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COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
JANUARY 1 THROUGH
DECEMBER 31, 2007**

KING COUNTY
STATE OF WASHINGTON

PREPARED BY:

**DEPARTMENT OF EXECUTIVE SERVICES
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King County

Finance and Business Operations Division
Department of Executive Services

821 Second Ave.
Seattle, WA 98104-1598

July 15, 2008

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, 2007. 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, and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). 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 goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended December 31, 2007, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with 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. These reports will be available in the County's separately issued 2007 Single Audit Report, due September 30 (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, 2007, the County contained 39 incorporated cities, which accounted for approximately 80 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 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, and Superior and District Court Judges. All are partisan positions, elected to four-year terms, except for the Sheriff and Judges, which are nonpartisan positions.

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.

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 healthcare, 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 2007 the reporting entity "King County" includes five 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; and (5) the Building Development and Management Corporations. The Harborview Medical Center, with a history dating back to 1877, is a comprehensive 413-bed healthcare facility operated since 1967 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, the Seattle Mariners' baseball stadium. The CDA was created in 2003 to support the arts, heritage, historic preservation, and public art throughout the county. The Flood Control Zone Districts account for the development, operation and maintenance of flood control or storm water control projects that benefit specific areas of the county. The Building Development and Management Corporations are four Washington state nonprofit corporations each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings.

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 from or for 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 forty percent of total revenue, and consist primarily of taxes on real property and retail sales and use taxes. Property taxes tend to be quite stable since levy rates are calculated months in advance and King County establishes assessed value from four prior years of real estate sales. Other tax sources, such as the retail sales tax, are much more volatile and directly influenced by economic conditions in the region.

The 2001 recession had a significant adverse effect on regional employment and income growth. Economic conditions stabilized in 2003 and an expansion started in 2004 – the first increases in total regional employment in four years. County employment growth in 2007 averaged 1.8 percent above 2006 levels, a decrease from the 2.9 percent growth experienced, annually, between 2005 and 2006. Construction sector growth continues to lead job creation, but with significantly reduced momentum in 2007. Strong manufacturing employment growth in 2006, fueled in part by the cyclical ramp up in aircraft manufacturing, gave way to static manufacturing employment levels in 2007. Personal income in the County has also rebounded, with an average annual increase of 8.0 percent between 2005 and 2007, versus average growth of 0.4 percent from 2000 to 2002.

County taxable retail sales for 2007 increased by 10.77 percent over 2006 punctuating a series of years with strong growth; taxable sales growth was 6.36 percent in 2006, 7.45 percent in 2005, and 6.19 percent in 2004, all of which followed the 7.17 percent decrease in taxable sales experienced between 2000 and 2003.

Property assessment growth continues an upward trend, up 14.2 percent in 2007, compared with 10.5 percent, 8.5 percent, 5.6 percent, and 4.8 percent growth in 2006, 2005, 2004, and 2003, respectively. Assessed value appreciated even somewhat faster in 2007 than the meteoric growth experienced at the start of the decade – 12.1 percent in 2001 and 13.4 percent in 2000 – reflecting perhaps overheated market conditions. The ailing commercial market has seen a complete turnaround, countering a forecasted decline in the demand for residential property, which is only recently being realized.

County general fund property tax collections increased by 4.2 percent in 2007, compared with 2.5 percent growth in 2006, 0.8 percent in 2005, 3.6 percent in 2004, and 2.8 percent in 2003. All of these are still below the 4.5 percent growth in 2002, 4.6 percent in 2001, and 6.6 percent in 2000, the year before passage of Initiative 747. Current year property tax delinquencies were 2.01 percent, slightly above the record low set in 2006 of 1.89 percent. Delinquencies were 2.59 percent, 2.22 percent, and 2.25 percent in 2003, 2004, and 2005, respectively.

Economic outlook

Nationally, the U.S. economy struggles to deal with a liquidity crisis spurred by the over-extension and complexity of asset-backed financial instruments and risky underlying sub-prime mortgages. The Federal Reserve has scrambled to add liquidity to markets through a variety of mechanisms, including a reduction in the federal funds rate by 300 basis points since June 2006, and expanded short-term loan facilities. A \$146 billion stimulus package will add a temporary boost to the economy in late 2008, but a dramatic decline in the housing sector has yet to rebound.

For 2008, negative national developments are expected to exert downward pressure on stronger local conditions. Total regional employment in 2008 is forecast to match population growth at 1.8 percent, a drop in this ratio as compared with 2007 – 3.2 percent vs. 2.0 percent and with 2006 – 3.2 percent vs. 1.6 percent. Personal income growth is also anticipated to decline from 2006 and 2007 levels, although only slightly, bolstered in part by trade benefits resulting from the weak dollar.

King County will continue to face numerous challenges, including volatile energy prices, rising employee and programmatic 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 2004, King County aggressively dealt with forecasted outyear deficits through strategic financial planning and management. In 2007, King County again forecast that status quo expenditure patterns would outpace revenues and began to address the coming deficits through a scaling back of programs, severely limiting new programs, and the creation of a reserve to cushion future deficits. The county continues to forecast outyear deficits, intensified by weak national conditions, and is proactively addressing predicted shortfalls.

The slow process of transitioning unincorporated areas to cities through annexation and incorporation continues with several successful large annexations occurring in 2007. In August, residents in the Lea Hill and Auburn West Hill annexation areas elected to join the City of Auburn. In November, Benson Hill area voters approved annexation to the City of Renton effective March 1, 2008. The Auburn annexations were effective January 1, 2008, marking the first successful major annexation to take effect. This breakthrough was spurred in no small measure by the state sales tax credit enacted in 2006 by the Washington State Legislature. Annexations must occur by 2010 in order to qualify for the credit, although no additional major annexations are anticipated in 2008.

The Washington State legislature also recently enacted streamlined sales tax sourcing legislation. This act, which conforms Washington's sales tax code with national standards, takes effect in mid-2008. The impact on countywide collections is slightly negative, but is offset by state mitigation payments. However, most unincorporated areas will see a boost in sales tax receipts of 10-12 percent.

King County still faces substantial difficulties in balancing limited revenues (largely stemming from tight constraints on property tax revenue from Initiative 747 and subsequent state legislation) with the ever-growing demand for services. Property tax growth remains capped at 1 percent plus the value of new construction. While costs since 2003 have been held well under historic growth rates of 5 to 6 percent, it will clearly be a challenge to continue to rein in expenditures in the face of labor cost drivers and service utilization levels.

The County reaffirms its steadfast commitment to maintain a 6 percent undesignated reserve policy and also its willingness to make often 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 Initiatives in 2007

Parks and Open Space Levies Approved for Increased Maintenance, Open Space Acquisition and Regional Trail Development

The King County Parks Futures Task Force convened in November 2006 and did an in-depth evaluation of the needs of the King County parks system. In March 2007 the Task Force recommended two actions:

- A levy to renew the expiring parks operations levy; and
- A separate companion ballot measure to invest in new regional open space acquisitions, regional trail development, city open space and trail projects, and upgrades to the Woodland Park Zoo.

With slight modifications to the recommendations of the Task Force, two ordinances authorizing two measures were placed on the August 21, 2007 primary election ballot and approved by the voters.

Parks Operating Levy

The first ballot measure renews the parks operating levy that expired at the end of 2007. This measure renews and restores funding for King County parks, trails and open spaces. King County has made significant investments in a system that boasts one of the nation's largest inventories of county parks and trails. The renewal levy authorizes a property tax lid lift of five cents per \$1,000 of assessed valuation for a period of six years. This levy is consistent with the expired (2004-2007) parks operating levy, and supports the continued operation and maintenance of regional parks, local rural parks, the community partnerships grant program, and expenditures attributable to these purposes. The five cents breaks down into the following categories:

- 4.44 cents with an inflator to renew the expiring 4.9-cent levy.
- 0.56 cents for enhanced maintenance in regional parks and facilities to match 2002 levels. The 2003 Parks levy was an emergency levy designed to be bare bones and as low cost as possible during the county budget crisis. Today, county parks maintenance levels remain well below those in place in the system prior to the budget crisis in 2002, and well below that observed in nearly all city parks systems in King County. Maintenance levels were trimmed back significantly from 2002 levels and are currently much lower than those of the surrounding cities. The 0.56 cents brings maintenance levels back up to 2002 levels. While much improved, even this would still be at a lower standard than the cities in King County.

Parks Expansion Levy

The second ballot measure authorizes King County to levy an additional property tax of five cents per \$1,000 of assessed valuation for a period of six years for expansion of open space and trails by both King County and cities, and funds environmental education and conservation programming and capital improvements at the Woodland Park Zoo.

The five-cent parks and recreation opportunities expansion levy supports expanding trails, open spaces and recreation opportunities throughout King County. By supporting county and city recreation systems, this levy recognizes the reality that these systems are interdependent in many respects: residents use both systems, and the County's trail system is designed to enhance linkages between them. This levy is an important step forward in addressing an ever increasing demand for more recreational assets in the future. It is projected that at least 280,000 more people will live in King County 20 years from now than are here today. As stated in the Task Force report, if we are to have any hope of meeting the recreational and environmental needs ahead, we must act now. Opportunities to preserve open space and secure regional trail right of way are few and may escape us completely if we do not have funding capacity to seize these opportunities when they arise.

Consistent with the recommendation of the Parks Futures Task Force, levy proceeds would be directed to three distinct elements, as follows:

- 3 cents to King County for acquiring and preserving additional open space and natural lands as well as acquisition and development of key regional trails identified within the County's regional trails plan. The focus for open space and natural lands acquisition will be on protecting additional resource lands, shorelines, and streams within our watersheds. Priority will be given to those projects which utilize efficient funding tools such as transfer of development rights. Trail priorities would be based on securing and developing key urban trail corridors with an emphasis on those that link city-to-city, community-to-community, and urban King County-to-rural King County with primary consideration given to those projects that address health disparities/health inequities as recognized in the Health of King County 2006 report. This funding will allow the Parks Division to build on its success to date in developing and maintaining one of the largest urban regional trail and open space systems in the country.
- 1 cent to be distributed to cities, of which fifty percent shall be distributed based on city population and the remaining fifty percent based on the assessed value of parcels within a city, to be used for trail and open space projects. Trail projects must support connections to the regional trail system, defined to include both County and city regional trails and may specifically include local trails in underserved areas linking to city or County trails.
- 1 cent to the Woodland Park Zoo. This one-time funding recognizes the unique regional contribution of the Zoo. It will expand the Zoo's environmental education and conservation programs and fund capital improvements to Zoo facilities. The County has previously recognized the regional value of the Zoo, for example, by sponsoring issuance in the 1980s of a \$31.5 million voter approved bond measure for major zoo capital improvements.

Chinook Office Building Completion

According to space planning policy guidelines to reduce County agency dependence on short-term leased space the Chinook Building was completed in 2007. It was constructed at the site of the former County parking garage on 5th Avenue.

This 13-story, 296,000 square foot facility was completed in late 2007. Approximately 1,200 employees from eight agencies have been moved from leased space to the Chinook Building. The largest agencies are the Public Health Department, the Department of Community and Human Services, Office of Information Resource Management and the Finance & Business Operations Division.

The facility was designed and constructed consistent with green building standards. "Leadership in Energy and Environmental Design" (LEED) certification for the building is pending. The pending certification is at the Gold category for the building shell and core and Platinum for the building interior.

King County Flood Control Zone District

The countywide King County Flood Control Zone District was established in 2007 to protect public health and safety, regional economic centers, public and private properties and transportation corridors. The newly created district will be instrumental in addressing the backlog of maintenance and repairs to levees and revetments, acquiring repetitive loss properties and other at-risk floodplain properties, and improving countywide flood warning and flood prediction capacity beginning in 2008.

The King County Flood Control Zone District (FCZD) is an independent special purpose district of the State of Washington. The District levy rate is set to complete a ten year work plan to rehabilitate most of the County's flood protection system.

All 9 members of the King County Council sit as the District's Board of Supervisors. In addition, the District's governance structure is comprised of an advisory committee of elected representatives from throughout the county who make recommendations to the FCZD Board of Supervisors.

The FCZD will replace 12 separate districts that addressed areas of localized flooding, with little or no coordination between them. The new countywide FCZD is aimed at saving lives, protecting property and ensuring that a significant portion of King County's economic infrastructure is safe from the damage that can be caused by flooding.

King County Ferry District

King County is made up of expansive bodies of water that touch a growing number of communities and employment centers. Years ago, a "mosquito fleet" of small passenger ferries was used to move people and goods throughout the region. In recent years as traffic congestion has become an increasing problem, the idea of again looking to passenger ferries as a possible transportation option has become more and more attractive.

As the population of the Puget Sound region continues to grow, so will the pressure on our transportation system. By expanding the set of transportation choices to include passenger-only ferries, the County can prepare for continued population and economic growth and address the quality of life issues related to managing traffic congestion and its impact on our environment.

In addition, King County will be faced with at least two major road construction projects in the coming years, the Alaskan Way Viaduct and the 520 bridge replacement. Adding these projects to an already struggling traffic situation will further complicate our ability to move people and goods in our county. An established passenger-only ferry system will assist in the mitigation of these projects and expose more potential customers to the benefits of this transportation option.

