime victim compensation program	51	77
Reserved for criminal justice	3,570	2,494
Reserved for drug enforcement program	2,756	2,682
Reserved for antiprofitteering program	95	95
Reserved for dispute resolution centers	157	170
Reserved for inmate welfare	2,904	2,115
Reserved for real property title assurance	25	25
Unreserved		
Designated for capital projects	3,509	2,496
Designated for reappropriation	492	711
Undesignated	<u>67,610</u>	<u>64,304</u>
Total fund balance	<u>88,243</u>	<u>82,426</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 134,941</u></u>	<u><u>\$ 120,969</u></u>

NONMAJOR ENTERPRISE FUNDS

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

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

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

Aviation Reliever for Sea-Tac Airport and averages over 375,000 general aviation operations per year.

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

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

Stadium Enterprise Fund – This fund was closed in 2010.

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)

			KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE	STADIUM
	TOTAL	I-NET				
ASSETS						
Current assets						
Cash and cash equivalents	\$ 74,335	\$ 2,037	\$ 26,016	\$ 11,519	\$ 34,763	\$ -
Restricted cash and cash equivalents	212	-	212	-	-	-
Accounts receivable	13,548	103	5,653	152	7,640	-
Estimated uncollectible accounts receivable	(113)	-	(22)	-	(91)	-
Due from other funds	2,358	32	84	1	2,241	-
Due from other governments	1,944	298	1,286	49	311	-
Inventory of supplies	1,542	-	249	104	1,189	-
Total current assets	93,826	2,470	33,478	11,825	46,053	-
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	39,253	-	456	-	38,797	-
Total restricted assets	39,253	-	456	-	38,797	-
Capital assets						
Capital assets not being depreciated	78,953	-	20,913	-	58,040	-
Capital assets, net of accumulated depreciation	176,080	4,334	64,953	6,895	99,898	-
Total capital assets	255,033	4,334	85,866	6,895	157,938	-
Other noncurrent						
Deferred charges	94	-	39	-	55	-
Total noncurrent assets	294,380	4,334	86,361	6,895	196,790	-
TOTAL ASSETS	388,206	6,804	119,839	18,720	242,843	-
LIABILITIES						
Current liabilities						
Accounts payable	10,844	295	1,570	703	8,276	-
Retainage payable	190	-	190	-	-	-
Due to other funds	4,725	604	2,772	8	1,341	-
Interest payable	244	68	18	-	158	-
Wages payable	1,857	52	158	100	1,547	-
Compensated absences payable	135	3	13	4	115	-
Taxes payable	193	-	140	13	40	-
Unearned revenue	3,728	174	3,394	159	1	-
Customer deposits	265	31	22	212	-	-
General obligation bonds payable	3,449	570	415	-	2,464	-
Landfill closure and post-closure care	5,938	-	-	-	5,938	-
Total current liabilities	31,568	1,797	8,692	1,199	19,880	-
Noncurrent liabilities						
Retainage payable	31	-	31	-	-	-
Customer deposits	425	-	425	-	-	-
Compensated absences payable	5,703	145	544	154	4,860	-
Other postemployment benefits	567	10	51	16	490	-
General obligation bonds payable	43,872	2,530	5,010	-	36,332	-
Deferred bond premium/discount /refunding losses	1,768	-	206	-	1,562	-
Environmental remediation	4,433	-	4,433	-	-	-
Landfill closure and post-closure care	79,559	-	-	-	79,559	-
Total noncurrent liabilities	136,358	2,685	10,700	170	122,803	-
TOTAL LIABILITIES	167,926	4,482	19,392	1,369	142,683	-
NET ASSETS						
Invested in capital assets, net of related debt	205,944	1,234	80,235	6,895	117,580	-
Unrestricted	14,336	1,088	20,212	10,456	(17,420)	-
TOTAL NET ASSETS	\$ 220,280	\$ 2,322	\$ 100,447	\$ 17,351	\$ 100,160	\$ -

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	TOTAL	I-NET	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE	STADIUM
OPERATING REVENUES						
I-Net fees	\$ 2,820	\$ 2,820	\$ -	\$ -	\$ -	\$ -
Radio services	3,741	-	-	3,741	-	-
Solid waste disposal charges	84,877	-	-	-	84,877	-
Airfield fees	3,481	-	3,481	-	-	-
Hangar, building, and site rentals and leases	13,835	-	13,835	-	-	-
Reimbursement for services to tenants	1,673	-	1,673	-	-	-
Miscellaneous	469	21	187	261	-	-
Total operating revenues	<u>110,896</u>	<u>2,841</u>	<u>19,176</u>	<u>4,002</u>	<u>84,877</u>	<u>-</u>
OPERATING EXPENSES						
Personal services	49,411	721	4,772	1,731	42,187	-
Materials and supplies	7,872	30	549	719	6,574	-
Contract services and other charges	26,731	342	6,025	399	19,965	-
Utilities	3,498	-	1,316	148	2,034	-
Internal services	13,895	328	4,776	564	8,227	-
Depreciation and amortization	21,948	1,417	4,178	1,093	15,260	-
Total operating expenses	<u>123,355</u>	<u>2,838</u>	<u>21,616</u>	<u>4,654</u>	<u>94,247</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>(12,459)</u>	<u>3</u>	<u>(2,440)</u>	<u>(652)</u>	<u>(9,370)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)						
Interest earnings	1,150	15	232	100	802	1
Interest expense	(2,311)	(135)	(179)	-	(1,997)	-
Rental income	1,355	-	-	-	1,355	-
DNR administration revenue	3,623	-	-	-	3,623	-
DNR administration expense	(3,343)	-	-	-	(3,343)	-
Loss on disposal of capital assets	(1,419)	-	(409)	(26)	(984)	-
Landfill closure and post-closure care	19,330	-	-	-	19,330	-
Miscellaneous revenue	2,354	-	1,590	-	764	-
Miscellaneous expense	(1,741)	-	-	-	(1,268)	(473)
Total nonoperating revenues (expenses)	<u>18,998</u>	<u>(120)</u>	<u>1,234</u>	<u>74</u>	<u>18,282</u>	<u>(472)</u>
Income (loss) before contributions and transfers	6,539	(117)	(1,206)	(578)	8,912	(472)
Capital grants and contributions	6,161	7	5,300	204	650	-
Transfers in	574	-	-	574	-	-
Transfers out	(1,565)	(1,270)	(7)	(18)	(161)	(109)
CHANGE IN NET ASSETS	<u>11,709</u>	<u>(1,380)</u>	<u>4,087</u>	<u>182</u>	<u>9,401</u>	<u>(581)</u>
NET ASSETS - JANUARY 1, 2010	<u>208,571</u>	<u>3,702</u>	<u>96,360</u>	<u>17,169</u>	<u>90,759</u>	<u>581</u>
NET ASSETS - DECEMBER 31, 2010	<u>\$ 220,280</u>	<u>\$ 2,322</u>	<u>\$ 100,447</u>	<u>\$ 17,351</u>	<u>\$ 100,160</u>	<u>\$ -</u>

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 1 OF 2)

			KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE	STADIUM
	TOTAL	I-NET				
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 108,311	\$ 2,628	\$ 18,538	\$ 4,583	\$ 82,562	\$ -
Cash payments to suppliers for goods and services	(49,898)	(628)	(14,517)	(1,444)	(33,309)	-
Cash payments for employee services	(48,665)	(688)	(4,722)	(1,677)	(41,578)	-
Other receipts	5,742	-	-	-	5,742	-
Other payments	(4,611)	-	-	-	(4,611)	-
Net cash provided (used) by operating activities	10,879	1,312	(701)	1,462	8,806	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	574	-	-	574	-	-
Transfers out	(1,565)	(1,270)	(7)	(18)	(161)	(109)
Net cash provided (used) by noncapital financing activities	(991)	(1,270)	(7)	556	(161)	(109)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(19,554)	-	(1,906)	(2,327)	(15,321)	-
Principal paid on capital debt	(4,915)	(550)	(495)	-	(3,870)	-
Interest paid on capital debt	(2,423)	(150)	(188)	-	(2,085)	-
Capital grants received	7,691	-	5,848	1,843	-	-
Proceeds from disposal of capital assets	665	-	15	-	650	-
Landfill closure and post-closure care	(3,324)	-	-	-	(3,324)	-
Net cash provided (used) by capital and related financing activities	(21,860)	(700)	3,274	(484)	(23,950)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments (including unrealized gains and losses reported as cash and cash equivalents)	1,150	15	232	100	802	1
Net cash provided by investing activities	1,150	15	232	100	802	1
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,822)	(643)	2,798	1,634	(14,503)	(108)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2010	124,622	2,680	23,886	9,885	88,063	108
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2010	<u>\$ 113,800</u>	<u>\$ 2,037</u>	<u>\$ 26,684</u>	<u>\$ 11,519</u>	<u>\$ 73,560</u>	<u>\$ -</u>

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 2 OF 2)

	TOTAL	I-NET	KING COUNTY INTER- NATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE	STADIUM
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (12,459)	\$ 3	\$ (2,440)	\$ (652)	\$ (9,370)	\$ -
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Depreciation and amortization	21,948	1,417	4,178	1,093	15,260	-
Other nonoperating revenue/expense	2,723	-	1,590	-	1,133	-
Changes in assets - (increase) decrease						
Accounts receivable, net	(2,108)	35	(118)	124	(2,149)	-
Due from other funds	156	29	(5)	276	(144)	-
Due from other governments	(392)	(236)	-	-	(156)	-
Inventory of supplies	(213)	-	(72)	(7)	(134)	-
Changes in liabilities - increase (decrease)						
Accounts payable	2,994	(18)	(1,059)	441	3,630	-
Retainage payable	(41)	-	(41)	-	-	-
Due to other funds	212	91	38	(49)	132	-
Wages payable	80	6	3	27	44	-
Taxes payable	(26)	-	(10)	(10)	(6)	-
Unearned revenues	-	(72)	(88)	159	1	-
Compensated absences	521	24	34	23	440	-
Other postemployment benefits	144	2	13	4	125	-
Customer deposits and other liabilities	(2,660)	31	(2,724)	33	-	-
Total Adjustments	23,338	1,309	1,739	2,114	18,176	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 10,879	\$ 1,312	\$ (701)	\$ 1,462	\$ 8,806	\$ -

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

The King County International Airport issued capital bonds. The bond proceeds of \$5,691 thousand were placed in escrow for the defeasance of \$5,280 thousand of outstanding bond principal.

The Stadium Fund contributed land to the general government in the amount of \$473 thousand.



INTERNAL SERVICE FUNDS

Building Development and Management Corporations Fund – An administrative fund created to report the net assets and activities of four nonprofit corporations created to develop, construct, manage and finance office buildings for county use.

Construction and Facilities Management Fund – Accounts for custodial services, building maintenance, and CIP project management. The fund also provides printing, copying, and bindery services.

DES Equipment Replacement Fund – Accounts for the purchase and replacement of personal computers for the agencies in King County Department of Executive Services.

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

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

Office of Information Resource Management Operating Fund – Accounts for countywide information technology strategic planning and project management oversight.

Information and Telecommunications Services Fund – Consists of two subfunds that account for data processing and telecommunications services provided to King County and other contracting agencies. The Data Processing Services subfund is responsible for the wide area data network, applications development and support, data center operations, database and server maintenance, server hosting, internet access, web infrastructure, help desk operations, and equipment replacement services. The Telecommunications Services subfund is responsible for managing desktop and wireless

telephony services. This includes billing, inventory, maintenance and replacement of telephone systems, managing calling card and long distance services, and providing consulting services on a time-available basis to County telephone users.

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

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

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

Printing/Graphic Arts Services Fund – Effective January 1, 2008, printing and duplicating services were moved to the Construction and Facilities Management Fund. The fund is slated for closure in 2011.

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

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

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

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 1 OF 3)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT
ASSETS				
Current assets				
Cash and cash equivalents	\$ 267,361	\$ 4,484	\$ 8,515	\$ 1,275
Restricted cash and cash equivalents	1,519	1,519	-	-
Investments	551	-	-	-
Interest receivable	20	20	-	-
Accounts receivable	1,493	258	-	-
Estimated uncollectible accounts receivable	(2)	-	-	-
Due from other funds	4,189	-	879	132
Due from other governments, net	571	-	144	-
Inventory of supplies	1,397	-	242	-
Prepayments	2,609	56	-	-
Total current assets	<u>279,708</u>	<u>6,337</u>	<u>9,780</u>	<u>1,407</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	10,055	10,055	-	-
Accounts receivable	414	414	-	-
Total restricted assets	<u>10,469</u>	<u>10,469</u>	<u>-</u>	<u>-</u>
Capital assets				
Capital assets not being depreciated	20,395	20,395	-	-
Capital assets, net of accumulated depreciation	370,199	339,886	960	-
Total capital assets	<u>390,594</u>	<u>360,281</u>	<u>960</u>	<u>-</u>
Deferred charges	4,339	4,339	-	-
Total noncurrent assets	<u>405,402</u>	<u>375,089</u>	<u>960</u>	<u>-</u>
TOTAL ASSETS	<u>685,110</u>	<u>381,426</u>	<u>10,740</u>	<u>1,407</u>
LIABILITIES				
Current liabilities				
Accounts payable	7,681	1,407	656	5
Retainage payable	120	-	120	-
Claims and judgments payable	2,237	-	-	-
Estimated claim settlements	99,784	-	-	-
Due to other funds	1,515	-	584	-
Interest payable	1,621	1,621	-	-
Wages payable	3,630	-	1,020	-
Compensated absences payable	662	-	191	-
Taxes payable	11	-	8	-
Unearned revenues	2,217	1,426	-	-
General obligation bonds payable	125	-	125	-
Revenue bonds payable	10,465	10,465	-	-
Custodial accounts	1,481	-	-	-
Total current liabilities	<u>131,549</u>	<u>14,919</u>	<u>2,704</u>	<u>5</u>
Long-term liabilities				
Compensated absences payable	10,862	-	3,135	-
Other postemployment benefits	995	-	388	-
Revenue bonds payable	385,525	385,525	-	-
Estimated claim settlements	63,541	-	-	-
Total long-term liabilities	<u>460,923</u>	<u>385,525</u>	<u>3,523</u>	<u>-</u>
TOTAL LIABILITIES	<u>592,472</u>	<u>400,444</u>	<u>6,227</u>	<u>5</u>
NET ASSETS				
Invested in capital assets, net of related debt	(1,182)	(31,370)	835	-
Restricted for:				
Capital projects	218	218	-	-
Debt Service	11,770	11,770	-	-
Unrestricted	81,832	364	3,678	1,402
TOTAL NET ASSETS	<u>\$ 92,638</u>	<u>\$ (19,018)</u>	<u>\$ 4,513</u>	<u>\$ 1,402</u>