In 2006, the Washington State Legislature directed that state funding for the Vashon Island passenger-only ferry service, currently operated by Washington State Ferries (WSF), end on June 30, 2007. Engrossed Substitute Senate Bill (ESSB) 6787 provided that a county with a population greater than one million persons and a boundary on Puget Sound that wanted to create a ferry district, could submit a business plan to the Governor no later than November 1, 2006 for assumption of the Vashon service by the ferry district. The state was willing to extend their operation of the Vashon service beyond June 2007 provided a county proposed a business plan for eventually assuming the service. The Governor approved King County's business plan to create a ferry district on April 27, 2007.

On April 30, 2007 the King County Council unanimously adopted ordinance 15739 that established the framework for a King County Ferry District that corresponded with the boundaries of King County. Under legislative authority provided by the State in 2003, local ferry districts are eligible to receive funding for operations through a property tax levy. On November 13, 2007 Ferry District Resolution 2007-06.2 authorized a countywide property tax levy equal to 5.5 cents per \$1,000 of assessed valuation for collection in 2008. This level of tax would allow the assumption of the Vashon and Elliott Bay passenger-only service along with the study and implementation of up to five future demonstration routes with the financial capacity to convert these routes to permanent service.

Cash Management Policies and Practices

King County managed a \$4 billion (annual average) investment pool (the Pool) during 2007 and distributed nearly \$200 million in interest to a combination of County agencies and 100 other special districts and public authorities participating in the Pool. The Pool is one of the largest in the State of Washington, with County funds comprising about 40 percent of the pool and outside districts the remaining 60 percent.

An Executive Finance Committee (EFC) establishes County investment policies and oversees the investment portfolio to ensure that specific investments comply with both those investment policies and Washington State law (RCW 36.48.070). The Pool is only allowed to invest in certain types of highly-rated securities including certificates of deposit, US treasury obligations, federal agency obligations, municipal obligations, repurchase agreements and commercial paper.

The Pool seeks to obtain a market rate of return while preserving and protecting capital. Over the past 13 years, the pool has averaged about a 5 percent rate of return. All County money is invested in the Pool. During 2007, the Pool realized an average yield of 5.08 percent, up from 4.68 percent in 2006. Interest earnings of County funds in the pool in 2007 were over \$53 million, including over \$16 million for the General Fund.

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

Using the PFM recommended strategy, the investment pool substantially reduced its exposure in commercial paper from 25 percent of the portfolio in August 2007 to about 5 percent as of February 2008. During this seven-month period, the pool has received full payments on 24 holdings of commercial paper totaling \$831 million. The only commercial paper remaining in the pool is associated with four impaired investments totaling \$190 million.

The four impaired commercial paper assets are Cheyne, Mainsail, Rhinebridge and Victoria. Each impaired asset is part of an "enforcement event" in which a trustee takes over the administration of the programs and determines the best way to liquidate assets or restructure the portfolio. Enforcement events are specifically designed to protect the interests of senior creditors, such as the County. At year-end, the County recorded an unrealized loss of \$83.3 million for the pool of which \$30.0 million was allocated to county funds. The financial status of the investments will become clearer as the investments' restructuring proposals are fully implemented. The county expects implementation to occur in the second half of 2008.

Standard & Poor's (S&P) first rated the Pool in 2005 and granted the pool its highest credit rating of AA Af. The pool continued to earn this highest rating in 2006 and again in 2007. In mid-January 2008, S&P took the temporary action to suspend their rating of the pool pending the outcome of enforcement events associated with each impaired investment. The County fully expects to see its AA Af rating restored as restructuring proposals are publicly announced and executed on each impaired investment.

Risk Management

As a municipal organization, the County has a wide range of loss exposures. The County uses three internal service funds to account for and finance property/casualty, workers' compensation, and employee medical and dental benefits self-insurance programs. Note 10 – Risk Management discloses the specific programs and claims liability changes during 2007 for each insurance program.

Pension Benefits

Qualifying County employees participate in 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 public employee retirement systems. Note 8 – Pension Plans presents plan descriptions and information on funding policies.

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, 2006. This was the 26th 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,

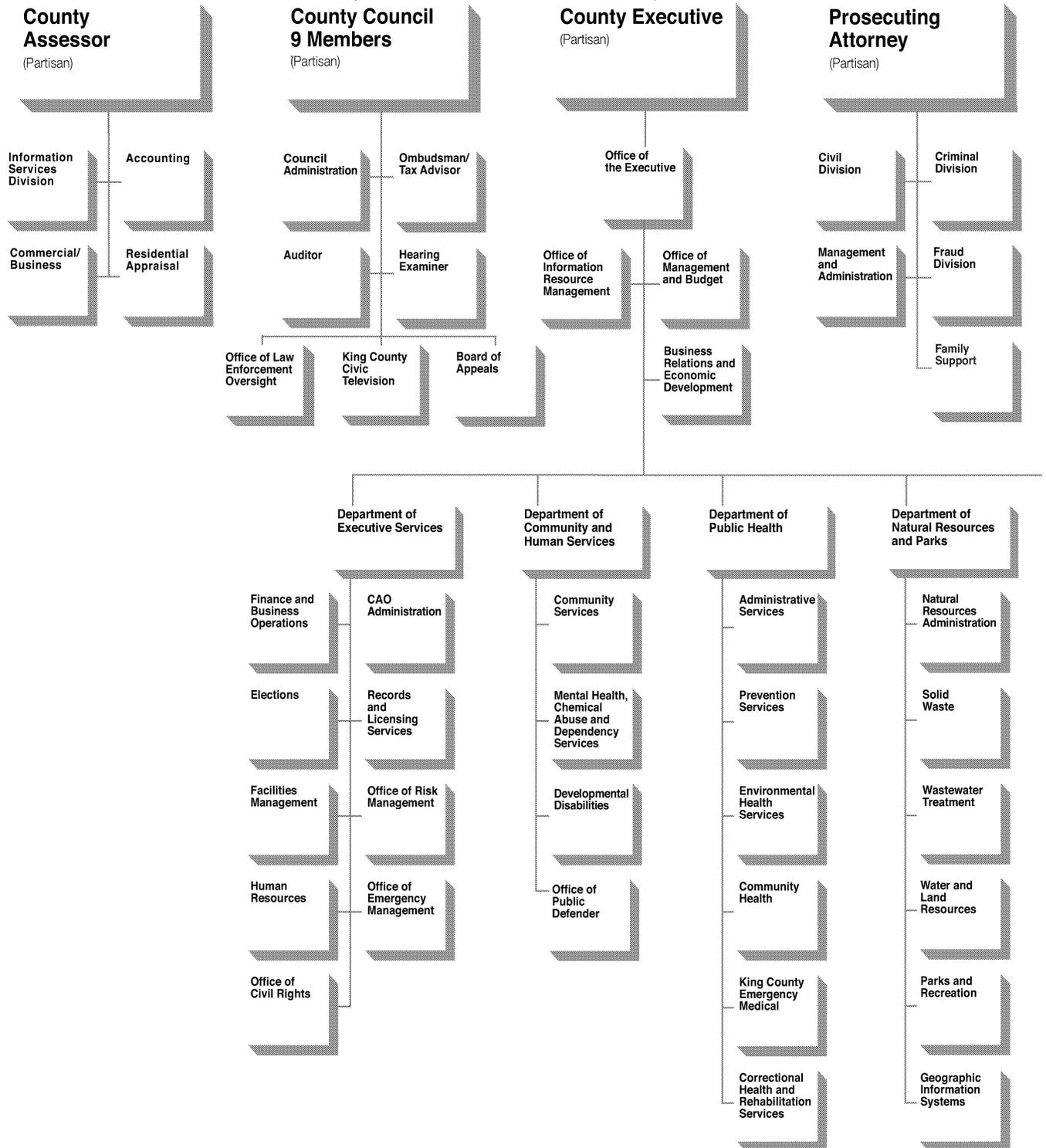


Ken Guy
Finance Director
Finance and Business Operations Division

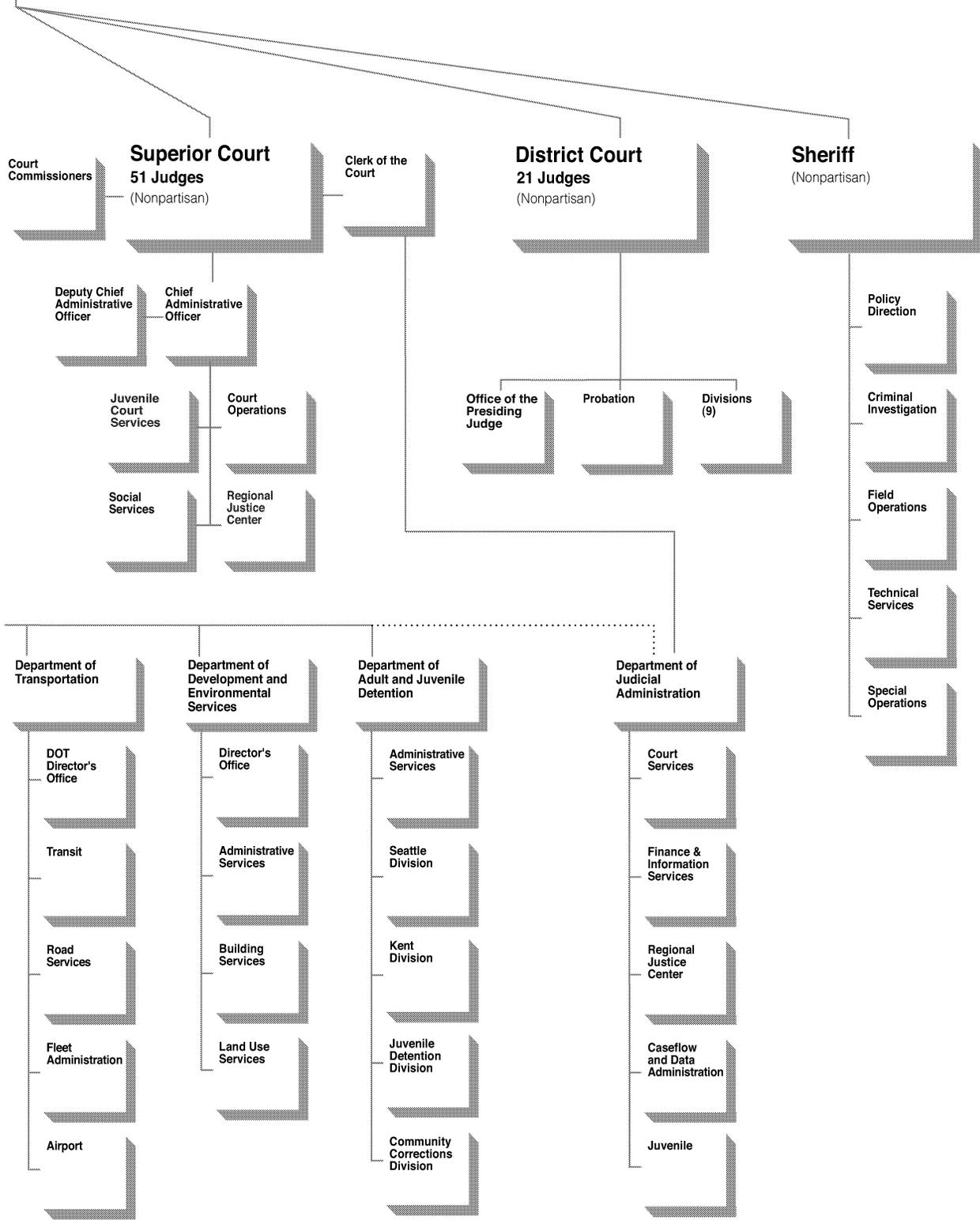


Pete Anthony, CPA
Chief Accountant/Manager
Financial Management Section
Finance and Business Operations Division

The Electorate



of King County



Legend
 Dual Reporting
 — Single Reporting

ELECTED OFFICIALS
at time of publication

Office		Officials
Councilmember	District 1	Bob Ferguson
Councilmember	District 2	Larry Gossett
Councilmember	District 3	Kathy Lambert
Councilmember	District 4	Larry Phillips
Council Chair	District 5	Julia Patterson
Councilmember	District 6	Jane Hague
Councilmember	District 7	Pete von Reichbauer
Council Vice-Chair	District 8	Dow Constantine
Council Vice-Chair	District 9	Reagan Dunn
Executive		Ron Sims
Prosecuting Attorney		Dan Satterberg
Assessor		Scott Noble
Sheriff		Sue Rahr
Judicial	Presiding Judge King County Superior Court	Bruce Hilyer
	Chief Presiding Judge King County District Court	Barbara Linde

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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director



CAFR

**FINANCIAL
SECTION**



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

July 14, 2008

County 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, 2007, 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 Harborview Medical Center, which statements reflect 60 percent, 59 percent, and 97 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component unit information. These 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 Harborview Medical Center, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of King County, Washington, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Public Health Fund 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, 2007, the County has implemented the Governmental Accounting Standards Board's Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

The management's discussion and analysis on pages 3 through 19 and infrastructure modified approach information on pages 123 through 125 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 127 through 228 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 by us and the other auditors 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

This section of King County's (the County) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2007. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

- As of December 31, 2007, the assets of the County exceeded its liabilities by \$3,923.2 million (net assets). Because all of the County's net assets are either invested in capital assets or restricted as to use, the combined unrestricted net assets showed a \$204.0 million deficit at the end of the year.
- In 2007 the County's total net assets increased by 7.9 percent or \$286.6 million. The governmental net assets increased by 11.3 percent or \$182.6 million, and the business-type net assets increased by 5.1 percent or \$104.0 million.
- As of December 31, 2007, the County's governmental funds reported combined ending fund balances of \$472.0 million. Approximately 72.8 percent or \$343.6 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 2007 the unreserved, undesignated fund balance for the General Fund was \$90.0 million, amounting to 15.8 percent of total General Fund expenditures for 2007. Total fund balance for the General Fund decreased 2.2 percent or \$3.1 million for the year.
- The County's total bonded debt increased by 5.4 percent or \$186.9 million in 2007 due to new bond issuance of \$339.0 million offset by \$145.7 million of debt service principal payments made during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The **statement of activities** presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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

Governmental activities. The activities in this section are principally supported by taxes and intergovernmental revenues. Most of the County's basic services fall into this category, including general government; law, safety and justice; physical environment; transportation; economic environment; mental and physical health; culture and recreation; and debt service. Also included within the governmental activities are the 2007 operations of the County's four flood control zone districts. 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. Beginning in 2007, four Washington state nonprofit corporations, each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings, are reported as blended component units of the County. A single internal service fund, the Building Development and Management Corporations Fund, is used to blend the four nonprofit corporations' activities and balances with the primary government.

Business-type activities. These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities include the operation of the County's public transportation system, wastewater treatment facilities, solid waste disposal facilities, airport, and other services.

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

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the County can be divided into three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds. Most of the basic services provided by the County are financed through governmental funds. Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, the governmental funds financial statements focus on how cash and other financial assets can readily be converted to available resources, and the balances left at year-end that are available for future spending. Such information may be useful in determining whether there will be adequate financial resources available to meet the current needs of the County.

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

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

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

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

Proprietary funds. Proprietary funds are generally used to account for services for which the County charges customers a fee. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

The County maintains the following two types of proprietary funds:

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

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

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

Notes to the financial statements

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

Other information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. As indicated in the condensed financial information on the following page, which was derived from the government-wide Statement of Net Assets, the County's combined net assets (governmental and business-type activities) were \$3,923.2 million at the end of 2007. This is an increase of 7.9 percent or \$286.6 million over the net assets of the previous year, as restated.

Governmental activities. Although net assets of the County's governmental activities increased 11.3 percent to \$1,799.2 million, all of the net assets are either subject to external restrictions as to how they may be used, or are invested in capital assets (e.g., land, buildings, infrastructure, right-of-way, equipment, and work in progress) less any related outstanding debt used to acquire those assets. Consequently, unrestricted net assets for governmental activities showed

a \$357.9 million deficit at the end of 2007. This is a 1.7 percent or \$6.2 million decrease in the deficit in unrestricted net assets from that of fiscal year-end 2006, as restated.

Net Assets						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 1,080,590	\$ 972,446	\$ 951,698	\$ 825,714	\$ 2,032,288	\$ 1,798,160
Capital assets	2,416,437	2,248,667	4,123,272	3,805,845	6,539,709	6,054,512
Total Assets	<u>3,497,027</u>	<u>3,221,113</u>	<u>5,074,970</u>	<u>4,631,559</u>	<u>8,571,997</u>	<u>7,852,672</u>
Liabilities						
Long-term liabilities	1,475,758	1,314,783	2,658,464	2,382,170	4,134,222	3,696,953
Other liabilities	222,119	289,776	292,423	229,335	514,542	519,111
Total Liabilities	<u>1,697,877</u>	<u>1,604,559</u>	<u>2,950,887</u>	<u>2,611,505</u>	<u>4,648,764</u>	<u>4,216,064</u>
Net Assets						
Invested in capital assets, net of related debt	1,762,158	1,642,456	1,551,017	1,566,302	3,313,175	3,208,758
Restricted	394,932	338,188	419,118	329,262	814,050	667,450
Unrestricted	(357,940)	(364,090)	153,948	124,490	(203,992)	(239,600)
Total net assets	<u>\$ 1,799,150</u>	<u>\$ 1,616,554</u>	<u>\$ 2,124,083</u>	<u>\$ 2,020,054</u>	<u>\$ 3,923,233</u>	<u>\$ 3,636,608</u>

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 2007 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 \$461.8 million, \$61.4 million less than at the end of 2006, for which no corresponding assets are recorded but for which future revenues are obligated.

Of the amount of debt with no corresponding assets, 71.8 percent or \$331.7 million is related to assets that are recorded on the books of two of the County's three discretely presented component units: the Washington State Major League Baseball Stadium PFD (\$136.0 million), and the Harborview Medical Center (\$195.7 million). As discretely presented component units, these entities are not part of the primary government or incorporated into this analysis. The remainder of the debt, for which there are no corresponding assets, consists of \$98.7 million associated with the Kingdome facility, which was demolished to make room for the Seahawks (Qwest) Football Stadium, and \$31.4 million used to finance assets that have been contributed by the County to other programs and services that benefit the citizens of the County.

Business-type activities. There was an increase of 5.1 percent to \$2,124.0 million in the net assets of business-type activities. Of the total net assets for business-type activities, 73.0 percent or \$1,551.0 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 19.7 percent of the total net assets of business-type activities is restricted as to use for capital construction (\$370.6 million), debt service (\$43.4 million), and litigation (\$5.1 million). The remaining 7.3 percent or \$153.9 million is unrestricted net assets that may be used to finance the continuing operations of the County's business-type activities. Any balance in the unrestricted net assets for business-type activities cannot be used to reduce the unrestricted net asset deficit in governmental activities.

The combination of the \$357.9 million deficit in the governmental activities unrestricted net assets and the \$153.9 million positive balance in the business-type activities unrestricted net assets resulted in the deficit of \$204.0 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 2007 resulted from revenues exceeding related expenses and reflects the County's ability to meet its ongoing obligations including its debt service requirements. Approximately 44.4 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 40.7 percent of the total revenues, while 12.7 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 the 2007 fiscal year.

Governmental activities. Governmental activities accounted for 63.7 percent of the total growth in net assets of the County, resulting in an increase in the County's governmental activities net assets of \$182.6 million. Program revenues for governmental activities total \$802.3 million and include the amount paid by those who directly benefited from the programs (\$539.2 million), and by other governments and organizations that subsidized certain programs with operating grants and contributions (\$180.2 million), and capital grants and contributions (\$82.9 million). In 2007 the cost of all governmental activities was \$1,390.7 million. The County paid for the \$588.5 million remaining "public benefit" portion of governmental activities with \$499.3 million in property taxes, \$164.8 million in retail sales and use taxes, and \$105.7 million in other revenues, including other taxes and interest earnings. As discussed earlier, all of the increase in governmental activities net assets was either restricted as to use or used to acquire capital assets to provide services to the County's citizens.

The growth in net assets of governmental activities of \$182.6 million is primarily due to the following factors: the collection of revenues (mostly taxes) to fund repayments of long-term debt (\$87.2 million), the collection of revenues for the acquisition of capital assets (\$25.7 million), donations of capital assets (primarily infrastructure) to the county (\$57.8 million), taxes collected by Special Revenue Funds (Automated Fingerprint Identification System Fund and Veterans and Human Services Fund) in excess of the services provided in 2007 (\$16.2 million). In addition, book value of capital assets sold/retired (\$18.1 million) and depreciation expense (\$27.3 million) were negative factors in the change in net assets.

Changes in Net Assets
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$ 539,165	\$ 487,479	\$ 538,791	\$ 500,165	\$ 1,077,956	\$ 987,644
Operating grants and contributions	180,215	183,563	55,771	56,400	235,986	239,963
Capital grants and contributions	82,908	101,861	15,846	37,366	98,754	139,227
General revenues						
Property taxes	499,339	468,740	-	-	499,339	468,740
Retail sales and use taxes	164,804	150,111	442,042	367,264	606,846	517,375
Other taxes	69,356	72,123	-	-	69,356	72,123
Unrestricted interest earnings	36,348	46,009	22,718	28,833	59,066	74,842
Total revenues	<u>1,572,135</u>	<u>1,509,886</u>	<u>1,075,168</u>	<u>990,028</u>	<u>2,647,303</u>	<u>2,499,914</u>
Expenses ^(a)						
General government ^(b)	95,864	88,278	-	-	95,864	88,278
Law, safety and justice	544,838	509,234	-	-	544,838	509,234
Physical environment	63,326	56,322	-	-	63,326	56,322
Transportation	107,471	96,401	-	-	107,471	96,401
Economic environment	94,555	92,460	-	-	94,555	92,460
Mental and physical health	381,286	361,817	-	-	381,286	361,817
Culture and recreation	50,100	40,974	-	-	50,100	40,974
Interest and other debt service costs	53,299	52,361	-	-	53,299	52,361
Airport	-	-	14,620	15,392	14,620	15,392
Public transportation	-	-	588,234	535,471	588,234	535,471
Solid waste	-	-	116,252	102,127	116,252	102,127
Water quality	-	-	242,808	243,496	242,808	243,496
Other enterprises activity	-	-	8,025	6,687	8,025	6,687
Total expenses	<u>1,390,739</u>	<u>1,297,847</u>	<u>969,939</u>	<u>903,173</u>	<u>2,360,678</u>	<u>2,201,020</u>
Increase in net assets before transfers	181,396	212,039	105,229	86,855	286,625	298,894
Transfers	1,200	(2,531)	(1,200)	2,531	-	-
Increase in net assets	<u>182,596</u>	<u>209,508</u>	<u>104,029</u>	<u>89,386</u>	<u>286,625</u>	<u>298,894</u>
Net assets, beginning of year (restated) ^(c)	1,616,554	1,407,046	2,020,054	1,930,668	3,636,608	3,337,714
Net assets, end of year	<u>\$ 1,799,150</u>	<u>\$ 1,616,554</u>	<u>\$ 2,124,083</u>	<u>\$ 2,020,054</u>	<u>\$ 3,923,233</u>	<u>\$ 3,636,608</u>

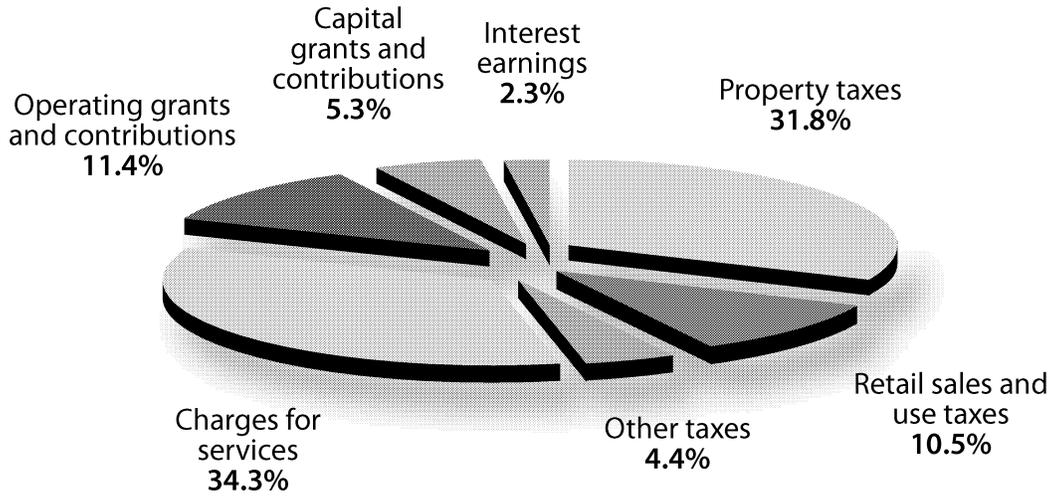
(a) Expenses for all functions include the allocation of indirect expenses from the general government function. The amount of indirect general government expenses allocated to each function is shown in a separate column on the County's government-wide Statement of Activities alongside the column that reflects the direct operating expenses incurred by each function. As a result of this allocation, the \$95.9 million in General government expense above consists of \$147.7 million in direct program expenses and loss on disposal (transfer) of capital assets of \$12.6 million reduced by a net allocation of \$64.4 million to other County functions.

(b) General government expenses includes loss on sale/disposal of capital assets of \$12.6 million and \$22.3 million in 2007 and 2006, respectively.