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 2 OF 3)

EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INFORMATION & TELECOM- MUNICATIONS SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	MOTOR POOL EQUIPMENT RENTAL
\$ 46,818	\$ 7,273	\$ 2,718	\$ 10,312	\$ 84,936	\$ 1,348	\$ 7,007
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
789	79	-	68	297	2	-
-	-	-	(2)	-	-	-
59	142	10	864	36	67	43
354	12	-	11	-	-	-
-	-	-	-	-	-	92
-	107	-	-	2,446	-	-
<u>48,020</u>	<u>7,613</u>	<u>2,728</u>	<u>11,253</u>	<u>87,715</u>	<u>1,417</u>	<u>7,142</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,420	421	-	463	3	119	11,654
2,420	421	-	463	3	119	11,654
-	-	-	-	-	-	-
2,420	421	-	463	3	119	11,654
<u>50,440</u>	<u>8,034</u>	<u>2,728</u>	<u>11,716</u>	<u>87,718</u>	<u>1,536</u>	<u>18,796</u>
1,577	572	14	1,297	201	3	224
-	-	-	-	-	-	-
-	-	-	-	2,237	-	-
18,851	-	-	-	65,043	-	-
82	132	141	255	-	72	163
-	-	-	-	-	-	-
64	937	176	794	88	164	57
14	175	31	126	20	22	11
-	-	-	1	-	1	-
691	-	-	100	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
317	-	-	146	1,018	-	-
<u>21,596</u>	<u>1,816</u>	<u>362</u>	<u>2,719</u>	<u>68,607</u>	<u>262</u>	<u>455</u>
229	2,873	512	2,059	324	361	178
14	235	28	155	24	34	22
-	-	-	-	-	-	-
-	-	-	-	-	-	-
243	3,108	540	2,214	348	395	200
<u>21,839</u>	<u>4,924</u>	<u>902</u>	<u>4,933</u>	<u>68,955</u>	<u>657</u>	<u>655</u>
2,420	421	-	463	3	119	11,654
-	-	-	-	-	-	-
-	-	-	-	-	-	-
26,181	2,689	1,826	6,320	18,760	760	6,487
<u>\$ 28,601</u>	<u>\$ 3,110</u>	<u>\$ 1,826</u>	<u>\$ 6,783</u>	<u>\$ 18,763</u>	<u>\$ 879</u>	<u>\$ 18,141</u>

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 3 OF 3)

	PRINTING/ GRAPHIC ARTS SERVICES	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
ASSETS				
Current assets				
Cash and cash equivalents	\$ 25	\$ 5,086	\$ 78,257	\$ 9,307
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	551	-
Interest receivable	-	-	-	-
Accounts receivable	-	-	-	-
Estimated uncollectible accounts receivable	-	-	-	-
Due from other funds	-	552	1,403	2
Due from other governments, net	-	50	-	-
Inventory of supplies	-	1,061	-	2
Prepayments	-	-	-	-
Total current assets	25	6,749	80,211	9,311
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	-	-	-	-
Accounts receivable	-	-	-	-
Total restricted assets	-	-	-	-
Capital assets				
Capital assets not being depreciated	-	-	-	-
Capital assets, net of accumulated depreciation	-	12,302	1	1,970
Total capital assets	-	12,302	1	1,970
Deferred charges	-	-	-	-
Total noncurrent assets	-	12,302	1	1,970
TOTAL ASSETS	25	19,051	80,212	11,281
LIABILITIES				
Current liabilities				
Accounts payable	-	282	1,390	53
Retainage payable	-	-	-	-
Claims and judgments payable	-	-	-	-
Estimated claim settlements	-	-	15,890	-
Due to other funds	-	29	2	55
Interest payable	-	-	-	-
Wages payable	-	185	145	-
Compensated absences payable	-	50	22	-
Taxes payable	-	1	-	-
Unearned revenues	-	-	-	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Custodial accounts	-	-	-	-
Total current liabilities	-	547	17,449	108
Long-term liabilities				
Compensated absences payable	-	830	361	-
Other postemployment benefits	-	64	31	-
Revenue bonds payable	-	-	-	-
Estimated claim settlements	-	-	63,541	-
Total long-term liabilities	-	894	63,933	-
TOTAL LIABILITIES	-	1,441	81,382	108
NET ASSETS				
Invested in capital assets, net of related debt	-	12,302	1	1,970
Restricted for:				
Capital projects	-	-	-	-
Debt Service	-	-	-	-
Unrestricted	25	5,308	(1,171)	9,203
TOTAL NET ASSETS	\$ 25	\$ 17,610	\$ (1,170)	\$ 11,173

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 1 OF 3)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM
OPERATING REVENUES					
Profit (loss) on inventory sales					
Sales of inventory	\$ 7,731	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	(6,890)	-	-	-	-
Gross profit (loss) on inventory	841	-	-	-	-
Data processing services - intracounty	25,219	-	-	-	-
Data processing services - other	397	-	-	-	-
Telecommunication services	2,054	-	-	-	-
Information resources management fees	5,475	-	-	-	-
Geographic information systems fees	4,108	-	-	-	-
Building management fees	28,959	28,959	-	-	-
Building operation and maintenance service fees	34,573	-	34,573	-	-
Architect/engineering/renovation service fees	8,092	-	8,092	-	-
Benefit program employer contributions	197,158	-	-	-	197,158
Benefit program employee fees	12,253	-	-	-	12,253
Financial services	28,646	-	-	-	-
Insurance services	25,578	-	-	-	-
Equipment rental fees	21,045	-	-	-	-
Fixed asset data management services	394	-	-	-	-
Garage shop services	442	-	-	-	-
Printing and duplication	1,299	-	1,299	-	-
Workers' compensation employer contributions	40,472	-	-	-	-
Miscellaneous	1,226	99	314	376	83
Total operating revenues	438,231	29,058	44,278	376	209,494
OPERATING EXPENSES					
Personal services	84,147	-	28,074	-	1,726
Materials and supplies	10,786	26	2,152	159	17
Contract services and other charges	279,732	6,251	8,119	-	203,757
Lease and maintenance of equipment	7,553	-	2,353	180	2
Internal services	22,807	-	3,585	65	403
Depreciation and amortization	17,935	9,717	247	-	346
Total operating expenses	422,960	15,994	44,530	404	206,251
OPERATING INCOME (LOSS)	15,271	13,064	(252)	(28)	3,243
NONOPERATING REVENUES					
Intergovernmental	37	-	-	-	-
Interest	2,807	302	107	10	417
Total nonoperating revenues	2,844	302	107	10	417
NONOPERATING EXPENSES					
Interest	19,675	19,664	11	-	-
(Gain) loss on disposal of capital assets	(481)	-	44	-	-
Miscellaneous	955	434	35	-	-
Total nonoperating expenses	20,149	20,098	90	-	-
Income (loss) before contributions and transfers	(2,034)	(6,732)	(235)	(18)	3,660
Capital grants and contributions	1,137	-	122	-	-
Transfers in	1,054	-	16	-	-
Transfers out	(2,217)	-	(836)	-	-
CHANGE IN NET ASSETS	(2,060)	(6,732)	(933)	(18)	3,660
NET ASSETS - JANUARY 1, 2010	94,698	(12,286)	5,446	1,420	24,941
NET ASSETS - DECEMBER 31, 2010	\$ 92,638	\$ (19,018)	\$ 4,513	\$ 1,402	\$ 28,601

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 2 OF 3)

	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INFORMATION & TELECOM- MUNICATIONS SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS
OPERATING REVENUES					
Profit (loss) on inventory sales					
Sales of inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-	-
Gross profit (loss) on inventory	-	-	-	-	-
Data processing services - intracounty	-	-	25,219	-	-
Data processing services - other	-	-	397	-	-
Telecommunication services	-	-	2,054	-	-
Information resources management fees	-	5,475	-	-	-
Geographic information systems fees	-	-	-	-	4,108
Building management fees	-	-	-	-	-
Building operation and maintenance service fees	-	-	-	-	-
Architect/engineering/renovation service fees	-	-	-	-	-
Benefit program employer contributions	-	-	-	-	-
Benefit program employee fees	-	-	-	-	-
Financial services	28,646	-	-	-	-
Insurance services	-	-	-	25,578	-
Equipment rental fees	-	-	-	-	-
Fixed asset data management services	-	-	-	-	-
Garage shop services	-	-	-	-	-
Printing and duplication	-	-	-	-	-
Workers' compensation employer contributions	-	-	-	-	-
Miscellaneous	122	3	26	-	3
Total operating revenues	28,768	5,478	27,696	25,578	4,111
OPERATING EXPENSES					
Personal services	19,981	3,447	15,525	2,142	3,337
Materials and supplies	242	47	1,396	12	88
Contract services and other charges	1,475	249	2,129	31,228	488
Lease and maintenance of equipment	1,154	60	3,063	73	-
Internal services	6,989	2,014	4,007	1,891	354
Depreciation and amortization	183	-	176	1	50
Total operating expenses	30,024	5,817	26,296	35,347	4,317
OPERATING INCOME (LOSS)	(1,256)	(339)	1,400	(9,769)	(206)
NONOPERATING REVENUES					
Intergovernmental	-	-	-	-	37
Interest	226	28	-	836	-
Total nonoperating revenues	226	28	-	836	37
NONOPERATING EXPENSES					
Interest	-	-	-	-	-
(Gain) loss on disposal of capital assets	7	-	30	-	-
Miscellaneous	17	5	440	-	-
Total nonoperating expenses	24	5	470	-	-
Income (loss) before contributions and transfers	(1,054)	(316)	930	(8,933)	(169)
Capital grants and contributions	-	-	-	-	-
Transfers in	-	-	900	-	-
Transfers out	-	(10)	(1,233)	-	-
CHANGE IN NET ASSETS	(1,054)	(326)	597	(8,933)	(169)
NET ASSETS - JANUARY 1, 2010	4,164	2,152	6,186	27,696	1,048
NET ASSETS - DECEMBER 31, 2010	\$ 3,110	\$ 1,826	\$ 6,783	\$ 18,763	\$ 879

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 3 OF 3)

MOTOR POOL EQUIPMENT RENTAL	PRINTING/ GRAPHIC ARTS SERVICES	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
\$ 1,692	\$ -	\$ 5,973	\$ -	\$ 66
(1,979)	-	(4,760)	-	(151)
(287)	-	1,213	-	(85)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,633	-	8,084	-	2,328
-	-	394	-	-
85	-	357	-	-
-	-	-	-	-
-	-	-	40,472	-
57	-	103	37	3
10,488	-	10,151	40,509	2,246
2,009	-	4,669	3,033	204
3,668	-	2,620	54	305
148	-	261	25,622	5
329	-	170	131	38
992	-	759	1,668	80
3,854	-	2,673	5	683
11,000	-	11,152	30,513	1,315
(512)	-	(1,001)	9,996	931
-	-	-	-	-
60	-	57	680	84
60	-	57	680	84
-	-	-	-	-
(216)	-	(271)	-	(75)
14	-	9	-	1
(202)	-	(262)	-	(74)
(250)	-	(682)	10,676	1,089
586	-	388	-	41
138	-	-	-	-
-	-	(36)	-	(102)
474	-	(330)	10,676	1,028
17,667	25	17,940	(11,846)	10,145
\$ 18,141	\$ 25	\$ 17,610	\$ (1,170)	\$ 11,173

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 1 OF 3)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from users	\$ 451,044	\$ 36,058	\$ 43,656	\$ 48
Cash payments to suppliers for goods and services	(315,852)	(5,960)	(17,677)	(445)
Cash payments for employee services	(83,129)	-	(27,673)	-
Other operating revenues	1,226	99	314	376
Net cash provided (used) by operating activities	53,289	30,197	(1,380)	(21)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies received	38	-	-	-
Transfers in	1,054	-	16	-
Transfers out	(2,217)	-	(836)	-
Net cash provided (used) by noncapital financing activities	(1,125)	-	(820)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(14,133)	(6,648)	(98)	-
Principal paid on general obligation bonds	(120)	-	(120)	-
Interest paid on general obligation bonds	(10)	-	(10)	-
Principal paid on revenue bonds	(6,465)	(6,465)	-	-
Interest paid on revenue bonds	(19,689)	(19,689)	-	-
Principal paid on assessment	(30)	-	(30)	-
Interest paid on assessment	(4)	-	(4)	-
Capital grants and contributions	196	-	-	-
Proceeds from disposal of capital assets	889	-	2	-
Net cash used by capital and related financing activities	(39,366)	(32,802)	(260)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments (Including unrealized gains/losses reported as cash and cash equivalents)	2,811	307	107	10
Proceeds from sales of investments	9,609	5,181	-	-
Net cash provided by investing activities	12,420	5,488	107	10
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,218	2,883	(2,353)	(11)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2010	253,717	13,175	10,868	1,286
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2010	<u>\$ 278,935</u>	<u>\$ 16,058</u>	<u>\$ 8,515</u>	<u>\$ 1,275</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 15,271	\$ 13,064	\$ (252)	\$ (28)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation and amortization	17,935	9,717	247	-
Change in assets - (increase) decrease				
Accounts receivable, net	4,991	5,673	9	-
Due from other funds	263	-	(215)	48
Due from other governments, net	243	-	(102)	-
Inventory of supplies	236	-	(2)	-
Prepayments	2,979	3	-	-
Change in liabilities - increase (decrease)				
Accounts payable	(3,436)	314	(1,761)	(41)
Retainage payable	78	-	78	-
Claims and judgments payable	2,237	-	-	-
Estimated claim settlements	10,396	-	-	-
Due to other funds	(559)	-	226	-
Due to other governments	(9)	-	(9)	-
Wages payable	329	-	125	-
Taxes payable	(4)	-	-	-
Custodial accounts	216	-	-	-
Unearned revenues	1,434	1,426	-	-
Compensated absences payable	447	-	181	-
Other postemployment benefits	242	-	95	-
Total adjustments	38,018	17,133	(1,128)	7
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 53,289</u>	<u>\$ 30,197</u>	<u>\$ (1,380)</u>	<u>\$ (21)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ 891	\$ -	\$ 122	\$ -
Contributions of capital assets to government	521	-	35	-