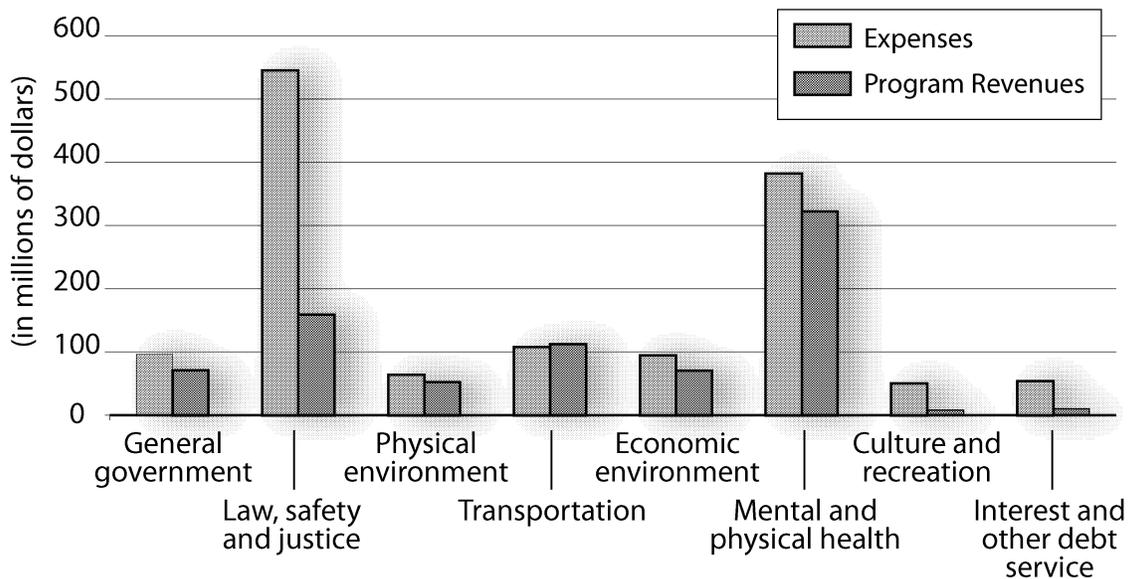
(c) Net assets, beginning of year has been restated, see Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

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
2007**



**Expenses and Program Revenues — Governmental Activities
2007**



Charges for services provided 34.3 percent, and property taxes 31.8 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 84.4 percent of the activities for that function. In 2007 Transportation received \$57.0 million in infrastructure and right-of-way capital assets from developers, which enabled program revenues to exceed expenses. These capital contributions accounted for nearly one-third of the 2007 increase in governmental activities net assets.

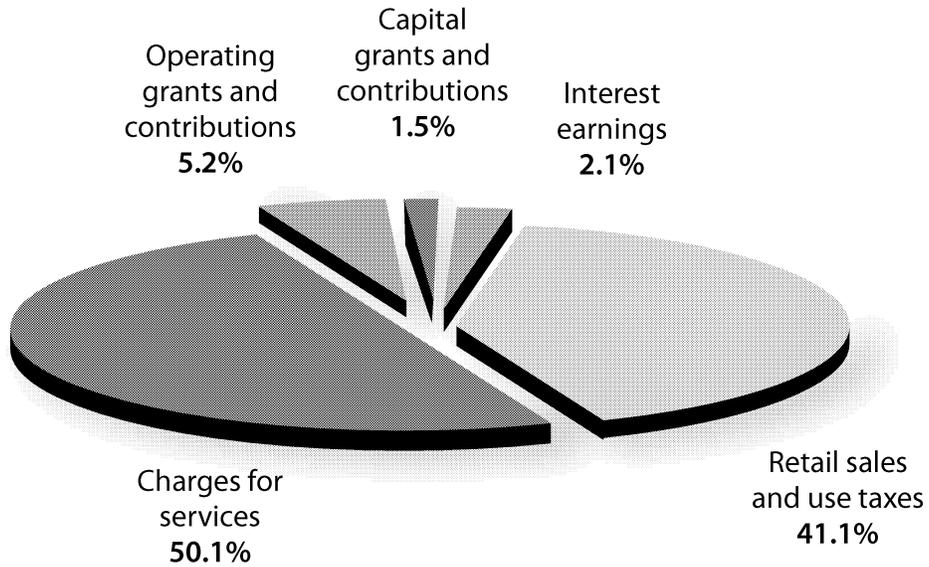
A comparison of the cost of services by function for the County's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (in thousands):

(Expenses) Net of Program Revenues	
General government	\$ (25,404)
Law, safety and justice	(386,060)
Physical environment	(11,323)
Transportation	4,035
Economic environment	(24,334)
Mental and physical health	(59,525)
Culture and recreation	(42,139)
Interest and other debt service costs	(43,701)
Total expenses	(588,451)
General revenues	
Property taxes	499,339
Retail sales and use taxes	164,804
Other taxes	69,356
Unrestricted interest earnings	36,348
Other	1,200
Increase in net assets	\$ 182,596

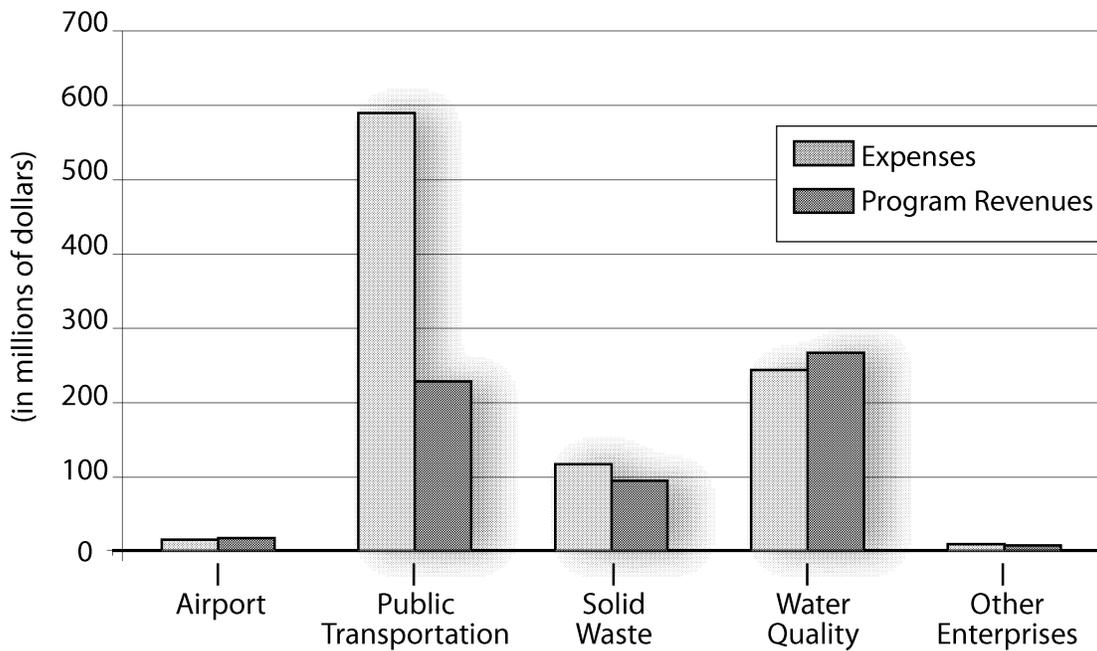
Business-type activities. Business-type activities increased the County's net assets by \$104.0 million in 2007, accounting for 36.3 percent of the total growth in net assets of the County. Total revenues for business-type activities were \$1,075.1 million. The cost of all business-type activities for 2007 was \$969.9 million. Of that amount, 62.9 percent or \$610.4 million was funded from program revenues, including \$538.8 million in charges for services, \$55.8 million from other governments and organizations that subsidized certain programs with operating grants, and \$15.8 million in capital grants and contributions. The Public Transportation program operations are subsidized with retail sales and use tax revenues, which amounted to \$442.0 million in 2007. In addition, business-type activities earned \$22.7 million in unrestricted interest earnings.

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

Revenues by Source — Business-type Activities 2007



Expenses and Program Revenues — Business-type Activities 2007



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net financial resources available for spending at the end of the fiscal year.

As of December 31, 2007, the County's governmental funds reported combined ending fund balances of \$472.0 million, an increase of \$51.6 million in comparison with the prior year. Approximately 72.8 percent (\$343.6 million) constitutes unreserved fund balance which is available for spending in the coming year at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to the liquidation of outstanding contracts and purchase orders of the prior fiscal year (\$83.3 million), to pay debt service (\$17.6 million), for prepayments (\$5.8 million), and for a variety of other restricted purposes (\$21.7 million).

Overall governmental fund revenues totaled approximately \$1,558.0 million for 2007, which represents an increase of 5.1 percent, or \$75.4 million, over the fiscal year ended December 31, 2006. The increase was primarily due to strong growth in Property taxes (up \$30.6 million), Retail sales and use taxes (up \$14.7 million), Intergovernmental revenues (up \$11.5 million), and Charges for services (up \$16.2 million). Interest earnings were down \$9.0 million due to unrealized losses on impaired investments. In 2007, expenditures for governmental funds totaled \$1,563.8 million, an increase of 5.0 percent or \$74.4 million from the previous fiscal year. Current expenditures were up 8.1 percent or \$100.7 million from the previous fiscal year, Debt service expenditures (excluding the payment to escrow agent) were down \$7.7 million (5.6 percent), and Capital outlay expenditures were down \$12.6 million (14.5 percent). Total expenditures for governmental funds exceeded revenues by \$5.8 million in 2007 compared to \$6.8 million for the 2006 fiscal year.

The **General Fund** is the chief operating fund for the County. At the end of the fiscal year, total fund balance for the General Fund equaled \$140.6 million. Unreserved fund balance, the amount considered available to spend, totaled \$113.3 million. Of that amount, \$23.3 million has been designated for working capital purposes and contingencies 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 19.9 percent of total General Fund expenditures, a decrease from the 22.5 percent of a year ago. Total fund balance represents 24.7 percent of total General Fund expenditures, a decrease from the 27.1 percent of a year ago.

The fund balance of the County's General Fund decreased by \$3.1 million during 2007, while the fund balance decrease in 2006 was a modest \$227 thousand. While revenues were up \$33.5 million (5.6 percent) in 2007, expenditures were up \$37.6 million (7.1 percent) and Other Financing Uses were down \$851 thousand. The \$33.5 million increase in revenues includes an increase of \$22.4 million in Taxes, \$3.3 million in Intergovernmental revenues, and \$8.5 million in charges for service. Interest earning declined \$5.5 million in 2007 due to unrealized losses on impaired investments. The total \$36.7 million (6.1 percent) net increase in expenditures and other financing uses reflect the increased support for programs and services. Over \$24.9 million of the \$37.6 million increase in expenditures was in the Law, Safety, and Justice function,

including increased expenditures of \$3.7 million for Adult and Juvenile Detention (up 6.8 percent), \$7.1 million in the Sheriff's Office (up 6.1 percent), \$2.7 million in the Office of the Prosecuting Attorney (up 5.2 percent), and \$5.3 million in increased expenditures for the courts (up 6.6 percent). Other significant increases in current expenditure functions in 2007 include \$9.6 million in general government and \$1.2 million in economic environment.

The **Public Health Fund**, a special revenue fund, is used to finance health service centers located throughout the County and other public health programs to promote health and prevent disease to King County residents. At the end of 2007 it had a total fund balance of \$6.4 million (down from \$7.7 million at the end of 2006), of which \$5.6 million was unreserved and available for spending. The \$9.0 million decrease in revenues from the 2006 level is due to a \$10.7 million decrease in Intergovernmental revenues. Other revenues were up \$1.7 million. In 2007, expenditures decreased by \$2.6 million.

Proprietary Funds

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

As previously discussed in the business-type activities, the County's net assets increased by \$104.0 million as a result of operations in the proprietary funds adjusted to reflect the consolidation of internal service fund activities related to the enterprise funds. Of the two major proprietary funds, the Public Transportation Enterprise provided \$87.6 million of this increase while the net assets of the Water Quality Enterprise increased by \$29.2 million. In 2007, net assets of the Solid Waste Enterprise declined by \$19.4 million. On July 9, 2007, the King County Council adopted an increase in the Solid Waste Tipping Fee from \$82.50 to \$95.00 per ton, effective January 1, 2008, to ensure the financial stability of the enterprise.

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 2007 the Public Transportation Enterprise had total net assets of \$1,376.9 million of which 71.7 percent or \$986.6 million was invested in capital assets, net of related debt; 22.5 percent or \$309.6 million was restricted as to use for capital purposes and bond reserves; and 5.8 percent or \$80.7 million was unrestricted and available for spending. Net assets of Metro Transit increased in years 2007 and 2006. The increase was \$87.6 million (6.8 percent) in 2007 and \$48.6 million (3.9 percent) in 2006. The change in 2007 is attributed to an increase in cash balances held for future fleet replacement and future capital investments that are currently projected to occur over the next few years. During 2007, Metro Transit benefited from both strong sales tax growth and the additional 0.1 percent of sales tax levied beginning April 1, 2007. Compared with 2006, sales tax grew 20.4 percent or \$74.8 million from the 2006 levels. The reserve for future fleet replacement continued to be replenished consistent with existing policies and in anticipation of upcoming fleet replacements over the next several years.

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 \$538.7 million at the end of 2007 of which 72.3 percent or \$389.4 million was invested in capital assets, net of related debt; 18.0 percent or \$97.2 million was restricted as to use for construction projects, debt service, and litigation; and the remaining 9.7 percent or \$52.1 million was unrestricted and available for spending. Water Quality operating revenues increased by 9.0 percent in 2007 to \$262.9 million, while operating expenses net of depreciation increased \$4.5 million to \$95.6 million. This compares to operating revenues increased by 9.2 percent in 2006 to \$241.3 million and operating expenses net of depreciation increased by \$7.5 million to \$91.1 million. The monthly sewer rate increased to \$27.95 per

Residential Customer Equivalents (RCE) in 2007 from \$25.60 in 2006, while the capacity charge rate grew to \$42.00 per RCE in 2007 from \$34.05 in 2006. Rates did not increase in 2006. Capacity charge revenues increased \$4.9 million or 22.0 percent in 2007, and \$5.2 million or 30.7 percent in 2006. Total sewer customers billed for sewer treatment services increased by 12,012 to 702,946 in 2007, and 1,117 to 690,934 in 2006.

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 \$24.3 million during the year due to 2007 supplemental budget appropriations for General Fund support for children and family services, public health, and capital projects. However, actual budgetary basis expenditures were only \$8.3 million more than the original budget. This resulted in an underutilization of the total final appropriation authority by \$16.0 million, including \$4.4 million underexpenditures in General governmental services; \$3.4 million in Law, safety and justice; and \$5.8 million in Transfers out. During the year total revenues exceeded budgetary estimates by \$12.4 million with a net impact of reducing the fund balance by \$3.1 million in 2007.

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, 2007, amounts to \$6.5 billion (net of accumulated depreciation). Capital assets include land, right-of-way, conservation easements and development rights, buildings, improvements other than buildings, roads and bridges infrastructure, vehicles, machinery, computers and other equipment, and construction work-in-progress. The total increase in the investment in capital assets over the previous year was 8.0 percent (7.5 percent increase for governmental activities and 8.3 percent increase for business-type activities).

Major capital asset events during 2007 included the following:

- Construction of the Brightwater treatment system went on its second full year in 2007. This project comprised the bulk of the 43.3 percent increase in business-type work in progress during the year. Construction activities are simultaneously ongoing in the treatment plant, the conveyance systems (portals and conveyance pipes), and ancillary facilities. Construction is expected to be completed in 2010, with operations starting in 2011.
- Significant construction activity is also noted in the Public Transportation and Solid Waste enterprises. Public transportation continued to do improvements, additions, or remodels of bus bases, transit centers, and park-and-ride facilities. The joint project of retrofitting the Seattle Transit Tunnel to accommodate light rail was completed in 2007. For the Solid Waste Enterprise improvements to existing transfer stations and development of landfill ancillary systems continued.
- For governmental activities, the County acquired a new office building and detached parking garage at a combined cost of \$97.2 million which was financed and developed by a non-profit corporation using "63-20" financing. The building is used by various administrative offices of the County who previously leased space in other private and public buildings. Another similarly financed building is currently under construction which will house the Medical Examiner's facilities. Security system upgrades to the King County Correctional Facility (in Seattle) were completed in 2007 and other planned improvements to jail operations were underway.

A summary of the 2007 capital assets activity is shown below (in millions). The restatements of 2006 balances for infrastructure and right-of-way were due to reclassifications of previously capitalized costs to preservation and maintenance and other miscellaneous adjustments. The restatements of 2006 balances in buildings were due to cost basis adjustments that resulted from the change in accounting for certain governmental buildings previously accounted for as capital leases but now recognized as County-owned. More detailed information on the County's capital assets can be found in Note 6 – Capital Assets.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 735.9	\$ 716.7	** \$ 332.0	\$ 324.8	\$ 1,067.9	\$ 1,041.5
Buildings*	540.8	437.0	** 679.9	691.8	1,220.7	1,128.8
Improvements other than buildings*	16.5	17.7	1,260.2	1,296.7	1,276.7	1,314.4
Infrastructure	927.9	866.9	** -	-	927.9	866.9
Equipment*	79.7	75.8	480.9	536.5	560.6	612.3
Construction in progress	115.6	134.6	** 1,370.3	956.1	1,485.9	1,090.7
Total	<u>\$ 2,416.4</u>	<u>\$ 2,248.7</u>	<u>\$ 4,123.3</u>	<u>\$ 3,805.9</u>	<u>\$ 6,539.7</u>	<u>\$ 6,054.6</u>

* Net of depreciation

** Restated

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 Roads Services Division to maintain at least 80.0 percent of the road system at a PCI of 40 or better. In the most recent condition assessments, 91.1 percent of the arterial roads in the County and 89.1 percent of the local access roads in the County had a PCI rating at 40 and above. The majority of roads that fall below the established rating are local access roads that are situated in rural areas. The amount budgeted in 2007 for road preservation and maintenance was \$61.9 million. The amount actually expended was \$51.8 million. Underspending of the budgeted amount is a result of the removal of roads from the project list because of conflicts with anticipated utility work, cost efficiencies related to a relatively few roads to be resurfaced in remote locations, and weather-related work reductions or stoppages. Trend analysis of preservation and maintenance should consider the prior period adjustments that were made for 2003-2006 as shown in the RSI section, p. 124.

The County currently maintains 184 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 Roads 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 2007 for bridge preservation and maintenance was \$24.8 million. Actual amount expended was \$16.2 million. Underspensing of the budgeted amount is due to the construction schedule of certain projects extending beyond the budget year. Trend analysis of preservation and maintenance should consider the prior period adjustments that were made for 2003-2006 as shown in the RSI section, p. 125.

Debt Administration

At the end of 2007, King County Primary Government has total bonded debt outstanding of \$3,621.3 million for its governmental and business-type activities. Of this amount, \$1,897.1 million is comprised of debt backed by the full faith and credit of the County. The \$1,724.2 million remainder of the County's bonded debt represents bonds secured solely by specified revenue sources (revenue bonds).

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 819.2	\$ 870.4	\$ 663.4	\$ 642.4	\$ 1,482.6	\$ 1,512.8
General obligation lease revenue bonds	414.5	422.5 ^(a)	-	-	414.5	422.5
Revenue bonds	-	-	1,724.2	1,499.1	1,724.2	1,499.1
Total	\$ 1,233.7	\$ 1,292.9	\$ 2,387.6	\$ 2,141.5	\$ 3,621.3	\$ 3,434.4

(a) Restated to reclass Issaquah District Court as capital leases and to include Goat Hill Properties and NJB Properties lease revenue bonds, issued in 2005 and 2006 respectively. See Note 13, "Debt" – Schedule of Long-term debt.

The total bonded debt was increased over 2006 by 5.4 percent or \$186.9 million (4.6 percent or \$59.2 million decrease for governmental activities and 11.5 percent or \$246.1 million increase for business-type activities). The decrease of bonded debt outstanding in the governmental activities was primarily due to the \$90.1 million of debt service payments in 2007. The business-type activities' bonded debt was increased due to the issuance of \$250.0 million of sewer revenue bonds to finance the capital needs of the Water Quality Enterprise and \$40.6 million for Solid Waste Division's capital improvement program.

During 2007 the County refinanced some of its existing debt through advance refunding to take advantage of favorable interest rates:

- The County refinanced \$56.3 million of general obligation bonds that is expected to decrease future aggregate debt service payments by \$5.8 million over the life of the bonds.
- The County also refinanced \$66.1 million of lease revenue bonds that is expected to decrease future aggregate debt service payments by \$4.8 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 \$13.9 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 its Water Quality Enterprise's revenue debt are "A1" from Moody's and "AA" from Standard & Poor's.

State statutes limit the amount of general obligation debt that the County may issue to 2 ½ percent of its total assessed valuation for both general county purposes and metropolitan functions. The current debt limitation of total general obligations is \$8,524.9 million for both general county purposes and metropolitan functions, which is significantly higher than the County's outstanding net general obligation long-term liabilities of \$1,321.5 million for general county purposes and \$697.9 million for metropolitan functions.

Additional information on King County's long-term debt can be found in Note 13 – Debt.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

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

Property assessed valuation increased by 14.2 percent and 10.5 percent in 2007 and 2006, respectively. Property tax collections grew by 4.2 percent in 2007 compared with 2.5 percent growth in 2006. Total regional employment growth and regional population growth are expected to be 1.8 percent. Unemployment in King County was 3.7 percent in 2007 compared with 4.1 percent in 2006. Personal income has grown by 8.0 percent on average between 2005 and 2007. These and other factors were considered in the budget enacted for 2008. By law, the County is required to adopt a balanced budget. The 2008 budget for the County, adopted by the County Council in November 2007, totals \$4,398.9 million. Of this amount, \$687.2 million is appropriated for the General Fund; \$987.0 million for enterprise funds (including public transportation, solid waste and wastewater treatment); and \$885.9 million for special revenue funds (including public health, emergency medical services, human services, and road funds). The budget also includes \$1.2 billion committed to capital improvements for wastewater treatment, transit, roads, parks and other major public facilities. The general fund current expense budget maintained a six percent budgetary undesignated fund balance as a percentage of revenues.

Other considerations

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

and general government activities. The County projects structural deficits for the General Fund budget occurring in years 2009 through 2012.

The County investment pool held four impaired commercial paper investments at December 31, 2007. The county pool is a senior creditor for each investment, and each investment is part of an enforcement event in which a trustee takes over the administration of the program and determines the best way to liquidate assets or restructure the portfolio. Enforcement events are designed to protect the interests of senior creditors. The maximum risk of loss on the four investments is \$207 million at December 31, 2007; and has been reduced to \$190 million by payments received during 2008. An \$83.3 million unrealized loss was recorded at December 31, 2007. The ultimate outcome on the investments will be determined based upon results of the enforcement events.

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

The County is in the fifth year of an annexation initiative and will face operational and budgetary adjustments as annexations are completed. Ten major urban unincorporated areas are identified that by County Planning Policies should be incorporated into or annexed into cities by 2012. Incorporation or annexation is also encouraged by the Washington State Growth Management Act. Major annexation areas are in various stages of the annexation process. In 2007, there were two large annexations approved: the City of Auburn annexed the Lea Hill area with an effective date of January 1, 2008, and assessed valuation of \$815.8 million and the City of Renton annexed the Benson Hill area with an effective date of March 1, 2008, and assessed valuation of \$1.2 billion. The completion dates of other major annexations are not currently known. The fiscal impacts of incorporation and annexation depend upon the revenue generating capacity of an area compared to its service demands. The 2008 adopted budget made a policy reserve of \$7.8 million for annexation incentives.

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

REQUESTS FOR INFORMATION

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



CAFR

**BASIC
STATEMENTS**

STATEMENT OF NET ASSETS
DECEMBER 31, 2007
 (IN THOUSANDS)

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 841,775	\$ 770,727	\$ 1,612,502	\$ 266,125
Investments	3,435	-	3,435	23,506
Receivables, net	193,600	150,198	343,798	115,808
Due from primary government	-	-	-	1,381
Internal balances	15,697	(15,697)	-	-
Inventories	1,854	20,261	22,115	5,413
Prepayments and other assets	14,364	2,564	16,928	1,612
Capital assets				
Land	735,884	331,984	1,067,868	40,084
Infrastructure	927,868	-	927,868	-
Buildings	755,015	1,073,609	1,828,624	678,909
Improvements other than buildings	20,991	2,067,154	2,088,145	25,446
Furniture, machinery and equipment	225,066	1,418,964	1,644,030	280,069
Accumulated depreciation	(363,980)	(2,138,716)	(2,502,696)	(381,735)
Work in progress	115,593	1,370,277	1,485,870	163,396
Deferred charges	9,865	20,423	30,288	-
Deposits with other governments	-	-	-	600
Prepaid rent	-	3,222	3,222	-
Other assets	-	-	-	12,735
TOTAL ASSETS	<u>3,497,027</u>	<u>5,074,970</u>	<u>8,571,997</u>	<u>1,233,349</u>
LIABILITIES				
Accounts payable and other current liabilities	103,550	78,134	181,684	60,462
Due to component unit	1,381	-	1,381	-
Accrued liabilities	37,646	70,931	108,577	32,376
Notes payable	44,268	100,000	144,268	-
Unearned revenues	35,274	43,358	78,632	6,243
Noncurrent liabilities				
Due within one year	178,568	64,043	242,611	3,940
Due in more than one year	1,297,190	2,594,421	3,891,611	60,049
TOTAL LIABILITIES	<u>1,697,877</u>	<u>2,950,887</u>	<u>4,648,764</u>	<u>163,070</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,762,158	1,551,017	3,313,175	751,621
Restricted for:				
Capital projects	168,095	370,582	538,677	-
Debt service	72,048	43,444	115,492	-
General government	15,960	-	15,960	-
Law, safety and justice	50,884	-	50,884	-
Physical environment	1,949	-	1,949	-
Economic environment	49,923	-	49,923	-
Mental and physical health	29,231	-	29,231	-
Culture and recreation	6,842	-	6,842	-
Litigation	-	5,092	5,092	-
Expendable	-	-	-	103,356
Nonexpendable	-	-	-	21,025
Unrestricted	(357,940)	153,948	(203,992)	194,277
TOTAL NET ASSETS	<u>\$ 1,799,150</u>	<u>\$ 2,124,083</u>	<u>\$ 3,923,233</u>	<u>\$ 1,070,279</u>