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 2 OF 3)

EMPLOYEE BENEFITS PROGRAM	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INFORMATION & TELECOM- MUNICATIONS SERVICES	INSURANCE	KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	MOTOR POOL EQUIPMENT RENTAL
\$ 209,563	\$ 29,267	\$ 5,469	\$ 29,032	\$ 25,267	\$ 4,077	\$ 12,586
(199,464)	(9,832)	(2,680)	(12,539)	(25,630)	(911)	(6,995)
(1,732)	(19,752)	(3,489)	(15,443)	(2,073)	(3,252)	(1,991)
83	122	3	26	-	3	57
8,450	(195)	(697)	1,076	(2,436)	(83)	3,657
-	-	-	-	-	38	-
-	-	-	900	-	-	138
-	-	(10)	(1,233)	-	-	-
-	-	(10)	(333)	-	38	138
-	(20)	-	(102)	-	(42)	(3,696)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	12
-	-	-	-	-	-	415
-	(20)	-	(102)	-	(42)	(3,269)
417	225	28	-	836	-	60
-	-	-	-	-	-	-
417	225	28	-	836	-	60
8,867	10	(679)	641	(1,600)	(87)	586
37,951	7,263	3,397	9,671	86,536	1,435	6,421
\$ 46,818	\$ 7,273	\$ 2,718	\$ 10,312	\$ 84,936	\$ 1,348	\$ 7,007
\$ 3,243	\$ (1,256)	\$ (339)	\$ 1,400	\$ (9,769)	\$ (206)	\$ (512)
346	183	-	176	1	50	3,854
(312)	(79)	-	(3)	(297)	-	-
564	204	(6)	1,198	(22)	(31)	176
(175)	501	-	19	-	-	-
-	-	-	-	-	-	(24)
-	(6)	-	-	2,982	-	-
(547)	117	6	(1,684)	(28)	(7)	34
-	-	-	-	-	-	-
-	-	-	-	2,237	-	-
5,380	-	-	-	2,402	-	-
(118)	(82)	(316)	(256)	(19)	26	111
-	-	-	-	-	-	-
(3)	(10)	17	88	21	29	3
-	(1)	-	(2)	-	-	-
62	-	-	146	8	-	-
13	(5)	-	-	-	-	-
(7)	183	(67)	(42)	42	48	10
4	56	8	36	6	8	5
5,207	1,061	(358)	(324)	7,333	123	4,169
\$ 8,450	\$ (195)	\$ (697)	\$ 1,076	\$ (2,436)	\$ (83)	\$ 3,657
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 574
-	17	5	440	-	-	14

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 3 OF 3)

	PRINTING/ GRAPHIC ARTS SERVICES	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from users	\$ -	\$ 14,535	\$ 39,091	\$ 2,395
Cash payments to suppliers for goods and services	(1)	(8,614)	(24,473)	(631)
Cash payments for employee services	-	(4,546)	(2,974)	(204)
Other operating revenues	-	103	37	3
Net cash provided (used) by operating activities	(1)	1,478	11,681	1,563
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies received	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(36)	-	(102)
Net cash provided (used) by noncapital financing activities	-	(36)	-	(102)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(3,293)	-	(234)
Principal paid on general obligation bonds	-	-	-	-
Interest paid on general obligation bonds	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Interest paid on revenue bonds	-	-	-	-
Principal paid on assessment	-	-	-	-
Interest paid on assessment	-	-	-	-
Capital grants and contributions	-	184	-	-
Proceeds from disposal of capital assets	-	389	-	83
Net cash used by capital and related financing activities	-	(2,720)	-	(151)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments (Including unrealized gains/losses reported as cash and cash equivalents)	-	57	680	84
Proceeds from sales of investments	-	-	4,428	-
Net cash provided by investing activities	-	57	5,108	84
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1)	(1,221)	16,789	1,394
CASH AND CASH EQUIVALENTS - JANUARY 1, 2010	26	6,307	61,468	7,913
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2010	<u>\$ 25</u>	<u>\$ 5,086</u>	<u>\$ 78,257</u>	<u>\$ 9,307</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ -	\$ (1,001)	\$ 9,996	\$ 931
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation and amortization	-	2,673	5	683
Change in assets - (increase) decrease				
Accounts receivable, net	-	-	-	-
Due from other funds	-	(273)	(1,381)	1
Due from other governments, net	-	-	-	-
Inventory of supplies	-	259	-	3
Prepayments	-	-	-	-
Change in liabilities - increase (decrease)				
Accounts payable	-	(272)	391	42
Retainage payable	-	-	-	-
Claims and judgments payable	-	-	-	-
Estimated claim settlements	-	-	2,614	-
Due to other funds	-	(31)	(3)	(97)
Due to other governments	-	-	-	-
Wages payable	-	18	41	-
Taxes payable	(1)	-	-	-
Custodial accounts	-	-	-	-
Unearned revenues	-	-	-	-
Compensated absences payable	-	89	10	-
Other postemployment benefits	-	16	8	-
Total adjustments	(1)	2,479	1,685	632
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1)</u>	<u>\$ 1,478</u>	<u>\$ 11,681</u>	<u>\$ 1,563</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ -	\$ 154	\$ -	\$ 41
Contributions of capital assets to government	-	9	-	1

INVESTMENT TRUST FUNDS

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

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

External Impaired Investment Pool Trust Fund – Accounts for the investment activity conducted by King County on behalf of legally separate

entities such as special districts and public authorities other than component units that participate in the County's investment pool. Effective September 1, 2008, certain impaired investments were separated from the main pool. During 2009 the County completed the restructuring of all the impaired assets in the Impaired Investment Pool Fund.

Individual Investment Accounts Trust Fund – Accounts for investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities other than component units having investments with the County that are not in the County's investment pool.

INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(IN THOUSANDS)

	TOTAL	EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
ASSETS				
Investments at fair value				
Certificates of deposit	\$ 127	\$ -	\$ -	\$ 127
Commercial paper	9,994	-	9,994	-
Repurchase agreements	196,620	196,620	-	-
Taxable municipal notes	8,597	8,597	-	-
U.S. Treasury bills	538,954	538,954	-	-
U.S. Treasury notes	609,560	608,802	-	758
U.S. Agency notes	465,153	465,153	-	-
U.S. Agency zero coupon notes	10,792	10,792	-	-
U.S. Agency discount notes	522,213	522,213	-	-
U.S. Agency collateralized mortgage obligations	19,358	19,358	-	-
State Treasurer's investment pool	277,086	277,086	-	-
Total investments	2,658,454	2,647,575	9,994	885
Interest receivable	1,400	1,394	-	6
TOTAL ASSETS	2,659,854	2,648,969	9,994	891
NET ASSETS				
Held in trust for pool participants	2,648,969	2,648,969	-	-
Held in trust for pool participants - impaired	9,994	-	9,994	-
Held in trust for individual investment account participants	891	-	-	891
TOTAL NET ASSETS	\$ 2,659,854	\$ 2,648,969	\$ 9,994	\$ 891

INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	TOTAL	EXTERNAL INVESTMENT POOL	EXTERNAL IMPAIRED INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
ADDITIONS				
Contributions	\$ 8,417,320	\$ 8,417,195	\$ -	\$ 125
Net investment earnings (losses)				
Interest	24,655	24,036	-	619
Increase (decrease) in the fair value of investments	58	(1,547)	3,941	(2,336)
TOTAL ADDITIONS	8,442,033	8,439,684	3,941	(1,592)
DEDUCTIONS				
Distributions	8,308,361	8,256,290	3,093	48,978
Change in net assets	133,672	183,394	848	(50,570)
Net assets - January 1, 2010	2,526,182	2,465,575	9,146	51,461
Net assets - December 31, 2010	\$ 2,659,854	\$ 2,648,969	\$ 9,994	\$ 891

AGENCY FUNDS

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

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

AGENCY FUNDS – COUNTY GOVERNMENT

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

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

King County Fiscal Agent / Debt Service Funds – Funds established to account for money held by King County as fiscal agent for the payment of debt service on bonds.

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

Miscellaneous Property Tax Funds – Various property tax funds used to process and distribute real and personal property tax refunds authorized by the County Treasurer; to account for proceeds of foreclosure sales in excess of delinquent taxes, interest, penalties, and costs; and to account for required prepayment of real property taxes when a property owner plats a parcel of property. These

funds are also used to record property tax payments in excess of liability and to process related refunds to taxpayers; to suspend tax receipts requiring further identification or additional payment before they can be distributed; and to distribute assessment and interest payments of local improvement districts and to process assessment refunds.

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

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

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

Warrant Redemption Fund – Utilized to redeem warrants of King County and special districts and to make distribution to applicable issuing funds.

AGENCY FUNDS – SPECIAL DISTRICTS/OTHER GOVERNMENTS

King County utilized approximately 680 active funds in 2010 to account for the resources of 154 special districts/other governments and related liabilities of King County.

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

the cities, towns, and State of Washington are remitted to their respective treasurers.

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

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

Fire Districts – In King County there are 30 fire protection districts. The primary purpose of these districts is to provide fire prevention and suppression services and to offer emergency medical services to protect life and property in areas outside cities and towns, except where the cities and towns have been annexed into a fire protection district. These districts are governed by elected Boards of Fire Commissioners.

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

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

King County Library System – This district serves the public through 47 community libraries, The Traveling Library Center, a mobile tech lab, two children's bookmobiles, and one institutional library in the King County Juvenile Detention Center. All unincorporated areas of the County are a part of the library district as are all cities in the County except for Seattle, Renton, Enumclaw, Hunt's Point, and Yarrow Point.

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

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

- Puget Sound Regional Council – The regional planning and decision-making body for growth and transportation issues in the counties of King, Kitsap, Pierce, and Snohomish. Its primary goal is to plan for the growth and development of the region, including transportation planning, and to seek solutions to problems crossing political boundaries. It is governed by a general assembly and its executive board. Each member of the board is a voting member.
- Puget Sound Clean Air Agency – An air pollution control authority under the Washington Clean Air Act for the counties of King, Kitsap, Pierce, and Snohomish. The agency is governed by a nine-member board composed mainly of elected officials from the four county jurisdictions. Its major responsibility is the implementation of the Washington Clean Air Act. This responsibility has been delegated to the agency by both the State of Washington and the Federal Environmental Protection Agency.
- Drainage Districts – There are six districts in this category. They were established to ditch, dike, and provide pumping facilities for flood-prone or low-lying lands.
- Cemetery District No. 1 – Formed in 1978 to improve and maintain a public cemetery on Vashon Island that was originally established in 1888 by a private association.
- Vashon-Maury Island Park and Recreation District – Established to develop and operate park and recreational facilities on Vashon-Maury Island.
- Law Library – A comprehensive library of approximately 90,000 law books located on the sixth floor of the King County Courthouse. Its branch at the Maleng Regional Justice Center in Kent has

approximately 15,000 volumes. The library is governed by a five-member Board of Trustees and is financed by a portion of all District and Superior Court civil filing fees.

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

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

School Districts – Public education in King County from pre-kindergarten through grade 12 is provided by 19 school districts, each governed by an elected Board of Directors and administered by a superintendent. In 2010, enrollments showed approximately 264,000 students attending 485 elementary, middle, junior high, senior high, special, and alternative schools. Puget Sound Educational Service District (PSESD), whose financial reporting is included in the School District Combining Statement of Fiduciary Assets and Liabilities, serves 35 school districts and more than 200 private schools in King and Pierce Counties plus Bainbridge Island in Kitsap County. The PSESD is governed by a nine-member Board of Directors and administered by a superintendent. The PSESD assists public and private schools in its region through program and staff development; early childhood programs; administrative and instructional support; technical assistance; business, financial and state reporting services; and direct service to children and families. A complete list of services and programs can be found online at www.psesd.org.

Sewer and Water Districts – There are 14 sewer and water districts in King County. The principal purpose of these districts is to protect public health

and to improve water quality by constructing, maintaining, and operating sewer systems. The districts may also provide water, storm drainage, street lighting, lake rehabilitation, and onsite systems management. Each district is governed by an elected three-member Board of Commissioners.

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

Washington State Public Stadium Authority – This agency was established in 1997 to oversee the construction of a new football stadium and an exhibition center. It is governed by a seven-member board appointed by the Governor.

Water Districts – In King County there are 23 water districts. The primary purpose of the districts is to provide consumers with the highest quality drinking water at the lowest possible cost. Each district is governed by a board with power to acquire, construct, maintain, and operate water supply systems.

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
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	TOTAL AGENCY FUNDS			
	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
ASSETS				
Cash and cash equivalents	\$ 122,717	\$ 24,000,034	\$ 24,016,658	\$ 106,093
Assets held in trust - external investment pool	2,465,575	2,648,968	2,465,574	2,648,969
Assets held in trust - external impaired investment pool	9,146	4,746	3,898	9,994
Investments	4,711	2,895	4,816	2,790
Assets held in trust - individual investment accounts	51,461	891	51,461	891
Taxes receivable - delinquent	79,098	61,678	61,690	79,086
Accounts receivable	5,911	6,491	4,939	7,463
Assessments receivable	8,082	68	1,064	7,086
Notes and contracts receivable	53	-	1	52
TOTAL ASSETS	\$ 2,746,754	\$ 26,725,771	\$ 26,610,101	\$ 2,862,424
LIABILITIES				
Warrants payable	\$ 92,981	\$ 6,496,592	\$ 6,516,424	\$ 73,149
Accounts payable	569	247,867	247,991	445
Wages payable	3,961	1,147,687	1,147,745	3,903
Custodial accounts - County agencies	57,380	4,792,882	4,798,521	51,741
Due to special districts/other governments	2,591,863	18,116,772	17,975,449	2,733,186
TOTAL LIABILITIES	\$ 2,746,754	\$ 30,801,800	\$ 30,686,130	\$ 2,862,424

ASSETS
Cash and cash equivalents
Assets held in trust - external investment pool
Assets held in trust - external impaired investment pool
Investments
Assets held in trust - individual investment accounts
Taxes receivable - delinquent
Accounts receivable
Assessments receivable
Notes and contracts receivable
TOTAL ASSETS

LIABILITIES
Warrants payable
Accounts payable
Wages payable
Custodial accounts - County agencies
Due to special districts/other governments
TOTAL LIABILITIES

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
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ENHANCED 911 PSAP ESCROW				KING COUNTY FISCAL AGENT / DEBT SERVICE			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ 11,183	\$ 8,153	\$ 9,825	\$ 9,511	\$ -	\$ 818,393	\$ 818,393	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 11,183</u>	<u>\$ 8,153</u>	<u>\$ 9,825</u>	<u>\$ 9,511</u>	<u>\$ -</u>	<u>\$ 818,393</u>	<u>\$ 818,393</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
111	9,059	8,860	310	-	-	-	-
-	-	-	-	-	-	-	-
11,072	8,310	10,181	9,201	-	818,393	818,393	-
-	-	-	-	-	-	-	-
<u>\$ 11,183</u>	<u>\$ 17,369</u>	<u>\$ 19,041</u>	<u>\$ 9,511</u>	<u>\$ -</u>	<u>\$ 818,393</u>	<u>\$ 818,393</u>	<u>\$ -</u>

JUDICIAL ADMINISTRATION AGENCY				MISCELLANEOUS AGENCY FUNDS			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ 14,261	\$ 54,434	\$ 52,495	\$ 16,200	\$ 10,728	\$ 16,475	\$ 19,476	\$ 7,727
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,711	2,395	4,816	2,290	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	53	-	1	52
<u>\$ 18,972</u>	<u>\$ 56,829</u>	<u>\$ 57,311</u>	<u>\$ 18,490</u>	<u>\$ 10,781</u>	<u>\$ 16,475</u>	<u>\$ 19,477</u>	<u>\$ 7,779</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	66	2,424	2,479	11
-	-	-	-	-	-	-	-
18,972	54,488	54,970	18,490	10,715	20,888	23,835	7,768
-	-	-	-	-	-	-	-
<u>\$ 18,972</u>	<u>\$ 54,488</u>	<u>\$ 54,970</u>	<u>\$ 18,490</u>	<u>\$ 10,781</u>	<u>\$ 23,312</u>	<u>\$ 26,314</u>	<u>\$ 7,779</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
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MISCELLANEOUS PROPERTY TAX FUNDS				
	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
ASSETS				
Cash and cash equivalents	\$ 11,760	\$ 3,618,882	\$ 3,619,775	\$ 10,867
Assets held in trust - external investment pool	-	-	-	-
Assets held in trust - external impaired investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	7	3,509	3,496	20
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 11,767</u>	<u>\$ 3,622,391</u>	<u>\$ 3,623,271</u>	<u>\$ 10,887</u>
LIABILITIES				
Warrants payable	\$ -	\$ 10,884	\$ 10,884	\$ -
Accounts payable	197	28,249	28,338	108
Wages payable	-	-	-	-
Custodial accounts - County agencies	11,570	3,601,708	3,602,499	10,779
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 11,767</u>	<u>\$ 3,640,841</u>	<u>\$ 3,641,721</u>	<u>\$ 10,887</u>

MISCELLANEOUS TAX DISTRIBUTION				
	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
ASSETS				
Cash and cash equivalents	\$ 2,896	\$ 286,749	\$ 286,413	\$ 3,232
Assets held in trust - external investment pool	-	-	-	-
Assets held in trust - external impaired investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 2,896</u>	<u>\$ 286,749</u>	<u>\$ 286,413</u>	<u>\$ 3,232</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	75	541	616	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	2,821	286,755	286,344	3,232
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 2,896</u>	<u>\$ 287,296</u>	<u>\$ 286,960</u>	<u>\$ 3,232</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
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PAYROLL AND ACCOUNTS PAYABLE CLEARING			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ 47,394	\$ 3,402,790	\$ 3,411,043	\$ 39,141
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
486	85	-	571
-	-	-	-
-	-	-	-
<u>\$ 47,880</u>	<u>\$ 3,402,875</u>	<u>\$ 3,411,043</u>	<u>\$ 39,712</u>

\$ 43,589	\$ 4,773,871	\$ 4,781,919	\$ 35,541
109	9,313	9,408	14
3,961	1,147,687	1,147,745	3,903
221	42	9	254
-	-	-	-
<u>\$ 47,880</u>	<u>\$ 5,930,913</u>	<u>\$ 5,939,081</u>	<u>\$ 39,712</u>

WARRANT REDEMPTION			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ 8,173	\$ 2,815,075	\$ 2,823,248	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 8,173</u>	<u>\$ 2,815,075</u>	<u>\$ 2,823,248</u>	<u>\$ -</u>

\$ 8,173	\$ 105	\$ 8,278	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 8,173</u>	<u>\$ 105</u>	<u>\$ 8,278</u>	<u>\$ -</u>

SCHOOL DISTRICT IMPACT FEE			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ 2,009	\$ 1,781	\$ 1,773	\$ 2,017
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 2,009</u>	<u>\$ 1,781</u>	<u>\$ 1,773</u>	<u>\$ 2,017</u>

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
2,009	2,298	2,290	2,017
-	-	-	-
<u>\$ 2,009</u>	<u>\$ 2,298</u>	<u>\$ 2,290</u>	<u>\$ 2,017</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ -	\$ 620,348	\$ 620,347	\$ 1
151,274	300,708	151,274	300,708
26	10	8	28
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 151,300</u>	<u>\$ 921,066</u>	<u>\$ 771,629</u>	<u>\$ 300,737</u>

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
151,300	160,389	10,952	300,737
<u>\$ 151,300</u>	<u>\$ 160,389</u>	<u>\$ 10,952</u>	<u>\$ 300,737</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
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	CITIES AND TOWNS			
	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
ASSETS				
Cash and cash equivalents	\$ 5,111	\$ 842,027	\$ 839,983	\$ 7,155
Assets held in trust - external investment pool	-	-	-	-
Assets held in trust - external impaired investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	17,462	15,271	15,248	17,485
Accounts receivable	5,418	2,897	1,443	6,872
Assessments receivable	4	60	59	5
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 27,995</u>	<u>\$ 860,255</u>	<u>\$ 856,733</u>	<u>\$ 31,517</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	27,995	1,628,701	1,625,179	31,517
TOTAL LIABILITIES	<u>\$ 27,995</u>	<u>\$ 1,628,701</u>	<u>\$ 1,625,179</u>	<u>\$ 31,517</u>

	FIRE DISTRICTS			
	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
ASSETS				
Cash and cash equivalents	\$ 664	\$ 408,470	\$ 408,178	\$ 956
Assets held in trust - external investment pool	153,198	140,618	153,198	140,618
Assets held in trust - external impaired investment pool	346	151	119	378
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	4,894	3,683	3,744	4,833
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 159,102</u>	<u>\$ 552,922</u>	<u>\$ 565,239</u>	<u>\$ 146,785</u>
LIABILITIES				
Warrants payable	\$ -	\$ 6,577	\$ 6,067	\$ 510
Accounts payable	-	74,545	74,545	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	159,102	491,814	504,641	146,275
TOTAL LIABILITIES	<u>\$ 159,102</u>	<u>\$ 572,936</u>	<u>\$ 585,253</u>	<u>\$ 146,785</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
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HOSPITAL DISTRICTS				KING COUNTY LIBRARY SYSTEM			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ -	\$ 86,937	\$ 86,937	\$ -	\$ -	\$ 219,616	\$ 219,616	\$ -
8,637	8,251	8,637	8,251	98,617	81,119	98,617	81,119
195	84	66	213	326	140	110	356
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,408	923	1,015	1,316	2,742	1,965	2,025	2,682
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,240</u>	<u>\$ 96,195</u>	<u>\$ 96,655</u>	<u>\$ 9,780</u>	<u>\$ 101,685</u>	<u>\$ 302,840</u>	<u>\$ 320,368</u>	<u>\$ 84,157</u>
\$ 205	\$ 7,783	\$ 7,986	\$ 2	\$ -	\$ 198	\$ 198	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,035	561,738	561,995	9,778	101,685	376,718	394,246	84,157
<u>\$ 10,240</u>	<u>\$ 569,521</u>	<u>\$ 569,981</u>	<u>\$ 9,780</u>	<u>\$ 101,685</u>	<u>\$ 376,916</u>	<u>\$ 394,444</u>	<u>\$ 84,157</u>

KING COUNTY DIRECTORS' ASSOCIATION				LIBRARY CAPITAL FACILITY DISTRICTS			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ -	\$ 99,733	\$ 99,733	\$ -	\$ -	\$ 1,368	\$ 1,368	\$ -
7,340	7,749	7,340	7,749	74	84	74	84
14	7	5	16	2	1	1	2
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	29	21	21	29
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 7,354</u>	<u>\$ 107,489</u>	<u>\$ 107,078</u>	<u>\$ 7,765</u>	<u>\$ 105</u>	<u>\$ 1,474</u>	<u>\$ 1,464</u>	<u>\$ 115</u>
\$ -	\$ 78,507	\$ 78,507	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,354	102,771	102,360	7,765	105	11,739	11,729	115
<u>\$ 7,354</u>	<u>\$ 181,278</u>	<u>\$ 180,867</u>	<u>\$ 7,765</u>	<u>\$ 105</u>	<u>\$ 11,739</u>	<u>\$ 11,729</u>	<u>\$ 115</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 7 OF 9)

MISCELLANEOUS SPECIAL DISTRICTS				
	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
ASSETS				
Cash and cash equivalents	\$ 201	\$ 59,287	\$ 59,311	\$ 177
Assets held in trust - external investment pool	15,714	20,863	15,714	20,863
Assets held in trust - external impaired investment pool	48	20	16	52
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	393	256	252	397
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 16,356	\$ 80,426	\$ 75,293	\$ 21,489
LIABILITIES				
Warrants payable	\$ 65	\$ 8,772	\$ 8,762	\$ 75
Accounts payable	-	8,341	8,341	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	16,291	55,366	50,243	21,414
TOTAL LIABILITIES	\$ 16,356	\$ 72,479	\$ 67,346	\$ 21,489

NORTHSHORE PARK AND RECREATION SERVICE AREA				
	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
ASSETS				
Cash and cash equivalents	\$ -	\$ 495	\$ 495	\$ -
Assets held in trust - external investment pool	164	167	164	167
Assets held in trust - external impaired investment pool	2	1	1	2
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	8	4	6	6
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 174	\$ 667	\$ 666	\$ 175
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	16	16	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	174	8,632	8,631	175
TOTAL LIABILITIES	\$ 174	\$ 8,648	\$ 8,647	\$ 175

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 8 OF 9)

PORT OF SEATTLE				SEWER AND WATER DISTRICTS			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ 80	\$ 73,934	\$ 74,049	\$ (35)	\$ 18	\$ 347,756	\$ 347,774	\$ -
-	-	-	-	147,373	145,931	147,373	145,931
-	-	-	-	641	278	221	698
-	-	-	-	-	-	-	-
-	-	-	-	2,015	764	2,015	764
2,146	1,555	1,643	2,058	(2)	-	-	(2)
-	-	-	-	-	-	-	-
-	-	-	-	4,770	8	547	4,231
-	-	-	-	-	-	-	-
<u>\$ 2,226</u>	<u>\$ 75,489</u>	<u>\$ 75,692</u>	<u>\$ 2,023</u>	<u>\$ 154,815</u>	<u>\$ 494,737</u>	<u>\$ 497,930</u>	<u>\$ 151,622</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	11	114,635	114,646	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,226	148,359	148,562	2,023	154,804	261,438	264,620	151,622
<u>\$ 2,226</u>	<u>\$ 148,359</u>	<u>\$ 148,562</u>	<u>\$ 2,023</u>	<u>\$ 154,815</u>	<u>\$ 376,073</u>	<u>\$ 379,266</u>	<u>\$ 151,622</u>

SCHOOL DISTRICTS				STATE OF WASHINGTON			
BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10	BALANCE 01/01/10	INCREASES	DECREASES	BALANCE 12/31/10
\$ 9	\$ 8,852,821	\$ 8,851,603	\$ 1,227	\$ 8,230	\$ 969,085	\$ 969,398	\$ 7,917
1,681,783	1,755,900	1,681,783	1,755,900	-	-	-	-
6,859	3,751	3,113	7,497	-	-	-	-
-	500	-	500	-	-	-	-
49,446	127	49,446	127	-	-	-	-
28,670	22,058	21,370	29,358	21,348	15,942	16,366	20,924
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,766,767</u>	<u>\$ 10,635,157</u>	<u>\$ 10,607,315</u>	<u>\$ 1,794,609</u>	<u>\$ 29,578</u>	<u>\$ 985,027</u>	<u>\$ 985,764</u>	<u>\$ 28,841</u>
\$ 40,890	\$ 1,598,711	\$ 1,602,848	\$ 36,753	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	184	182	2
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,725,877	12,155,289	12,123,310	1,757,856	29,578	1,735,054	1,735,793	28,839
<u>\$ 1,766,767</u>	<u>\$ 13,754,000</u>	<u>\$ 13,726,158</u>	<u>\$ 1,794,609</u>	<u>\$ 29,578</u>	<u>\$ 1,735,238</u>	<u>\$ 1,735,975</u>	<u>\$ 28,841</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 9 OF 9)

WA STATE PUBLIC STADIUM AUTHORITY				
	BALANCE			BALANCE
	01/01/10	INCREASES	DECREASES	12/31/10
ASSETS				
Cash and cash equivalents	\$ -	\$ 10,929	\$ 10,929	\$ -
Assets held in trust - external investment pool	8,115	7,263	8,115	7,263
Assets held in trust - external impaired investment pool	33	14	11	36
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 8,148</u>	<u>\$ 18,206</u>	<u>\$ 19,055</u>	<u>\$ 7,299</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	560	560	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	8,148	2,876	3,725	7,299
TOTAL LIABILITIES	<u>\$ 8,148</u>	<u>\$ 3,436</u>	<u>\$ 4,285</u>	<u>\$ 7,299</u>

WATER DISTRICTS				
	BALANCE			BALANCE
	01/01/10	INCREASES	DECREASES	12/31/10
ASSETS				
Cash and cash equivalents	\$ -	\$ 384,496	\$ 384,496	\$ -
Assets held in trust - external investment pool	193,286	180,315	193,285	180,316
Assets held in trust - external impaired investment pool	654	289	227	716
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	3,308	-	458	2,850
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 197,248</u>	<u>\$ 565,100</u>	<u>\$ 578,466</u>	<u>\$ 183,882</u>
LIABILITIES				
Warrants payable	\$ 59	\$ 11,184	\$ 10,975	\$ 268
Accounts payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	197,189	415,888	429,463	183,614
TOTAL LIABILITIES	<u>\$ 197,248</u>	<u>\$ 427,072</u>	<u>\$ 440,438</u>	<u>\$ 183,882</u>

STATISTICAL SECTION**CONTENTS**

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

Financial Trends	176 - 185
Information to help the reader understand how the County's financial performance and well-being have changed over time.	
Revenue Capacity	186 - 192
Information to help the reader assess the County's most significant local revenue source, the property tax.	
Debt Capacity	193 - 200
Information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	
Demographic and Economic Information	201 - 203
Demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	
Operating Information	204 - 206
Service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The County implemented GASB Statement 34 in 2002; schedules presenting government-wide information include data beginning in that year.