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

KING COUNTY, WASHINGTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Units Total
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:									
Governmental activities:									
General government	\$ 160,274	\$ (64,410)	\$ 65,440	\$ 4,010	\$ 1,010	\$ (25,404)	\$	\$ (25,404)	\$
Law, safety & justice	512,342	32,496	125,103	33,675	-	(386,060)		(386,060)	
Physical environment	62,274	1,052	44,564	2,033	5,406	(11,323)		(11,323)	
Transportation	105,091	2,380	17,003	18,100	76,403	4,035		4,035	
Economic environment	92,783	1,772	48,586	21,635	-	(24,334)		(24,334)	
Mental & physical health	375,033	6,253	226,341	95,420	-	(59,525)		(59,525)	
Culture & recreation	49,435	665	7,264	608	89	(42,139)		(42,139)	
Interest and other debt service costs	53,299	-	4,864	4,734	-	(43,701)		(43,701)	
Total governmental activities	<u>1,410,531</u>	<u>(19,792)</u>	<u>539,165</u>	<u>180,215</u>	<u>82,908</u>	<u>(588,451)</u>		<u>(588,451)</u>	
Business-type activities:									
Airport	14,276	344	13,921	-	2,533		1,834	1,834	
Public Transportation	574,091	14,143	160,231	55,771	11,431		(360,801)	(360,801)	
Solid Waste	113,922	2,330	93,376	-	690		(22,186)	(22,186)	
Water Quality	239,906	2,902	264,440	-	1,164		22,796	22,796	
Institutional Network	4,160	50	3,060	-	17		(1,133)	(1,133)	
Radio Communications Services	3,792	23	3,763	-	11		(41)	(41)	
Total business-type activities	<u>950,147</u>	<u>19,792</u>	<u>538,791</u>	<u>55,771</u>	<u>15,846</u>	<u>-</u>	<u>(359,531)</u>	<u>(359,531)</u>	
Total primary government	<u>\$ 2,360,678</u>	<u>\$ -</u>	<u>\$ 1,077,956</u>	<u>\$ 235,986</u>	<u>\$ 98,754</u>	<u>(588,451)</u>	<u>(359,531)</u>	<u>(947,982)</u>	
Component units	<u>\$ 592,953</u>		<u>\$ 565,676</u>	<u>\$ 24,095</u>	<u>\$ 9,606</u>				<u>6,424</u>
General revenues									
Property taxes						499,339	-	499,339	-
Retail sales and use taxes						164,804	442,042	606,846	-
Business and other taxes						53,745	-	53,745	-
Penalties and interest - delinquent taxes						15,611	-	15,611	-
Interest earnings						36,348	22,718	59,066	12,167
Transfers						1,200	(1,200)	-	-
Total general revenues and transfers						<u>771,047</u>	<u>463,560</u>	<u>1,234,607</u>	<u>12,167</u>
Change in net assets						182,596	104,029	286,625	18,591
Net assets - January 1, 2007 (Restated)						1,616,554	2,020,054	3,636,608	1,051,688
Net assets - December 31, 2007						<u>\$ 1,799,150</u>	<u>\$ 2,124,083</u>	<u>\$ 3,923,233</u>	<u>\$ 1,070,279</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007
(IN THOUSANDS)**

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 86,877	\$ 4,915	\$ 392,759	\$ 484,551
Taxes receivable - delinquent	5,789	-	6,344	12,133
Accounts receivable, net	8,431	2,116	22,855	33,402
Other receivables, net	-	-	372	372
Interest receivable	26,150	-	-	26,150
Due from other funds	9,921	2,253	30,987	43,161
Interfund short-term loans receivable	4,475	-	-	4,475
Due from other governments, net	42,966	19,689	46,995	109,650
Inventory of supplies	-	425	-	425
Prepayments	-	-	5,808	5,808
Advances to other funds	3,800	-	-	3,800
TOTAL ASSETS	\$ 188,409	\$ 29,398	\$ 506,120	\$ 723,927
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 8,400	\$ 16,247	\$ 33,942	\$ 58,589
Due to other funds	8,079	175	31,837	40,091
Interfund short-term loans payable	-	-	2,846	2,846
Due to other governments	3,086	-	4,700	7,786
Due to component unit	-	-	1,381	1,381
Interest payable	-	-	2,122	2,122
Wages payable	14,388	4,230	6,494	25,112
Taxes payable	200	-	51	251
Bonds payable	-	-	2,925	2,925
Deferred revenues	11,706	571	39,260	51,537
Notes and contracts payable	-	-	44,268	44,268
Custodial accounts	1,002	1,810	10,986	13,798
Advances from other funds	900	-	346	1,246
Total liabilities	47,761	23,033	181,158	251,952
Fund balances				
Reserved	27,346	776	100,269	128,391
Unreserved				
Designated, reported in				
General Fund	23,319			23,319
Public Health Fund		4,278		4,278
Special Revenue Funds			32,851	32,851
Undesignated, reported in				
General Fund	89,983			89,983
Public Health Fund		1,311		1,311
Special Revenue Funds			83,230	83,230
Debt Service Funds			27,666	27,666
Capital Projects Funds			80,946	80,946
Total fund balances	140,648	6,365	324,962	471,975
TOTAL LIABILITIES AND FUND BALANCES	\$ 188,409	\$ 29,398	\$ 506,120	

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.	2,139,820
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	27,561
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net assets.	72,181
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(912,387)
Net assets of governmental activities	\$ 1,799,150

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, 2007
(IN THOUSANDS)

	<u>GENERAL FUND</u>	<u>PUBLIC HEALTH FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes				
Property taxes	\$ 250,348	\$ -	\$ 248,924	\$ 499,272
Retail sales and use taxes	106,142	-	58,662	164,804
Business and other taxes	13,681	-	40,064	53,745
Penalties and interest - delinquent taxes	15,611	-	-	15,611
Licenses and permits	7,133	12,077	11,655	30,865
Intergovernmental revenues	86,468	119,347	247,762	453,577
Charges for services	110,413	11,502	121,990	243,905
Fines and forfeits	9,292	-	324	9,616
Interest earnings	17,706	-	11,359	29,065
Miscellaneous revenues	15,198	2,979	39,327	57,504
TOTAL REVENUES	<u>631,992</u>	<u>145,905</u>	<u>780,067</u>	<u>1,557,964</u>
EXPENDITURES				
Current				
General government	101,872	-	55,879	157,751
Law, safety and justice	418,973	-	77,403	496,376
Physical environment	4,104	-	59,820	63,924
Transportation	-	-	106,396	106,396
Economic environment	17,012	-	77,175	94,187
Mental and physical health	24,009	176,815	180,993	381,817
Culture and recreation	-	-	47,512	47,512
Debt Service				
Principal	-	111	87,084	87,195
Interest and other debt service costs	-	53	42,017	42,070
Refunding bond issuance costs	-	-	405	405
Payment to escrow agent	-	-	12,000	12,000
Capital outlay	2,396	863	70,876	74,135
TOTAL EXPENDITURES	<u>568,366</u>	<u>177,842</u>	<u>817,560</u>	<u>1,563,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,626</u>	<u>(31,937)</u>	<u>(37,493)</u>	<u>(5,804)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	72	29,534	148,580	178,186
Transfers out	(67,384)	(192)	(107,487)	(175,063)
General government debt issued	-	-	48,395	48,395
Premium on bonds sold	-	-	3,890	3,890
Refunding bonds issued	-	-	54,565	54,565
Sale of capital assets	570	1,221	2,757	4,548
Payment to refunded bond escrow agent	-	-	(57,133)	(57,133)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(66,742)</u>	<u>30,563</u>	<u>93,567</u>	<u>57,388</u>
Net changes in fund balances	(3,116)	(1,374)	56,074	51,584
Fund balances - January 1, 2007 (Restated) ^(a)	143,764	7,739	268,888	420,391
Fund balances - December 31, 2007	<u>\$ 140,648</u>	<u>\$ 6,365</u>	<u>\$ 324,962</u>	<u>\$ 471,975</u>

(a) See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

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, 2007
(IN THOUSANDS)**

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

Net change in fund balances – total governmental funds	\$ 51,584
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.	46,866
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets.	40,014
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	302
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.	49,137
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.	(6,820)
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	1,513
Change in net assets of governmental activities	<u>\$ 182,596</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, 2007
 (IN THOUSANDS)

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes				
Property taxes	\$ 266,139	\$ 266,139	\$ 250,348	\$ (15,791)
Retail sales and use taxes	99,172	99,172	106,142	6,970
Business and other taxes	7,493	7,493	13,681	6,188
Penalties and interest - delinquent taxes	13,426	13,426	15,611	2,185
Licenses and permits	7,357	7,357	7,133	(224)
Intergovernmental revenues	81,544	81,544	86,468	4,924
Charges for services	103,719	103,719	110,413	6,694
Fines and forfeits	7,157	7,157	9,292	2,135
Interest earnings	24,436	24,436	20,601	(3,835)
Miscellaneous revenues	18,717	18,717	15,138	(3,579)
Sale of capital assets	70	70	570	500
Transfers in	16,718	16,718	22,976	6,258
TOTAL REVENUES	<u>645,948</u>	<u>645,948</u>	<u>658,373</u>	<u>12,425</u>
EXPENDITURES				
Current				
General government services	104,828	108,091	103,716	4,375
Law, safety and justice	418,457	424,628	421,180	3,448
Physical environment	3,981	3,983	4,104	(121)
Economic environment	19,498	23,127	22,759	368
Mental and physical health	25,262	25,366	24,009	1,357
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	-	3
Capital outlay	3,354	3,505	2,728	777
Transfers out	85,457	96,433	90,638	5,795
TOTAL EXPENDITURES	<u>660,874</u>	<u>685,170</u>	<u>669,134</u>	<u>16,036</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (14,926)</u>	<u>\$ (39,222)</u>	(10,761)	<u>\$ 28,461</u>
Adjustment from budgetary basis to GAAP basis			7,645 ^(a)	
Net change in fund balance			(3,116)	
Fund balance – January 1, 2007			143,764	
Fund balance – December 31, 2007			<u>\$ 140,648</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized loss on investments on a GAAP basis			\$ (2,895)	
Reclassification of donations from a fiduciary fund, revenue on a GAAP basis			60	
Budgeted intrafund transfers in, eliminated on a GAAP basis			(22,954)	
Non-budgeted transfer in			50	
Adjustments to expenditures				
Encumbrances, not included in GAAP basis expenditures			10,130	
Budgeted transfers out reported as a reduction of advance on a GAAP basis			300	
Budgeted intrafund transfers out, eliminated on a GAAP basis			22,954	
Adjustment from budgetary basis to GAAP basis			<u>\$ 7,645</u>	

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, 2007
 (IN THOUSANDS)

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Licenses and permits	\$ 12,235	\$ 12,314	\$ 12,077	\$ (237)
Intergovernmental revenues	123,897	131,171	119,347	(11,824)
Charges for services	12,796	11,933	11,502	(431)
Miscellaneous revenues	8,908	6,382	3,112	(3,270)
Transfers in	26,861	29,534	29,534	-
Sale of capital assets	-	-	1,221	1,221
Total revenues	184,697	191,334	176,793	(14,541)
EXPENDITURES				
Current				
Mental and physical health	183,567	190,040	176,915	13,125
Debt service				
Principal	-	-	155	(155)
Interest and other debt service costs	-	-	53	(53)
Capital outlay	1,489	1,568	1,009	559
Transfers out	517	192	192	-
Total expenditures	185,573	191,800	178,324	13,476
Deficiency of revenues under expenditures (budgetary basis)	\$ (876)	\$ (466)	(1,531)	\$ (1,065)
Adjustment from budgetary basis to GAAP basis			157 ^(a)	
Net change in fund balance			(1,374)	
Fund balance – January 1, 2007			7,739	
Fund balance – December 31, 2007			\$ 6,365	
 (a) Elements of adjustment from budgetary basis to GAAP basis:				
Nonbudgeted proceeds from Emergency Medical Service – donations			\$ (133)	
Encumbrances not included in GAAP basis expenditures			290	
Adjustment from budgetary basis to GAAP basis			\$ 157	

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 94,410	\$ 34,820	\$ 75,050	\$ 204,280	\$ 188,834
Restricted cash and cash equivalents	17,710	83,348	993	102,051	126,127
Investments	-	-	-	-	3,141
Accounts receivable	10,103	20,721	7,381	38,205	790
Estimated uncollectible accounts receivable	(83)	-	(59)	(142)	(5)
Due from other funds	1,045	3,210	729	4,984	4,412
Due from other governments, net	77,196	-	803	77,999	422
Inventory of supplies	13,746	5,249	1,259	20,254	1,436
Prepayments and other assets	292	108	-	400	9,073
Total current assets	214,419	147,456	86,156	448,031	334,230
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	246,268	131,547	81,005	458,820	47,839
Accounts receivable	2,166	413	25	2,604	-
Due from other funds	24,499	-	-	24,499	-
Due from other governments	29,478	-	508	29,986	-
Assessments receivable	1,546	-	-	1,546	-
Advances to other funds	946	-	-	946	-
Notes receivable and other assets	1,824	-	-	1,824	-
Total restricted assets	306,727	131,960	81,538	520,225	47,839
Capital assets					
Land	140,010	149,997	41,977	331,984	20,395
Buildings	297,451	715,076	61,082	1,073,609	195,788
Improvements other than buildings	617,784	1,287,118	162,252	2,067,154	2,509
Furniture, machinery and equipment	808,884	514,924	82,764	1,406,572	96,164
Accumulated depreciation	(931,572)	(1,008,311)	(189,700)	(2,129,583)	(80,598)
Work in progress	208,682	1,084,606	76,989	1,370,277	45,618
Total capital assets	1,141,239	2,743,410	235,364	4,120,013	279,876
Other noncurrent					
Prepayments	3,222	-	-	3,222	-
Deferred charges	959	19,037	427	20,423	5,770
Other assets	340	-	-	340	-
Total other noncurrent	4,521	19,037	427	23,985	5,770
Total noncurrent assets	1,452,487	2,894,407	317,329	4,664,223	333,485
TOTAL ASSETS	1,666,906	3,041,863	403,485	5,112,254	667,715