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (IN THOUSANDS)
 (PAGE 1 OF 2)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses				
Governmental activities:				
General government	\$ 55,835	\$ 53,635	\$ 79,723	\$ 85,516
Law, safety and justice	462,834	491,834	474,808	476,101
Physical environment	51,556	52,386	58,092	51,897
Transportation	63,373	64,722	71,487	90,803
Economic environment	73,334	80,360	76,519	87,420
Mental and physical health	316,631	327,212	504,252	346,672
Culture and recreation	33,734	36,432	38,888	36,902
Interest and other debt service costs	53,116	45,980	49,383	54,538
Total governmental activities expenses	<u>1,110,413</u>	<u>1,152,561</u>	<u>1,353,152</u>	<u>1,229,849</u>
Business-type activities:				
Airport	11,816	11,590	12,356	15,537
Public Transportation	449,670	463,219	508,290	529,679
Solid Waste	79,571	79,105	78,074	95,457
Water Quality	219,634	212,355	222,238	228,438
Other	5,380	6,165	6,155	5,788
Total business-type activities expenses	<u>766,071</u>	<u>772,434</u>	<u>827,113</u>	<u>874,899</u>
Total primary government expenses	<u>\$ 1,876,484</u>	<u>\$ 1,924,995</u>	<u>\$ 2,180,265</u>	<u>\$ 2,104,748</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 55,121	\$ 43,181	\$ 53,612	\$ 58,896
Law, safety and justice	98,573	95,084	108,617	106,315
Physical environment	38,456	50,836	53,744	43,231
Transportation	22,338	18,474	17,641	19,157
Economic environment	26,422	35,521	31,791	34,830
Mental and physical health	191,183	193,893	175,296	183,590
Culture and recreation	6,650	7,294	5,838	5,700
Interest and other debt service costs	3,432	3,334	4,651	4,049
Operating grants and contributions:				
General government	3,837	3,807	3,888	3,166
Law, safety and justice	28,135	26,192	25,931	34,230
Physical environment	1,988	1,564	2,560	3,016
Transportation	16,164	15,587	15,287	15,540
Economic environment	27,768	34,758	30,683	29,123
Mental and physical health	93,942	96,143	100,133	102,909
Culture and recreation	124	1,706	91	908
Interest and other debt service costs	3,977	4,127	3,760	4,407
Capital grants and contributions:				
General government	367	1,164	2,357	1,558
Physical environment	2,229	5,112	1,997	5,386
Transportation	79,820	94,254	91,813	147,870
Economic environment	-	-	-	-
Culture and recreation	679	3,151	941	1,799
Total governmental activities program revenues	<u>701,205</u>	<u>735,182</u>	<u>730,631</u>	<u>805,680</u>

Accrual-basis financial information for the County is available back to 2002 only, the year GASB Statement 34 was implemented.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 88,278	\$ 95,864	\$ 168,271	\$ 106,076	\$ 193,521
509,234	544,838	580,105	607,191	605,396
56,322	63,326	67,498	76,404	79,897
96,401	107,471	115,090	117,625	108,386
92,460	94,555	99,839	105,515	103,153
361,817	381,286	421,355	458,184	456,678
40,974	50,100	56,285	53,313	54,071
52,361	53,299	51,455	54,010	49,979
<u>1,297,847</u>	<u>1,390,739</u>	<u>1,559,898</u>	<u>1,578,318</u>	<u>1,651,081</u>
15,392	14,620	15,842	24,725	22,296
535,471	588,234	667,651	673,436	697,611
102,127	116,252	110,348	91,347	101,210
243,496	242,808	257,249	287,792	290,873
6,687	8,025	7,540	7,153	7,625
<u>903,173</u>	<u>969,939</u>	<u>1,058,630</u>	<u>1,084,453</u>	<u>1,119,615</u>
<u>\$ 2,201,020</u>	<u>\$ 2,360,678</u>	<u>\$ 2,618,528</u>	<u>\$ 2,662,771</u>	<u>\$ 2,770,696</u>
\$ 48,625	\$ 65,440	\$ 57,139	\$ 66,962	\$ 54,187
118,722	125,103	128,424	148,236	155,182
42,517	44,564	48,286	42,878	47,598
16,725	17,003	18,716	16,125	14,631
39,424	48,586	29,148	26,955	27,836
206,589	226,341	248,617	262,928	266,270
6,538	7,264	7,710	6,688	6,799
8,339	4,864	911	881	706
3,020	4,010	5,457	6,863	4,863
27,595	33,675	32,147	32,327	30,128
2,075	2,033	4,290	4,629	3,826
16,351	18,100	17,721	23,867	18,017
23,353	21,635	22,347	29,218	29,459
106,272	95,420	101,541	104,254	106,618
343	608	133	430	195
4,554	4,734	4,961	5,238	5,406
5,868	1,010	284	162	112
8,014	5,406	4,125	6,091	22,006
87,979	76,403	73,749	68,870	88,710
-	-	-	461	1,626
-	89	101	8	76
<u>772,903</u>	<u>802,288</u>	<u>805,807</u>	<u>854,071</u>	<u>884,251</u>

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (IN THOUSANDS)
 (PAGE 2 OF 2)

	2002	2003	2004	2005
Business-type activities:				
Charges for services:				
Airport	\$ 8,821	\$ 9,398	\$ 11,496	\$ 11,308
Public Transportation	107,621	104,348	113,335	131,321
Solid Waste	81,981	84,764	90,595	91,207
Water Quality	216,515	218,862	222,415	224,595
Other	5,544	5,158	4,607	5,913
Operating grants and contributions:				
Public Transportation	31,093	24,287	35,715	14,141
Other	197	-	-	-
Capital grants and contributions:				
Airport	1,230	469	1,305	6,352
Public Transportation	36,441	40,951	73,557	73,230
Solid Waste	500	929	537	529
Water Quality	13,915	11,438	15,942	3,264
Other	-	-	40	612
Total business-type activities program revenues	<u>503,858</u>	<u>500,604</u>	<u>569,544</u>	<u>562,472</u>
Total primary government program revenues	<u>\$ 1,205,063</u>	<u>\$ 1,235,786</u>	<u>\$ 1,300,175</u>	<u>\$ 1,368,152</u>
Net (Expenses)/Revenue				
Governmental activities	\$ (409,208)	\$ (417,379)	\$ (622,521)	\$ (424,169)
Business-type activities	<u>(262,213)</u>	<u>(271,830)</u>	<u>(257,569)</u>	<u>(312,427)</u>
Total primary government net expenses	<u>\$ (671,421)</u>	<u>\$ (689,209)</u>	<u>\$ (880,090)</u>	<u>\$ (736,596)</u>
General revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 390,706	\$ 394,903	\$ 433,593	\$ 447,041
Retail sales and use taxes	120,940	121,217	128,610	138,572
Business and other taxes	34,651	42,493	50,165	52,716
Penalties and interest - delinquent taxes	15,194	17,064	16,790	14,901
Interest earnings	30,111	20,227	18,395	28,352
Transfers	(862)	2,509	486	992
Total governmental activities	<u>590,740</u>	<u>598,413</u>	<u>648,039</u>	<u>682,574</u>
Business-type activities:				
Property taxes	-	-	-	-
Retail sales and use taxes	297,330	296,748	314,192	341,149
Interest earnings	26,278	10,875	9,737	16,397
Transfers	862	(2,509)	(486)	(992)
Total business-type activities	<u>324,470</u>	<u>305,114</u>	<u>323,443</u>	<u>356,554</u>
Total primary government	<u>\$ 915,210</u>	<u>\$ 903,527</u>	<u>\$ 971,482</u>	<u>\$ 1,039,128</u>
Change in Net Assets				
Governmental activities	\$ 181,532	\$ 181,034	\$ 25,518	\$ 258,405
Business-type activities	<u>62,257</u>	<u>33,284</u>	<u>65,874</u>	<u>44,127</u>
Total Primary government	<u>\$ 243,789</u>	<u>\$ 214,318</u>	<u>\$ 91,392</u>	<u>\$ 302,532</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 12,481	\$ 13,921	\$ 18,075	\$ 20,774	\$ 20,766
143,831	160,231	173,011	205,170	223,278
94,316	93,376	98,821	92,343	109,949
242,852	264,440	284,995	307,556	305,738
6,685	6,823	6,968	6,584	6,843
56,400	55,771	72,458	90,570	57,514
-	-	-	-	-
21,248	2,533	11,513	6,490	5,300
12,780	11,431	28,474	27,035	17,635
988	690	857	603	650
2,242	1,164	2,311	1,843	2,431
108	28	-	2,049	204
<u>593,931</u>	<u>610,408</u>	<u>697,483</u>	<u>761,017</u>	<u>750,308</u>
<u>\$ 1,366,834</u>	<u>\$ 1,412,696</u>	<u>\$ 1,503,290</u>	<u>\$ 1,615,088</u>	<u>\$ 1,634,559</u>
\$ (524,944)	\$ (588,451)	\$ (754,091)	\$ (724,247)	\$ (766,830)
<u>(309,242)</u>	<u>(359,531)</u>	<u>(361,147)</u>	<u>(323,436)</u>	<u>(369,307)</u>
<u>\$ (834,186)</u>	<u>\$ (947,982)</u>	<u>\$ (1,115,238)</u>	<u>\$ (1,047,683)</u>	<u>\$ (1,136,137)</u>
\$ 468,740	\$ 499,339	\$ 599,583	\$ 624,448	\$ 593,135
150,111	164,804	193,827	179,077	180,914
56,801	53,745	41,557	36,555	32,432
15,322	15,611	15,740	17,679	21,328
46,009	36,348	34,897	20,029	10,295
(2,531)	1,200	2,858	896	2,423
<u>734,452</u>	<u>771,047</u>	<u>888,462</u>	<u>878,684</u>	<u>840,527</u>
-	-	-	-	22,174
367,264	442,042	432,934	376,968	375,943
28,833	22,718	22,850	13,558	8,810
2,531	(1,200)	(2,858)	(896)	(2,423)
<u>398,628</u>	<u>463,560</u>	<u>452,926</u>	<u>389,630</u>	<u>404,504</u>
<u>\$ 1,133,080</u>	<u>\$ 1,234,607</u>	<u>\$ 1,341,388</u>	<u>\$ 1,268,314</u>	<u>\$ 1,245,031</u>
\$ 209,508	\$ 182,596	\$ 134,371	\$ 154,437	\$ 73,697
89,386	104,029	91,779	66,194	35,197
<u>\$ 298,894</u>	<u>\$ 286,625</u>	<u>\$ 226,150</u>	<u>\$ 220,631</u>	<u>\$ 108,894</u>

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 1,156,826	\$ 1,316,216	\$ 1,448,891	\$ 1,525,984	\$ 1,642,456
Restricted	297,057	263,818	261,656	289,894	338,188
Unrestricted	<u>(415,608)</u>	<u>(360,725)</u>	<u>(465,720)</u>	<u>(408,832)</u>	<u>(364,090)</u>
Total governmental activities net assets	<u>\$ 1,038,275</u>	<u>\$ 1,219,309</u>	<u>\$ 1,244,827</u>	<u>\$ 1,407,046</u>	<u>\$ 1,616,554</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 1,244,183	\$ 1,357,467	\$ 1,516,280	\$ 1,524,744	\$ 1,566,302
Restricted	407,709	360,660	283,104	311,665	329,262
Unrestricted	<u>135,491</u>	<u>102,540</u>	<u>87,157</u>	<u>94,259</u>	<u>124,490</u>
Total business-type activities net assets	<u>\$ 1,787,383</u>	<u>\$ 1,820,667</u>	<u>\$ 1,886,541</u>	<u>\$ 1,930,668</u>	<u>\$ 2,020,054</u>
Primary government					
Invested in capital assets, net of related debt	\$ 2,401,009	\$ 2,673,683	\$ 2,965,171	\$ 3,050,728	\$ 3,208,758
Restricted	704,766	624,478	544,760	601,559	667,450
Unrestricted	<u>(280,117)</u>	<u>(258,185)</u>	<u>(378,563)</u>	<u>(314,573)</u>	<u>(239,600)</u>
Total primary government net assets	<u>\$ 2,825,658</u>	<u>\$ 3,039,976</u>	<u>\$ 3,131,368</u>	<u>\$ 3,337,714</u>	<u>\$ 3,636,608</u>

Accrual-basis financial information for the County is available back to 2002 only, the year GASB Statement 34 was implemented.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,762,158	\$ 1,814,117	\$ 1,889,721	\$ 1,922,455
394,932	454,219	474,425	467,772
<u>(357,940)</u>	<u>(334,815)</u>	<u>(276,188)</u>	<u>(228,572)</u>
<u>\$ 1,799,150</u>	<u>\$ 1,933,521</u>	<u>\$ 2,087,958</u>	<u>\$ 2,161,655</u>
\$ 1,551,017	\$ 1,697,903	\$ 1,603,232	\$ 1,577,670
419,118	564,854	649,948	259,357
<u>153,948</u>	<u>(110,540)</u>	<u>(34,769)</u>	<u>416,581</u>
<u>\$ 2,124,083</u>	<u>\$ 2,152,217</u>	<u>\$ 2,218,411</u>	<u>\$ 2,253,608</u>
\$ 3,313,175	\$ 3,512,020	\$ 3,492,953	\$ 3,500,125
814,050	1,019,073	1,124,373	727,129
<u>(203,992)</u>	<u>(445,355)</u>	<u>(310,957)</u>	<u>188,009</u>
<u>\$ 3,923,233</u>	<u>\$ 4,085,738</u>	<u>\$ 4,306,369</u>	<u>\$ 4,415,263</u>

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund				
Reserved	\$ 12,558	\$ 9,282	\$ 8,502	\$ 7,815
Unreserved				
Designated	23,403	21,601	19,826	21,422
Undesignated	<u>46,782</u>	<u>60,247</u>	<u>67,920</u>	<u>93,721</u>
Total General Fund	<u>\$ 82,743</u>	<u>\$ 91,130</u>	<u>\$ 96,248</u>	<u>\$ 122,958</u>
All Other Governmental Funds				
Reserved	\$ 81,076	\$ 137,465	\$ 121,678	\$ 110,956
Unreserved				
Designated				
Special revenue funds	17,112	16,594	7,584	15,949
Debt service funds	283	246	176	-
Capital project funds	2,233	2,353	-	-
Undesignated				
Special revenue funds	41,172	60,499	70,325	73,948
Debt service funds	21,914	26,915	22,234	34,029
Capital project funds	<u>89,283</u>	<u>30,988</u>	<u>14,205</u>	<u>49,758</u>
Total all other governmental funds	<u>\$ 253,073</u>	<u>\$ 275,060</u>	<u>\$ 236,202</u>	<u>\$ 284,640</u>

Note: On January 1, 2005, the Criminal Justice Fund, a special revenue fund, was closed and the fund balance was transferred to the General Fund. In 2000 through 2004, the fund balance of the Criminal Justice Fund is reported under All Other Governmental Funds.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 18,693	\$ 24,219	\$ 27,346	\$ 16,064	\$ 14,915	\$ 16,632
28,681	23,230	23,319	7,396	3,207	4,001
<u>96,617</u>	<u>96,315</u>	<u>89,983</u>	<u>73,765</u>	<u>64,304</u>	<u>67,610</u>
<u>\$ 143,991</u>	<u>\$ 143,764</u>	<u>\$ 140,648</u>	<u>\$ 97,225</u>	<u>\$ 82,426</u>	<u>\$ 88,243</u>
\$ 103,513	\$ 108,317	\$ 101,045	\$ 93,564	\$ 120,349	\$ 94,791
25,141	26,951	37,129	43,682	42,170	71,036
-	-	-	-	-	-
-	-	-	-	-	-
58,618	67,268	84,541	154,680	213,279	191,446
28,635	30,413	27,666	32,762	36,704	42,694
<u>57,069</u>	<u>43,678</u>	<u>80,946</u>	<u>94,692</u>	<u>26,694</u>	<u>77,148</u>
<u>\$ 272,976</u>	<u>\$ 276,627</u>	<u>\$ 331,327</u>	<u>\$ 419,380</u>	<u>\$ 439,196</u>	<u>\$ 477,115</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(IN THOUSANDS)

	2001	2002	2003	2004	2005	2006
Revenues						
Taxes	\$ 539,743	\$ 561,039	\$ 575,590	\$ 630,440	\$ 653,194	\$ 690,873
Licenses and permits	19,272	17,322	20,900	25,920	22,477	24,654
Intergovernmental revenues	377,610	391,915	390,702	418,362	417,407	442,094
Charges for services	223,375	212,229	251,464	216,636	222,708	223,306
Fines and forfeits	7,086	8,016	8,145	7,350	6,362	8,084
Interest earnings	32,982	25,251	17,106	15,845	24,274	38,072
Miscellaneous revenues	34,868	42,963	35,011	42,289	46,189	51,081
Total revenues	<u>1,234,936</u>	<u>1,258,735</u>	<u>1,298,918</u>	<u>1,356,842</u>	<u>1,392,611</u>	<u>1,478,164</u>
Expenditures						
General government services	106,464	98,319	120,059	118,763	137,416	141,318
Law, safety and justice	398,976	420,352	440,151	423,737	429,541	467,053
Physical environment	39,999	51,236	50,947	55,760	51,408	56,601
Transportation	52,154	61,535	59,957	66,937	88,473	95,758
Economic environment	71,349	72,185	78,408	75,940	87,080	91,955
Mental and physical health	299,069	313,119	318,161	501,582	344,036	361,334
Culture and recreation	34,176	30,341	33,596	36,974	34,744	38,981
Debt service						
Redemption of long-term debt	57,586	57,900	65,150	65,252	78,160	80,192
Interest	55,314	52,687	47,200	51,985	55,248	53,427
Other debt service costs	11,028	9,065	6,561	15,087	557	11,623
Capital outlay	145,697	110,476	150,708	201,397	83,936	86,746
Total expenditures	<u>1,271,812</u>	<u>1,277,215</u>	<u>1,370,898</u>	<u>1,613,414</u>	<u>1,390,599</u>	<u>1,484,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,876)</u>	<u>(18,480)</u>	<u>(71,980)</u>	<u>(256,572)</u>	<u>2,012</u>	<u>(6,824)</u>
Other Financing Sources (Uses)						
Transfers in	103,991	117,563	158,856	154,901	146,014	169,156
Transfers out	(104,012)	(114,884)	(154,547)	(153,989)	(144,458)	(166,282)
General government debt issued	24,494	40,282	37,838	246,435	2,134	4,716
Premium on bonds sold	-	-	-	17,807	2,112	1,633
Refunding bonds issued	-	133,510	138,124	102,315	22,510	38,330
General long-term debt - capital leases	186	146	48	62,805	184	-
Sale of capital assets	2,171	1,789	4,407	5,504	4,307	2,274
Payment to refunded bonds escrow agent	-	(132,798)	(137,377)	(107,317)	(24,360)	(39,579)
Total other financing sources (uses)	<u>26,830</u>	<u>45,608</u>	<u>47,349</u>	<u>328,461</u>	<u>8,443</u>	<u>10,248</u>
Net change in fund balances	<u>\$ (10,046)</u>	<u>\$ 27,128</u>	<u>\$ (24,631)</u>	<u>\$ 71,889</u>	<u>\$ 10,455</u>	<u>\$ 3,424</u>
Debt service as a percentage of noncapital expenditures	10.03%	9.48%	9.21%	8.30%	10.21%	9.56%

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 733,432	\$ 849,416	\$ 855,164	\$ 827,772
30,865	23,484	24,333	24,398
453,577	493,682	544,346	560,994
243,905	231,000	242,527	229,582
9,616	9,536	10,142	9,001
29,065	27,977	15,724	7,572
57,504	56,071	55,496	60,202
<u>1,557,964</u>	<u>1,691,166</u>	<u>1,747,732</u>	<u>1,719,521</u>
157,751	147,633	163,615	145,108
496,376	534,238	560,059	556,471
63,924	91,301	107,804	107,297
106,396	116,322	124,880	114,436
94,187	99,465	105,145	102,804
381,817	420,053	460,206	460,584
47,512	53,194	49,168	51,069
87,195	79,071	117,736	62,901
41,638	40,614	36,227	30,805
12,837	15,096	22,261	15,990
74,135	105,673	85,161	115,399
<u>1,563,768</u>	<u>1,702,660</u>	<u>1,832,262</u>	<u>1,762,864</u>
<u>(5,804)</u>	<u>(11,494)</u>	<u>(84,530)</u>	<u>(43,343)</u>
178,186	218,146	171,100	142,569
(175,063)	(213,003)	(171,715)	(139,773)
48,395	48,755	84,810	82,465
3,890	170	5,831	6,521
54,565	-	42,869	41,250
-	-	-	-
4,548	2,080	2,719	(392)
<u>(57,133)</u>	<u>-</u>	<u>(46,067)</u>	<u>(45,561)</u>
<u>57,388</u>	<u>56,148</u>	<u>89,547</u>	<u>87,079</u>
<u>\$ 51,584</u>	<u>\$ 44,654</u>	<u>\$ 5,017</u>	<u>\$ 43,736</u>
8.65%	7.49%	8.81%	5.69%

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)

FISCAL YEAR	TAXABLE REAL PROPERTY				TAXABLE PERSONAL PROPERTY	
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	MANUFACTURING PROPERTY	OTHER REAL PROPERTY	MACHINERY AND EQUIPMENT	OTHER PERSONAL PROPERTY
2001	\$ 131,427,238	\$ 29,842,811	\$ 5,836,929	\$ 7,639,145	\$ 6,901,486	\$ 6,772,495
2002	147,928,871	33,872,466	6,477,627	7,684,682	7,646,826	7,386,129
2003	161,272,895	34,230,703	6,436,607	8,035,210	7,395,022	7,624,162
2004	171,503,993	35,461,930	6,643,168	8,364,910	6,895,213	6,965,040
2005	183,256,711	36,199,927	6,760,083	8,443,463	6,395,974	7,855,625
2006	198,127,989	38,824,503	7,131,275	11,681,018	6,960,327	7,845,999
2007	220,370,481	44,100,498	7,817,974	10,748,360	7,390,343	8,327,543
2008	249,962,370	50,972,853	8,673,833	14,267,768	7,808,288	9,310,328
2009	286,099,396	60,331,491	9,792,547	13,072,328	8,205,353	9,388,613
2010	243,764,953	58,386,704	10,417,510	11,506,856	8,704,135	9,191,359

Source: King County Department of Assessments.

(a) Ratios for real property and personal property were provided by State of Washington Department of Revenue.

(b) Per \$1,000 of assessed value.

TOTAL TAXABLE PROPERTY		PERCENTAGE OF TAXABLE ASSESSED VALUE TO ESTIMATED ^(a) TAXABLE ACTUAL VALUE	TOTAL DIRECT TAX RATE ^(b)
ASSESSED VALUE	ESTIMATED ACTUAL VALUE		
\$ 188,420,104	\$ 209,139,443	90.1%	\$ 1.98
210,996,601	231,328,370	91.2%	1.87
224,994,599	247,036,216	91.1%	1.78
235,834,254	249,751,859	94.4%	1.86
248,911,783	260,484,740	95.6%	1.81
270,571,111	294,821,227	91.8%	1.75
298,755,199	342,607,599	87.2%	1.69
340,995,440	405,511,641	84.1%	1.64
386,889,728	431,461,548	89.7%	1.50
341,971,517	403,965,414	84.7%	1.72

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

	2001	2002	2003	2004	2005	2006	2007
County Direct Rates							
General	\$ 1.55	\$ 1.45	\$ 1.35	\$ 1.43	\$ 1.38	\$ 1.33	\$ 1.29
Emergency Medical Services	.16	.16	.16	.15	.15	.14	.13
Road District	.27	.26	.27	.28	.28	.28	.27
Total County Direct Rates	1.98	1.87	1.78	1.86	1.81	1.75	1.69
State School Fund Rates	3.15	2.99	2.90	2.76	2.69	2.50	2.33
Port of Seattle Rates	.19	.19	.26	.25	.25	.23	.23
Ferry District Rates	-	-	-	-	-	-	-
King County Library System Rates	.56	.53	.55	.54	.53	.53	.50
Cities and Towns Rates	.47-3.69	.41-3.35	.39-3.28	.39-3.36	.37-3.35	.36-3.16	.35-3.22
School Districts Rates	1.28-5.87	1.19-5.48	1.12-5.64	2.16-5.39	1.89-5.81	2.02-5.37	1.73-4.95
Water Districts Rates	.22	.22	.20	.20	.18	.18	-
Fire Districts Rates	.89-2.15	.84-2.10	.79-2.33	.78-1.69	.76-1.66	.72-1.68	.69-1.67
Hospital Districts Rates	.10-.70	.10-.69	.09-.65	.09-.70	.09-.70	.47-.59	.46-.56
Flood Zone Districts Rates	.05	.05	.05	.05	.05	.05	.04
Park & Recreation Districts Rates	.03-.36	.06-.33	.05-.45	.05-.44	.04-.42	.04-.47	.04-.45
Miscellaneous Districts Rates	.06-.13	.06-.12	.05-.13	.05-.11	.05-.11	.05-.40	.04-.48

Source: King County Department of Assessments.

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

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

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

2008	2009	2010
\$ 1.21	\$ 1.10	\$ 1.28
.19	.18	0.19
.24	.22	0.25
1.64	1.50	1.72
2.13	1.96	2.22
.22	.20	.22
.06	.05	-
.45	.42	.49
.33-2.77	.30-2.58	.33-2.92
1.39-4.73	1.18-4.54	1.74-5.28
-	-	-
.77-1.68	.74-1.65	.83-1.90
.43-.59	.40-.53	.46-.63
.10	.09	0.10
.03-.49	.01-.44	.01-.52
.04-.44	.04-.44	.04-.47

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

YEAR	TAXES LEVIED FOR THE YEAR		ADJUSTMENTS ^(a)	TOTAL ADJUSTED TAX LEVY	COLLECTED WITHIN THE YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS
	(ORIGINAL LEVY)				AMOUNT	PERCENTAGE OF LEVY	
2001	\$ 372,182	\$	(1,760)	\$ 370,422	\$ 362,242	97.33%	\$ 8,110
2002	393,665		(1,913)	391,752	383,250	97.35%	8,389
2003	397,352		(2,124)	395,228	386,775	97.34%	8,420
2004	437,227		(1,988)	435,239	427,447	97.76%	7,754
2005	450,736		(2,936)	447,800	440,109	97.64%	7,657
2006	472,475		(2,314)	470,161	462,851	97.96%	7,250
2007	501,255		(1,095)	500,160	492,120	98.18%	7,838
2008	590,373		(3,724)	586,649	575,431	97.47%	9,632
2009	609,355		(3,004)	606,351	594,263	97.52%	8,204
2010	622,795		(6,479)	616,316	604,359	97.04%	-

Source: King County Department of Assessments.

Note: The levy of any given fiscal year is based on the assessed values from the tax roll of the preceding calendar year.

(a) Adjustments in original levy are due to omits, cancellations, and supplements during the fiscal year.

(b) The amounts in the total uncollected taxes column are cumulative totals of all taxes levied at the end of the year.

TOTAL COLLECTIONS TO DATE		TOTAL UNCOLLECTED TAXES ^(b)	
AMOUNT	PERCENTAGE OF LEVY	AMOUNT	PERCENTAGE OF LEVY
\$ 370,352	99.98%	\$ 70	0.02%
391,639	99.97%	113	0.03%
395,195	99.99%	33	0.01%
435,201	99.99%	38	0.01%
447,766	99.99%	34	0.01%
470,101	99.99%	60	0.01%
499,958	99.96%	202	0.04%
585,063	99.73%	1,585	0.27%
602,467	99.36%	3,884	0.64%
604,359	98.06%	11,957	1.94%

**PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(IN THOUSANDS)**

TAXPAYER	2010			2001		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
The Boeing Company	\$ 3,154,560	1	0.92 %	\$ 3,273,994	1	1.74 %
Microsoft Corporation	2,562,589	2	0.75	907,597	4	0.48
Puget Sound Energy/Gas/Electric	1,581,647	3	0.46	1,353,849	2	0.72
Qwest Corporation Inc. ^(a)	838,897	4	0.25	1,067,220	3	0.57
AT&T Mobility LLC	747,952	5	0.22	-	-	-
T-Mobile	660,825	6	0.19	-	-	-
Alaska Airlines	622,027	7	0.18	-	-	-
W2007 Seattle ^(b)	522,085	8	0.15	-	-	-
Union Square LLC	427,548	9	0.13	372,393	10	0.20
Wright Runstad & Company	353,747	10	0.10	-	-	-
EOP Northwest Properties	-	-	-	557,410	5	0.30
Bank of America	-	-	-	510,231	6	0.27
Nation Tax Search LLC	-	-	-	509,620	7	0.27
McElroy George & Associates, Inc.	-	-	-	485,233	8	0.26
Washington Mutual Bank	-	-	-	472,745	9	0.25
Total Top Ten Principal Taxpayers	11,471,877		3.35	9,510,292		5.06
Total Assessed Valuation of other taxpayers	330,499,640		96.65	178,909,812		94.94
Total 2009 Assessed Valuation for taxes due in 2010	<u>\$ 341,971,517</u>		<u>100.00 %</u>			
Total 2000 Assessed Valuation for taxes due in 2001				<u>\$ 188,420,104</u>		<u>100.00 %</u>

Source: King County Department of Assessments.

(a) Formerly known as US West Communications

(b) Formerly known as Archon Group LP

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

GENERAL BONDED DEBT OUTSTANDING							PERCENTAGE OF ESTIMATED ACTUAL TAXABLE VALUE^(a) OF PROPERTY	PER CAPITA^(b)
YEAR	GENERAL OBLIGATION BONDS	GENERAL OBLIGATION BOND ANTICIPATION NOTES	LEASE REVENUE BONDS	GENERAL OBLIGATION CAPITAL LEASES	SPECIAL ASSESSMENT BONDS	TOTAL		
2001	\$ 1,589,985	\$ 65,000	\$ 78,275	\$ 6,093	\$ 167	\$ 1,739,520	0.83%	990
2002	1,544,310	85,000	140,530	5,780	137	1,775,757	0.85%	1,011
2003	1,399,045	80,000	138,770	5,447	135	1,623,397	0.70%	921
2004	1,604,240	46,370	136,925	5,334	15	1,792,884	0.73%	1,014
2005	1,707,415	60,000	236,025	7,256	15	2,010,711	0.81%	1,130
2006	1,512,828	83,990	422,505	4,695	15	2,024,033	0.78%	1,125
2007	1,482,642	43,975	414,535	4,324	15	1,945,491	0.66%	1,065
2008	1,363,764	48,755	408,640	4,000	-	1,825,159	0.53%	986
2009	1,643,976	27,095	402,455	-	-	2,073,526	0.51%	1,100
2010	1,759,620	84,290	395,990	-	-	2,239,900	0.52%	1,173

Additional details regarding the County's outstanding debt can be found in Note 14 - "Debt."

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

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
(IN THOUSANDS)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED^(a) PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT	ESTIMATED SHARE OF OVERLAPPING DEBT
DEBT REPAYED WITH PROPERTY TAXES			
King County – net overlapping debt:			
Port of Seattle	\$ 335,500	100.00%	\$ 335,500
School Districts:			
Lake Washington SD	462,443	100.00%	462,443
Northshore SD	349,937	64.97%	227,347
Issaquah SD	303,714	100.00%	303,714
Highline SD	292,917	100.00%	292,917
Bellevue SD	280,256	100.00%	280,256
Seattle SD	276,833	100.00%	276,833
Renton SD	261,635	100.00%	261,635
Kent SD	205,939	100.00%	205,939
Federal Way SD	192,251	100.00%	192,251
Shoreline SD	167,950	100.00%	167,950
Other school districts	346,783	100.00%	346,783
Total school districts	3,140,658		3,018,068
Cities and towns:			
City of Seattle	732,206	100.00%	732,206
City of Bellevue	178,887	100.00%	178,887
City of Kent	79,347	100.00%	79,347
City of Renton	68,514	100.00%	68,514
City of Redmond	66,725	100.00%	66,725
City of Auburn	64,693	100.00%	64,693
City of Kirkland	40,663	100.00%	40,663
City of Shoreline	36,353	100.00%	36,353
Other cities and towns	149,797	93.86%	140,600
Total cities and towns	1,417,185		1,407,988
Hospital districts	295,713	100.00%	295,713
King County Library System	131,901	98.03%	129,298
Fire districts	62,059	100.00%	62,059
Library capital facility districts	8,216	100.00%	8,216
Parks and recreation service area district	2,344	64.97%	1,523
Vashon Maury Park	237	100.00%	237
TOTAL KING COUNTY – NET OVERLAPPING DEBT	5,393,813		5,258,602
KING COUNTY – NET DIRECT DEBT	1,140,426	100.00%	1,140,426
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 6,534,239		\$ 6,399,029

Source: King County Department of Assessments, except for cities and towns, who provided their information.

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

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

(b) \$ 1,215,604 General long-term debt – general obligation bonds, lease revenue bonds, installment purchase capital leases, and compensated absences
84,290 General short-term debt – general obligation bond anticipation notes
(37,365) Public Facilities District special taxes and revenue financed – Limited Tax GO Bonds
(80,168) Hotel/motel tax financed – \$3,435 thousand Stadium Unlimited Tax GO bonds and \$76,733 thousand Stadium Limited Tax GO bonds
(8,216) General obligation debt financed by Component Unit
(33,719) Funds available in GO Debt Service Funds excluding \$28,477 thousand of hotel/motel and special taxes
\$ 1,140,426 NET DIRECT DEBT

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

GOVERNMENTAL ACTIVITIES							
FISCAL YEAR	GENERAL OBLIGATION BONDS	LEASE REVENUE BONDS	GENERAL OBLIGATION CAPITAL LEASES	SPECIAL ASSESSMENT BONDS			
2001	\$ 928,587	\$ 78,275	\$ 6,093	\$ 167			
2002	911,042	140,530	5,780	137			
2003	870,271	138,770	5,447	135			
2004	1,043,302	136,925	5,334	15			
2005	966,298	236,025	7,256	15			
2006	870,445	422,505	4,695	15			
2007	819,221	414,535	4,324	15			
2008	725,698	408,640	4,000	-			
2009	724,295	402,455	-	-			
2010	728,409	395,990	-	-			

BUSINESS-TYPE ACTIVITIES							
FISCAL YEAR	GENERAL OBLIGATION BONDS	SEWER REVENUE BONDS	CAPITAL LEASES	STATE OF WASHINGTON REVOLVING LOANS	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2001	\$ 661,398	\$ 890,556	\$ 43,294	\$ 58,774	\$ 2,667,144	3.75%	1,639
2002	633,268	952,421	34,883	38,196	2,716,257	3.49%	1,541
2003	528,774	1,038,056	29,147	86,391	2,696,991	3.41%	1,526
2004	560,938	1,210,341	13,101	93,465	3,063,421	3.47%	1,721
2005	741,117	1,189,756	3,685	111,483	3,255,635	3.66%	1,810
2006	642,383	1,499,105	3,611	118,622	3,561,381	3.64%	1,949
2007	663,421	1,724,220	3,534	118,524	3,747,794	3.51%	2,025
2008	638,066	1,947,905	3,453	129,186	3,856,948	3.52%	2,047
2009	919,681	2,167,365	3,368	141,165	4,358,329	4.00%	2,274
2010	1,031,211	2,433,350	3,279	135,995	4,728,234	4.34%	2,467

Note: Details regarding the County's outstanding debt can be found in Note 14 - "Debt."

Because personal income data is not available for 2010, the percentages use the personal income amount for 2009.

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

	2001	2002	2003	2004	2005
Assessed Valuation ^(a)	\$ 210,996,601	\$ 224,994,599	\$ 235,834,254	\$ 248,911,783	\$ 270,571,111
Limited Tax General Obligations for Metropolitan Functions					
Debt Limit - 0.75% of Assessed Value	\$ 1,582,475	\$ 1,687,459	\$ 1,768,757	\$ 1,866,838	\$ 2,029,283
Debt applicable to limit	644,524	631,747	535,960	574,074	790,025
Less: Amounts set aside to repay LTGO debts	(17,913)	(20,686)	(17,914)	(18,779)	(18,173)
Total net debt applicable to the limit	626,611	611,061	518,046	555,295	771,852
Legal Debt Margin ^(b) of LTGO	<u>\$ 955,864</u>	<u>\$ 1,076,398</u>	<u>\$ 1,250,711</u>	<u>\$ 1,311,543</u>	<u>\$ 1,257,431</u>
Total net debt applicable to the limit as a percentage of the debt	39.60%	36.21%	29.29%	29.75%	38.04%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit - 1.5% of Assessed Value	\$ 3,164,949	\$ 3,374,919	\$ 3,537,514	\$ 3,733,677	\$ 4,058,567
Debt applicable to limit ^(c)	1,480,904	1,623,940	1,519,339	1,547,231	1,801,177
Less: Amounts set aside to repay LTGO debts	(45,175)	(48,903)	(50,483)	(45,646)	(50,758)
Total net debt applicable to the limit	1,435,729	1,575,037	1,468,856	1,501,585	1,750,419
Legal Debt Margin ^(b) of LTGO	<u>\$ 1,729,220</u>	<u>\$ 1,799,882</u>	<u>\$ 2,068,658</u>	<u>\$ 2,232,092</u>	<u>\$ 2,308,148</u>
Total net debt applicable to the limit as a percentage of the debt limit	45.36%	46.67%	41.52%	40.22%	43.13%
Total General Obligations (GO) for Metropolitan Functions					
Debt Limit - 2.5% of Assessed Value	\$ 5,274,915	\$ 5,624,865	\$ 5,895,856	\$ 6,222,795	\$ 6,764,278
Debt applicable to limit	644,524	631,747	535,960	574,074	790,025
Less: Amounts set aside to repay GO debts	(17,913)	(20,686)	(17,914)	(18,779)	(18,173)
Total net debt applicable to the limit	626,611	611,061	518,046	555,295	771,852
Legal Debt Margin ^(b) of total GO	<u>\$ 4,648,304</u>	<u>\$ 5,013,804</u>	<u>\$ 5,377,810</u>	<u>\$ 5,667,500</u>	<u>\$ 5,992,426</u>
Total net debt applicable to the limit as a percentage of the debt	11.88%	10.86%	8.79%	8.92%	11.41%
Total General Obligations (GO) for County Purposes					
Debt Limit - 2.5% of Assessed Value	\$ 5,274,915	\$ 5,624,865	\$ 5,895,856	\$ 6,222,795	\$ 6,764,278
Debt applicable to limit ^(c)	1,123,141	1,254,453	1,211,664	1,338,709	1,345,162
Less: Amounts set aside to repay GO debts	(36,318)	(41,146)	(40,987)	(47,317)	(47,303)
Total net debt applicable to the limit	1,086,823	1,213,307	1,170,677	1,291,392	1,297,859
Legal Debt Margin ^(b) of total GO	<u>\$ 4,188,092</u>	<u>\$ 4,411,558</u>	<u>\$ 4,725,179</u>	<u>\$ 4,931,403</u>	<u>\$ 5,466,419</u>
Total net debt applicable to the limit as a percentage of the debt limit	20.60%	21.57%	19.86%	20.75%	19.19%

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

Note: Details regarding the County's outstanding debt can be found in Note 14 - "Debt."

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

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

(c) Lease revenue bonds reported as capital leases in prior years were reclassified as lease revenue bonds in 2007. The bonds were issued in accordance with the provisions of Revenue Ruling 63-20. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County. The amount of debt applicable to debt limit for County purposes prior to 2007 has been restated to reflect this reclassification.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 298,755,199	\$ 340,995,440	\$ 386,889,728	\$ 341,971,517	\$ 330,414,999
\$ 2,240,664	\$ 2,557,466	\$ 2,901,673	\$ 2,564,786	\$ 2,478,112
696,657	718,376	699,144	985,702	1,099,943
(20,126)	(20,482)	(16,541)	(21,904)	(20,829)
676,531	697,894	682,603	963,798	1,079,114
<u>\$ 1,564,133</u>	<u>\$ 1,859,572</u>	<u>\$ 2,219,070</u>	<u>\$ 1,600,988</u>	<u>\$ 1,398,998</u>
30.19%	27.29%	23.52%	37.58%	43.55%
\$ 4,481,328	\$ 5,114,932	\$ 5,803,346	\$ 5,129,573	\$ 4,956,225
1,858,302	1,817,183	1,734,629	1,998,947	2,106,580
(47,664)	(51,449)	(46,110)	(53,730)	(64,177)
1,810,638	1,765,734	1,688,519	1,945,217	2,042,403
<u>\$ 2,670,690</u>	<u>\$ 3,349,198</u>	<u>\$ 4,114,827</u>	<u>\$ 3,184,356</u>	<u>\$ 2,913,822</u>
40.40%	34.52%	29.10%	37.92%	41.21%
\$ 7,468,880	\$ 8,524,886	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375
696,657	718,376	699,144	985,702	1,099,943
(20,126)	(20,482)	(16,541)	(21,904)	(20,829)
676,531	697,894	682,603	963,798	1,079,114
<u>\$ 6,792,349</u>	<u>\$ 7,826,992</u>	<u>\$ 8,989,640</u>	<u>\$ 7,585,490</u>	<u>\$ 7,181,261</u>
9.06%	8.19%	7.06%	11.27%	13.06%
\$ 7,468,880	\$ 8,524,886	\$ 9,672,243	\$ 8,549,288	\$ 8,260,375
1,461,755	1,363,072	1,270,260	1,217,955	1,193,132
(41,515)	(41,597)	(39,206)	(41,554)	(53,891)
1,420,240	1,321,475	1,231,054	1,176,401	1,139,241
<u>\$ 6,048,640</u>	<u>\$ 7,203,411</u>	<u>\$ 8,441,189</u>	<u>\$ 7,372,887</u>	<u>\$ 7,121,134</u>
19.02%	15.50%	12.73%	13.76%	13.79%

SPECIAL TAXES AND REVENUES COLLECTIONS
LIMITED TAX GENERAL OBLIGATION BONDS
1997 SERIES A-D, 2002 REFUNDING, 2004 SERIES C & D REFUNDING (BASEBALL STADIUM)
LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (IN THOUSANDS)

FISCAL YEAR	FOOD AND BEVERAGE TAXES	CAR RENTAL TAXES	COUNTY SALES TAXES	STATE LOTTERY RECEIPTS	STATE LICENSE PLATE RECEIPTS	STADIUM ADMISSION TAXES	TOTAL
2001	\$ 15,099	\$ 5,004	\$ 6,627	\$ 3,650	\$ 207	\$ 5,263	\$ 35,850
2002	15,201	4,812	6,379	3,796	181	4,552	34,921
2003	15,677	4,867	6,397	3,948	179	4,462	35,530
2004	16,807	4,712	6,762	4,106	163	4,040	36,590
2005	17,950	5,060	7,341	4,270	137	3,800	38,558
2006	19,305	5,472	7,899	4,441	113	3,559	40,789
2007	20,958	5,671	8,704	4,618	116	3,796	43,863
2008	21,161	5,668	8,236	4,803	88	3,607	43,563
2009	20,349	5,302	7,114	4,995	93	1,908	39,761
2010	21,140	5,474	7,056	5,195	79	-	38,944

Note: The County's outstanding Limited Tax General Obligation Bonds, 1997 Series A-D, 2002 Refunding, 2004 Series C & D Refunding (Baseball Stadium) are additionally secured by certain special taxes and revenues. This data is presented pursuant to the Securities and Exchange Commission Rule 15c2-12.

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

YEAR	OPERATING REVENUES	INTEREST EARNED ON INVESTMENTS	SUBTOTAL	OPERATING AND MAINTENANCE EXPENSE	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE		COVERAGE
						PRINCIPAL	INTEREST	
2001	\$ 187,074	\$ 7,091	\$ 194,165	\$ 89,073	\$ 105,092	\$ 18,670	\$ 58,875	136%
2002	213,223	4,875	218,098	79,640	138,458	17,440	61,772	175%
2003	214,158	5,072	219,230	82,887	136,343	27,650	65,711	146%
2004	217,275	3,852	221,127	82,778	138,349	28,555	71,296	139%
2005	221,043	6,617	227,660	83,651	144,009	29,330	79,190	133%
2006	241,317	9,131	250,448	91,120	159,328	30,890	80,723	143%
2007	262,930	5,559	268,489	95,574	172,915	32,585	92,120	139%
2008	284,173	4,087	288,260	98,370	189,890	34,445	102,276	139%
2009	306,856	5,613	312,469	103,118	209,351	34,620	110,558	144%
2010	304,825	3,426	308,251	103,682	204,569	36,490	109,975	140%

INTEREST EARNED ON INVESTMENTS: By interpretation of applicable rate covenant, interest earned on investments for all years excludes the effects of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

DEBT SERVICE: By interpretation of applicable rate covenant, debt service excludes the principal and interest on bonds refunded in the current year.

COVERAGE: The Water Quality Enterprise is obligated by bond ordinance to collect net revenue equal to at least 1.15 times the defined debt service requirements payable from revenues of the Enterprise.

**WATER QUALITY ENTERPRISE
ADDITIONAL COVERAGE RATIOS
DECEMBER 31, 2010**

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

Coverage (1.15 required by covenant, adopted policy 1.25)	1.40
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In 2001, the County adopted a new debt service coverage target of 1.15 times the annual debt service for bonds, obligations, notes, and loans of the Enterprise.

Coverage (1.15 adopted target)	1.29
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The Enterprise is required to generate revenues sufficient to pay all costs of operation of the sewage treatment system and debt service on obligations of the Enterprise.

Coverage (1.00 required by covenant)	1.22
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In 2001, the Enterprise issued an additional tier of revenue bonds. The bond covenants of the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, require that sewage disposal rates provide net revenue equal to at least 1.10 times the annual debt service requirements for all Junior Lien obligations after payment of Senior Lien requirements. In 2010, the Enterprise issued Multi-Modal Limited Tax General Obligation Sewer Revenue Bonds, series 2010A and 2010B which incorporate the same requirements as Junior Lien obligations.

Coverage (1.10 required by covenant)	39.50
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**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

CALENDAR YEAR	POPULATION	PERSONAL INCOME (1,000s)	PER CAPITA PERSONAL INCOME	AVERAGE EARNINGS PER JOB	UNEMPLOYMENT RATE COUNTY	STATE
2001	1,756,988	\$ 77,982,196	\$ 44,384	\$ 55,122	5.1%	6.2%
2002	1,763,669	78,430,868	44,470	56,166	6.1%	7.3%
2003	1,769,753	80,127,397	45,276	57,339	6.2%	7.4%
2004	1,782,942	89,382,311	50,132	58,267	5.2%	6.2%
2005	1,803,691	89,431,448	49,582	59,391	4.7%	5.5%
2006	1,832,059	99,608,475	54,370	62,550	4.1%	4.9%
2007	1,857,506	106,637,605	57,409	64,480	3.8%	4.6%
2008	1,884,242	109,551,329	58,141	65,812	4.7%	5.5%
2009	1,909,300	109,053,408	56,904	66,354	8.5%	9.3%
2010	1,933,400	N/A	N/A	N/A	8.8%	9.6%

CALENDAR YEAR	MEDIAN HOUSEHOLD INCOME ESTIMATES	POPULATION 65 YEARS OLD AND OVER	BIRTHS	DEATHS	STUDENTS ENROLLED IN PUBLIC SCHOOLS	STUDENTS ENROLLED IN PRIVATE SCHOOLS
2001	\$ 56,850	183,267	22,355	11,546	252,435	38,556
2002	58,028	183,805	21,814	11,527	253,817	38,373
2003	58,721	185,497	21,909	11,395	254,699	35,988
2004	63,920	186,700	22,508	11,632	255,475	37,088
2005	63,205	188,330	22,877	11,373	254,189	38,835
2006	65,845	190,337	22,890	11,346	257,346	39,726
2007	68,152	192,673	24,491	11,506	257,078	40,362
2008	68,832	195,715	25,051	11,960	259,269	41,161
2009	62,810	198,679	25,277	11,960	253,779	40,569
2010	66,398	201,552	24,914	12,292	263,512	39,429

N/A = Not yet available

Population, personal income, per capita personal income and average earnings per job are from Pacific Northwest Regional Economic Analysis Project - King County, Washington.

Population data in 2009 and 2010 are from Washington State Office of Financial Management, Forecasting Division. Unemployment rates are from State of Washington Employment Security Department, Labor Market and Economic Analysis Branch. Median household income estimates, population 65 old and older, births and deaths are from Washington State Office of Financial Management, Forecasting Division.

Student enrollment data are from Washington State Office of Superintendent of Public Instruction except for 2009 data, which was provided by Washington.SchoolTree.org.

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

TYPE OF INDUSTRY	2010			2001		
	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Trade, transportation and utilities	206,675	1	18.31%	236,250	1	20.20%
Professional and business services	176,558	2	15.65%	174,142	2	14.89%
Government	165,858	3	14.70%	158,008	3	13.51%
Educational and health services	138,192	4	12.25%	111,150	5	9.51%
Leisure and hospitality	107,550	5	9.53%	101,892	6	8.71%
Manufacturing	98,083	6	8.69%	131,900	4	11.28%
Information	79,408	7	7.04%	72,642	8	6.21%
Financial activities	65,558	8	5.81%	78,508	7	6.71%
Construction	49,617	9	4.40%	64,775	9	5.54%
Total	<u>1,087,499</u>		<u>96.38%</u>	<u>1,129,267</u>		<u>96.56%</u>
Total Employment	<u>1,128,492</u>			<u>1,169,358</u>		

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

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

The number of employees are annual averages based on total nonfarm employment, and are not seasonally adjusted.

**TEN LARGEST CUSTOMERS OF THE WATER QUALITY ENTERPRISE
DECEMBER 31, 2010**

	<u>PERCENT OF REVENUE</u>
City of Seattle	40.4%
City of Bellevue	8.8%
City of Kent	5.1%
Alderwood Water & Wastewater District	5.1%
Soos Creek Water & Sewer District	4.8%
City of Renton	4.0%
City of Redmond	4.0%
Northshore Utility District	4.0%
City of Auburn	3.8%
Ronald Wastewater District	<u>2.8%</u>
Total from the Ten Largest Customers	<u><u>82.8%</u></u>

**OPERATING AND CAPITAL INDICATORS BY FUNCTION
LAST TEN YEARS**

	2001	2002	2003	2004	2005
Public Works					
Miles of Paved Roads	1,794	1,810	1,798	1,804	1,801
Miles of Unpaved Roads	56	55	84	55	55
Bridges	187	187	187	187	187
Building Permits					
Permits	3,239	3,579	3,980	3,725	3,359
Value of Buildings (in thousands)	\$ 492,732	\$ 684,939	\$ 754,803	\$ 831,500	\$ 716,076
Justice and Law Enforcement					
Sheriff's Office					
Number of Employees - Commission	694	705	730	717	704
Number of Employees - Civilian	372	377	365	366	355
Motor Pool Fleet - Vehicles	627	636	695	690	651
Motor Pool Fleet - Boats	6	6	8	6	5
Motor Pool Fleet - Helicopters	3	3	4	5	5
Adult Detention					
Average Daily Adult Custodial Population	2,906	2,648	2,394	2,456	2,603
Average Length of Stay (in days)	19	18	17	18	19
Bookings	56,407	54,008	53,361	49,616	50,628
Parks and Land Use					
Number of Parks	200	203	204	204	222
Acres of Parks	24,010	25,965	29,094	121,218	121,597
Public Transportation					
Size of Fleet - Buses	1,306	1,324	1,332	1,391	1,536
Size of Fleet - Active Commuter Vans	694	667	663	662	732
Annual Bus Trips	102,078,126	98,425,286	99,325,901	101,915,207	104,461,689
Annual Commuter Van Trips	1,936,350	1,749,238	1,793,748	1,688,996	1,795,611
Wastewater Treatment					
Total Sewer Customers (Residences & Residential Customer Equivalents)	702,360	685,095	685,133	687,909	689,817
New Sewer Connections Equivalents	13,800	13,100	11,900	11,000	9,600
Monthly Sewer Rate	\$19.75	\$23.40	\$23.40	\$23.40	\$25.60
Residential Connection Charge (Monthly for 15 years)	\$10.50	\$17.20	\$17.60	\$18.00	\$34.05
Total Sewer Revenues (in thousands)	\$167,360	\$192,124	\$191,919	\$192,912	\$212,069
Number of Treatment Plants	2	2	3	3	3
Total Treatment Capacity					
Million of Gallons per Day (MGD)	660	660	766	766	766
Average Daily Flow (MGD)	187	182	183	175	170
Peak Daily Flow (MGD)	533	513	559	507	483

Source: Various King County Agencies.

2006	2007	2008	2009	2010
1,795	1,803	1,710	1,694	1,581
54	51	51	51	51
187	184	183	182	180
2,982	2,900	1,867	1,324	1,341
\$ 575,524	\$ 562,836	\$ 327,942	\$ 233,635	\$ 245,912
734	714	743	729	683
305	312	313	290	346
703	670	662	638	642
8	8	8	8	8
5	6	7	7	7
2,667	2,727	2,575	2,402	2,352
19	19	20	21	20
53,433	53,697	48,234	44,797	43,018
225	220	228	223	218
120,788	120,745	164,676	168,842	169,719
1,545	1,519	1,508	1,560	1,465
801	845	1,031	1,088	1,075
109,386,798	117,492,162	126,941,510	119,936,267	117,522,583
1,966,935	2,322,012	2,770,711	3,187,454	2,849,287
690,934	702,946	706,846	703,795	704,391
10,900	12,200	11,500	8,600	7,400
\$25.60	\$27.95	\$27.95	\$31.90	\$31.90
\$34.05	\$42.00	\$46.25	\$47.64	\$49.07
\$212,117	\$227,665	\$240,001	\$256,160	\$253,684
3	3	4	4	4
766	767	767	767	767
198	178	162	169	178
542	636	444	525	639

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
FUNCTION/PROGRAM										
General government	1,704	1,680	1,551	1,548	1,560	1,506	1,568	1,585	1,657	1,597
Law, safety & justice	3,551	3,443	3,409	3,585	3,556	3,683	3,730	3,857	3,905	3,801
Physical environment	1,415	1,516	1,517	1,497	1,488	1,652	1,670	1,692	1,394	1,363
Transportation	4,288	4,363	4,383	4,322	4,373	4,509	4,589	4,931	4,918	4,851
Economic environment	596	517	413	431	409	316	311	303	376	294
Mental and physical health	1,427	1,584	1,619	1,446	1,512	1,397	1,336	1,455	1,461	1,474
Culture and recreation	384	262	158	161	156	151	157	176	210	207
Total	<u>13,365</u>	<u>13,365</u>	<u>13,050</u>	<u>12,990</u>	<u>13,054</u>	<u>13,214</u>	<u>13,361</u>	<u>13,999</u>	<u>13,921</u>	<u>13,587</u>

Source: King County Budget Office Essbase Budget Development System.

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

The year-end number represents what was adopted for that year by the King County Council.