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
LIABILITIES					
Current liabilities					
Accounts payable	\$ 29,388	\$ 39,314	\$ 8,759	\$ 77,461	\$ 8,543
Claims and judgments payable	2,768	-	-	2,768	-
Estimated claim settlements	-	-	-	-	87,185
Due to other funds	24,465	5,011	3,757	33,233	3,732
Interest payable	644	50,753	407	51,804	1,699
Interfund short-term loans payable	-	-	-	-	1,629
Wages payable	12,204	2,568	1,587	16,359	2,890
Compensated absences payable	6,320	518	194	7,032	553
Taxes payable	78	-	193	271	43
Unearned revenues	18,555	-	2,053	20,608	836
Revenue bonds payable	-	26,315	-	26,315	5,895
General obligation bonds payable	7,405	6,270	4,360	18,035	170
Assessments payable	-	-	-	-	15
Capital leases payable	81	-	-	81	-
State revolving loan payable	-	6,580	-	6,580	-
Notes payable	-	100,000	-	100,000	-
Landfill closure and post-closure care liability	-	-	6,000	6,000	-
Other liabilities	-	-	361	361	14,671
Total current liabilities	101,908	237,329	27,671	366,908	127,861
Noncurrent liabilities					
Rate stabilization reserve	-	22,750	-	22,750	-
Compensated absences payable	35,594	8,427	3,902	47,923	9,599
Other postemployment benefits	863	134	109	1,106	202
Advances from other funds	3,500	-	-	3,500	-
General obligation bonds payable	143,995	444,270	57,121	645,386	420
Revenue bonds payable	-	1,697,905	-	1,697,905	408,640
Deferred bond discount/refunding losses	653	(31,348)	2,116	(28,579)	-
Capital leases payable	3,453	-	-	3,453	-
Assessments payable	-	-	-	-	44
State revolving loans payable	-	111,944	-	111,944	-
Landfill closure and post-closure care liability	-	-	100,816	100,816	-
Estimated claim settlements	-	-	-	-	49,360
Environmental remediation	50	11,793	2,624	14,467	-
Total noncurrent liabilities	188,108	2,265,875	166,688	2,620,671	468,265
TOTAL LIABILITIES	290,016	2,503,204	194,359	2,987,579	596,126
NET ASSETS					
Invested in capital assets, net of related debt	986,611	389,380	171,767	1,547,758	14,623
Restricted for:					
Capital projects	298,722	59,515	12,345	370,582	5,865
Debt service	10,849	32,595	-	43,444	26,817
Litigation	-	5,092	-	5,092	-
Unrestricted	80,708	52,077	25,014	157,799	24,284
TOTAL NET ASSETS	\$ 1,376,890	\$ 538,659	\$ 209,126	2,124,675	\$ 71,589
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(592)	
Net assets of business-type activities				<u>\$ 2,124,083</u>	

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
OPERATING REVENUES					
I-Net fees	\$ -	\$ -	\$ 3,060	\$ 3,060	\$ -
Radio services	-	-	3,763	3,763	-
Solid waste disposal charges	-	-	89,265	89,265	-
Airfield fees	-	-	3,094	3,094	-
Hangar, building, and site rentals and leases	-	-	9,367	9,367	-
Reimbursement for services to tenants	-	-	1,442	1,442	-
Passenger	124,231	-	-	124,231	-
Special service contracts	3,456	-	-	3,456	-
Sewage disposal fees	-	227,665	-	227,665	-
Other service revenues	26,721	35,265	13	61,999	387,058
Total operating revenues	<u>154,408</u>	<u>262,930</u>	<u>110,004</u>	<u>527,342</u>	<u>387,058</u>
OPERATING EXPENSES					
Personal services	334,814	37,177	43,927	415,918	79,611
Materials and supplies	55,100	8,867	8,423	72,390	10,648
Contract services and other charges	18,391	11,344	26,446	56,181	253,607
Utilities	4,549	9,475	3,445	17,469	-
Purchased transportation	43,274	-	-	43,274	-
Internal services	50,524	28,711	12,985	92,220	21,036
Landfill closure and post-closure care	-	-	18,918	18,918	-
Depreciation	82,113	74,781	17,874	174,768	11,672
Total operating expenses	<u>588,765</u>	<u>170,355</u>	<u>132,018</u>	<u>891,138</u>	<u>376,574</u>
OPERATING INCOME (LOSS)	<u>(434,357)</u>	<u>92,575</u>	<u>(22,014)</u>	<u>(363,796)</u>	<u>10,484</u>
NONOPERATING REVENUES					
Sales tax	442,042	-	-	442,042	-
Intergovernmental	55,771	-	-	55,771	-
Interest earnings	10,627	6,853	5,085	22,565	7,436
DNR administration	-	-	2,894	2,894	-
Rental income	-	-	564	564	-
Gain on disposal of capital assets	5,823	677	54	6,554	1,016
Miscellaneous	-	593	400	993	-
Total nonoperating revenues	<u>514,263</u>	<u>8,123</u>	<u>8,997</u>	<u>531,383</u>	<u>8,452</u>
NONOPERATING EXPENSES					
Interest	2,895	72,526	1,983	77,404	10,377
DNR administration	-	-	3,396	3,396	-
Miscellaneous	85	-	2,138	2,223	-
Total nonoperating expenses	<u>2,980</u>	<u>72,526</u>	<u>7,517</u>	<u>83,023</u>	<u>10,377</u>
Income (loss) before contributions and transfers	76,926	28,172	(20,534)	84,564	8,559
Capital grants and contributions	11,431	1,164	3,430	16,025	1,904
Transfers in	-	-	-	-	1,620
Transfers out	(751)	(161)	(416)	(1,328)	(5,802)
CHANGE IN NET ASSETS	<u>87,606</u>	<u>29,175</u>	<u>(17,520)</u>	<u>99,261</u>	<u>6,281</u>
NET ASSETS - JANUARY 1, 2007	<u>1,289,284</u>	<u>509,484</u>	<u>226,646</u>		<u>65,308</u>
NET ASSETS - DECEMBER 31, 2007	<u>\$ 1,376,890</u>	<u>\$ 538,659</u>	<u>\$ 209,126</u>		<u>\$ 71,589</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				4,768	
Change in net assets of business-type activities				<u>\$ 104,029</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, 2007
(IN THOUSANDS)
(PAGE 1 OF 2)**

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 156,247	\$ 272,723	\$ 109,152	\$ 538,122	\$ 394,210
Cash payments to suppliers for goods and services	(167,244)	(52,455)	(51,864)	(271,563)	(276,843)
Cash payments for employee services	(331,268)	(37,145)	(43,529)	(411,942)	(78,972)
Other receipts	-	-	3,858	3,858	2,839
Other payments	-	-	(4,717)	(4,717)	-
Net cash provided (used) by operating activities	<u>(342,265)</u>	<u>183,123</u>	<u>12,900</u>	<u>(146,242)</u>	<u>41,234</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	519,224	-	-	519,224	-
Advances to other funds	452	-	-	452	-
Interest paid on short-term loans	-	(44)	-	(44)	(75)
Interfund loan principal	-	-	-	-	642
Transfers in	-	-	-	-	1,620
Transfers out	(751)	(161)	(416)	(1,328)	(4,866)
Net cash provided (used) by noncapital financing activities	<u>518,925</u>	<u>(205)</u>	<u>(416)</u>	<u>518,304</u>	<u>(2,679)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(65,757)	(343,423)	(43,776)	(452,956)	(84,152)
Principal paid on general obligation bonds	(7,095)	(6,005)	(6,497)	(19,597)	(315)
Proceeds from new revenue bond issue	-	250,000	40,635	290,635	252,120
Interest paid on general obligation bonds	(8,235)	(25,204)	(1,676)	(35,115)	(39)
Assessment principal and interest paid	-	-	-	-	(21)
Principal paid on revenue bonds	-	(24,885)	-	(24,885)	(70,370)
Interest paid on revenue bonds	-	(69,867)	-	(69,867)	(9,987)
Principal paid on capital leases	(77)	-	-	(77)	-
Interest paid on capital leases	(178)	-	-	(178)	-
Assessment principal, interest, and penalties received	323	-	-	323	-
Proceeds from notes payable	-	50,000	-	-	-
Interest paid on notes payable	-	(3,451)	-	(3,451)	-
Principal paid on state loans	-	(5,472)	-	(5,472)	-
Interest paid on state loans	-	(1,773)	-	(1,773)	-
Proceeds from new state loans	-	5,374	-	5,374	-
Capital grants and contributions	2,768	1,164	3,223	7,155	-
Deferred costs	-	9,596	(2,741)	6,855	(1,717)
Proceeds from disposal of capital assets	11,066	-	262	11,328	757
Net cash provided (used) by capital and related financing activities	<u>(67,185)</u>	<u>(163,946)</u>	<u>(10,570)</u>	<u>(241,701)</u>	<u>86,276</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease in pooled reverse repurchase agreements	(9,825)	(9,828)	(5,831)	(25,484)	(5,537)
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	10,628	6,853	5,085	22,566	7,491
Purchase of investments	-	-	-	-	(3,141)
Net cash provided (used) by investing activities	<u>803</u>	<u>(2,975)</u>	<u>(746)</u>	<u>(2,918)</u>	<u>(1,187)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,278	15,997	1,168	127,443	123,644
CASH AND CASH EQUIVALENTS – JANUARY 1, 2007	248,110	233,718	155,880	637,708	239,156
CASH AND CASH EQUIVALENTS – DECEMBER 31, 2007	<u>\$ 358,388</u>	<u>\$ 249,715</u>	<u>\$ 157,048</u>	<u>\$ 765,151</u>	<u>\$ 362,800</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, 2007
(IN THOUSANDS)
(PAGE 2 OF 2)**

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPORTATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (434,357)	\$ 92,575	\$ (22,014)	\$ (363,796)	\$ 10,484
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation	82,113	74,781	17,874	174,768	11,672
Landfill closure and post-closure care	-	-	18,918	18,918	-
Other nonoperating revenue/expense	-	-	(1,668)	(1,668)	-
Changes in assets - (increase) decrease					
Accounts receivable, net	(296)	1,469	(798)	375	(193)
Due from other funds	(25,544)	-	358	(25,186)	2,987
Due from other governments, net	(1,103)	-	(361)	(1,464)	(96)
Inventory of supplies	490	(258)	(137)	95	(152)
Prepayments	(2,171)	-	2	(2,169)	541
Changes in liabilities - increase (decrease)					
Accounts payable	8,475	7,968	482	16,925	(4,780)
Due to other funds	23,377	(1,767)	(69)	21,541	88
Rate Stabilization	-	8,250	-	8,250	-
Wages payable	1,455	105	176	1,736	247
Taxes payable	(34)	-	16	(18)	6
Unearned revenues	3,256	-	(50)	3,206	186
Claims and judgments payable	886	-	-	886	-
Estimated claim settlements	-	-	-	-	19,796
Compensated absences	325	-	113	438	190
Other postemployment benefits	863	-	109	972	202
Customer deposits and other liabilities	-	-	(51)	(51)	56
Total adjustments	<u>92,092</u>	<u>90,548</u>	<u>34,914</u>	<u>217,554</u>	<u>30,750</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (342,265)</u>	<u>\$ 183,123</u>	<u>\$ 12,900</u>	<u>\$ (146,242)</u>	<u>\$ 41,234</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Contributions of capital assets from government	\$ 346	\$ 296	\$ 207	\$ 849	\$ 1,904

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007
 (IN THOUSANDS)

	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS		
Cash and cash equivalents	\$ -	\$ 137,083
Assets held in trust - external investment pool	-	2,427,218
Investments	2,469,071	7,920
Assets held in trust - individual investment accounts	-	50,983
Taxes receivable - delinquent	-	57,220
Accounts receivable	-	3,603
Interest receivable	9,685	-
Assessments receivable	-	9,175
Notes and contracts receivable	-	65
TOTAL ASSETS	2,478,756	\$ 2,693,267
 LIABILITIES		
Warrants payable	-	\$ 83,535
Accounts payable	-	9,344
Wages payable	-	4,166
Custodial accounts - County agencies	-	75,789
Due to special districts/other governments	-	2,520,433
TOTAL LIABILITIES	-	\$ 2,693,267
 NET ASSETS		
Held in trust for pool/individual investment account participants	\$ 2,478,756	

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, 2007
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>
ADDITIONS	
Contributions	\$ 6,586,848
Net investment earnings (losses)	
Interest	110,433
Decrease in the fair value of investments	<u>(34,777)</u>
TOTAL ADDITIONS	6,662,504
DEDUCTIONS	
Distributions	<u>6,160,611</u>
Change in net assets	501,893
Net assets - January 1, 2007	<u>1,976,863</u>
Net assets - December 31, 2007	<u><u>\$ 2,478,756</u></u>

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2007
(IN THOUSANDS)

	Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
ASSETS				
Cash and cash equivalents	\$ 241,119	\$ 11,415	\$ 13,591	\$ 266,125
Investments	-	-	23,506	23,506
Receivables, net	115,018	120	670	115,808
Due from primary government	-	-	1,381	1,381
Inventories	5,413	-	-	5,413
Prepayments	1,612	-	-	1,612
Capital assets				
Land	1,586	38,498	-	40,084
Buildings	189,051	489,858	-	678,909
Improvements other than buildings	1,626	23,820	-	25,446
Furniture, machinery and equipment	280,004	65	-	280,069
Accumulated depreciation	(275,516)	(106,219)	-	(381,735)
Work in progress	163,396	-	-	163,396
Deposits with other governments	600	-	-	600
Other assets	12,735	-	-	12,735
Total assets	<u>736,644</u>	<u>457,557</u>	<u>39,148</u>	<u>1,233,349</u>
LIABILITIES				
Accounts payable and other current liabilities	59,844	47	571	60,462
Accrued liabilities	32,376	-	-	32,376
Unearned revenues	435	-	5,808	6,243
Noncurrent liabilities				
Due within one year	1,260	2,290	390	3,940
Due in more than one year	12,334	44,429	3,286	60,049
Total liabilities	<u>106,249</u>	<u>46,766</u>	<u>10,055</u>	<u>163,070</u>
NET ASSETS				
Invested in capital assets, net of related debt	352,318	399,303	-	751,621
Restricted for:				
Expendable	89,692	-	13,664	103,356
Nonexpendable	1,920	-	19,105	21,025
Unrestricted	186,465	11,488	(3,676)	194,277
Total net assets	<u>\$ 630,395</u>	<u>\$ 410,791</u>	<u>\$ 29,093</u>	<u>\$ 1,070,279</u>

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

**KING COUNTY, WASHINGTON
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
Component units:								
Harborview Medical Center	\$ 570,447	\$ 564,527	\$ 10,174	\$ 9,606	\$ 13,860	\$ -	\$ -	\$ 13,860
WSMLB Stadium	13,623	871	-	-	-	(12,752)	-	(12,752)
Cultural Development Authority	8,883	278	13,921	-	-	-	5,316	5,316
Total component units	<u>\$ 592,953</u>	<u>\$ 565,676</u>	<u>\$ 24,095</u>	<u>\$ 9,606</u>	<u>13,860</u>	<u>(12,752)</u>	<u>5,316</u>	<u>6,424</u>
General revenues								
Interest earnings					9,271	789	2,107	12,167
Change in net assets					23,131	(11,963)	7,423	18,591
Net assets - January 1, 2007					607,264	422,754	21,670	1,051,688
Net assets - December 31, 2007					<u>\$ 630,395</u>	<u>\$ 410,791</u>	<u>\$ 29,093</u>	<u>\$ 1,070,279</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007
(DOLLARS IN THOUSANDS)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The reporting entity "King County" consists of King County Government as the primary government; the Harborview Medical Center (HMC), the Washington State Major League Baseball Stadium Public Facilities District (PFD), and the Cultural Development Authority of King County (CDA) as "discretely presented" component units; and the Flood Control Zone Districts and four nonprofit corporations as "blended" component units. 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. Pursuant to County ordinance, the Director of the Finance and Business Operations Division (FBOD) is responsible for the duties of the comptroller and treasurer. Money received from or for the special districts is deposited in a central bank account. The Director of the FBOD invests or disburses money pursuant to the instructions of the respective special districts.

Component Units – Discretely Presented

Harborview Medical Center (HMC)

The Harborview Medical Center (HMC), a 413 licensed-bed hospital with extensive ambulatory services, is located in Seattle, Washington. HMC is managed by the University of Washington (UW). The HMC Board of Trustees is appointed by the County Executive. The County Director of the Finance and Business Operations Division is the treasurer of HMC. HMC staff members are employees of UW. The management contract between the HMC Board of Trustees and the UW Board of Regents recognizes the Trustees' desire to maintain HMC as a means of meeting the King County Government's obligation to provide the community with a resource for health services, and UW's desire that HMC be maintained as a continuing resource for education, training, and research. The general conditions of the management contract specify that King County retains title to all real and personal property acquired for King County with HMC capital or operating funds. The Trustees determine major institutional policies and retain control of programs and fiscal matters. The Trustees agree to secure UW's recommendations on any changes to the above. The Trustees are accountable to the public and King County Government for all financial aspects of HMC's operation and agree to maintain a fiscal policy that keeps the operating program and expenditures of HMC within the limits of operating income.

HMC is a component unit of the County for the following reasons: (1) it is a separate legal entity having its own corporate powers; (2) the County Executive appoints HMC's Board of Trustees, who may be removed only for statutorily defined causes and subject to legal appeal; and (3) although the County cannot impose its will on HMC, the unit creates a financial burden on the County because the County is responsible for the issuance and debt service of all general obligation bonds for HMC capital improvements. HMC's financial presentation is on the discrete component unit basis because the County and HMC's governing bodies are not substantively the same, and HMC does not provide services solely to King County. HMC financial data is as of its fiscal year-end, June 30, 2007, rather than the County's fiscal year-end

NOTE 1 – CONTINUED

of December 31, 2007. Therefore, Note 13 - Debt, reports on all the general obligation bonds issued by the County as of December 31, 2007, including bonds reported by HMC as a component unit as of June 30, 2007.

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

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

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

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

The PFD reports on a fiscal year-end consistent with the King County primary government. It issues its own financial statements, which are audited by the State Auditor. These statements may be obtained from the Public Facilities District, PO Box 94445, Seattle, Washington 98124.

Cultural Development Authority of King County (CDA)

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

The CDA is located in Seattle, Washington and is governed by a 15-member board of directors and five *ex officio* members. The directors are appointed by the County Executive and 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

NOTE 1 – CONTINUED

revenue generated by the King County lodging tax and one percent of King County expenditures for certain construction projects.

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

The CDA reports on a fiscal year-end consistent with the King County primary government. It issues its own financial statements, which are audited by the State Auditor. These statements may be obtained from the Cultural Development Authority of King County at 4Culture, 101 Prefontaine Place South, Seattle, Washington 98104.

Component Units - Blended**Flood Control Zone Districts (FCZD)**

The Flood Control Zone Districts (FCZD) in King County are administered by the Water and Land Resources Division of the Department of Natural Resources and Parks. FCZDs were created under authority in 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 each FCZD.

Although there are eleven FCZDs in King County, most of these districts are inactive and have no annual budget. Only the Green River Flood Control District was active in 2007, providing for operation and maintenance of pump stations, levees and revetments, and administration of the District.

FCZDs are component units of the County for the following reasons: (1) they are legally separate entities established as quasi-municipal corporations and independent taxing authorities; (2) King County, in effect, appoints the voting majority of the FCZD board because the County Council members are the *ex officio* supervisors of each FCZD; and (3) the County can impose its will on the FCZD. FCZD financial presentation is on a blended basis because the two governing boards are substantively the same. They do not issue independently audited financial statements. Financial statements for the FCZDs 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 of which are single-purpose entities that were created to assist the County in the development and construction of public buildings. Each agreement provided for the design and construction of a specific building to be financed with tax-exempt bonds issued on behalf of the County by each of the corporations in accordance with I.R.S. Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the agreements the buildings are to be leased by the County from the nonprofit corporations under guaranteed monthly rent payments throughout the term of the lease or until the debt is retired after which ownership transfers to the County.

NOTE 1 – CONTINUED

These nonprofit corporations are recognized as component units of the County in accordance with GASB Statement 14. Although they have independently appointed boards, the nature and significance of their relationships with the County's primary government are such that their exclusion will cause the King County reporting entity's financial statements to be misleading or incomplete. Because they provide services (develop and manage office facilities) exclusively to the County, these corporations are reported using the "blended" method. A single internal service fund, the Building Development and Management Corporations Fund, is used to blend the four nonprofit corporations' activities and balances at December 31, 2007 with the primary government.

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

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 (CEO) of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the CEO is potentially liable to grantors for disallowed costs. If expenditure of funds is disallowed by a grantor agency, the WDC can recover the funds from (in order): (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, from King County and the City of Seattle, each being responsible for one-half of the disallowed amount. As of December 31, 2007, there are no outstanding program eligibility issues that might lead to a King County liability.

The WDC contracts with King County to provide programs related to dislocated workers, welfare to work, and workforce centers. For the year 2007 WDC reimbursed King County approximately \$2.0 million for the Work Training Program and \$3.2 million for the Dislocated Worker Program in eligible program costs.

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

Related Organizations

The King County Library System (KCLS), the Library Capital Facility District (LCFD), and the King County Housing Authority (KCHA) are legally separate entities, though each organization is related to King County. The County Council appoints a majority of the board of the KCLS and the KCHA and selected Council members make up the 3-member board of the LCFD. There is no evidence that the Council can influence the programs and activities of these organizations or that they create a significant financial benefit or burden to the County. For these reasons, they are related organizations. The County serves as the treasurer for the KCLS and the LCFD.

NOTE 1 – CONTINUED

providing services such as tax collection and warrant issuance. Due to this fiduciary relationship, these districts are routinely reported as agency funds to distinguish from County agency funds.

Related Party Transaction

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

The lease calls for an annual lease payment with a three percent increase each year, commencing with the year ended December 31, 2003. The lease payment is due within 90 days following the end of each calendar year. The annual lease payment and loan payments are payable out of net cash flow in the order and priority established in the lease before and after the minimum tax credit compliance period. A portion of the annual lease payment is restricted for use on future Federal Transit Administration projects. The term of the lease is 50 years with one option to extend for 25 years. In addition to the lease, the Public Transportation Enterprise loaned the KCHA a total of \$1.5 million at different interest rates.

The Public Transportation Enterprise received lease payments of \$33.8 thousand for 2007. As of December 31, 2007, the loans receivable from the KCHA, including principal and accrued interest, amounted to \$1.82 million.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses that have been allocated from general government to various functional activities are reported in a separate column. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

NOTE 1 – CONTINUED**Bases of Accounting, Measurement Focus, and Financial Statement Presentation**

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

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

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

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

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

Major Governmental Funds

The County reports two major governmental funds:

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

NOTE 1 – CONTINUED

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

Major Proprietary Funds

The County reports two major proprietary funds:

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

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

Nonmajor Governmental Funds

Special Revenue Funds are used to account for a variety of County programs including alcohol and substance abuse, arts, automated fingerprint identification system, community development, road maintenance, emergency medical services, 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.

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, surface and 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 programs, 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.

NOTE 1 – CONTINUED**Fiduciary Funds**

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

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

Terminology**General Revenues and General Governmental Expenditures**

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

Expenditure Functions

General Government Services – Provided by the legislative and administrative branches of the government entity for the benefit of the public or governmental body as a whole. This function includes the County Council, County Executive, Office of Budget, Information and Administrative Services, Records and Elections, Human Resource Management, 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 County Road, Arterial Highway Development, Renton Maintenance Facilities Construction, and County Road Construction.

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

NOTE 1 – CONTINUED

Mental and Physical Health – Provided to promote healthy people and healthy communities by preventing and treating mental, physical, and environmentally induced illnesses. This function includes expenditures for community mental health, communicable diseases, environmental health, public health clinics and programs, alcoholism treatment, drug abuse prevention, programs for the mentally disabled and mentally ill, the medical examiner, hospitals, and jail health services. This function also includes regional local hazardous waste management.

Culture and Recreation – Provided to increase the individual's understanding and enjoyment that includes expenditures for education, libraries, community events, recreation, park facilities, and cultural and recreational facilities. This function includes Parks, Cooperative Extension Service, and various Park Capital Project Funds.

Debt Service – Accounts for the redemption of general long-term debt principal and interest and other debt service costs in the General, Special Revenue, Debt Service, and Capital Projects Funds and payments to escrow agents other than refunding bond proceeds.

Capital Outlay – Accounts for expenditures related to capital projects and expenditures for capital assets acquired by outright purchase and by capital lease financing agreements.

Certain Accounts are Grouped on the Statement of Net Assets:

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

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

NOTE 1 – CONTINUED

sheet as Cash and cash equivalents and reflects the change in fair value of the corresponding investment securities. Included in the internal portion of the Pool is the investment of short-term cash surpluses not otherwise invested by individual funds. The interest earnings related to this investment of short-term cash surpluses are allocated to the General Fund in accordance with legal requirements and are used in financing general County operations.

Investments

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

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

Receivables

Receivables include charges for services rendered by the County or intergovernmental grants. All unbilled service receivables are recorded at year-end. The provisions for estimated uncollectible receivables are reviewed and updated at year-end. These provisions are estimated based on an analysis of an aging of the year-end Accounts receivable balance and/or the historical rate of uncollectibility.

Taxes Receivable – Property taxes levied for the current year are recorded on the balance sheet as Taxes receivable and Deferred revenues at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time the balance sheet accounts, Taxes receivable and Deferred revenues, are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end all uncollected property taxes are reported on the balance sheet as Taxes receivable – delinquent and Deferred revenues.

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

Civil Penalties Receivable – The Civil Penalties receivable account records the unpaid civil penalty costs due the County from violations reported by the Code Enforcement Section within

NOTE 1 – CONTINUED

the County. Revenue is recognized when payment is made. Liens may be filed against the property and may be released once the fees are paid.

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

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

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

Inventories

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

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

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

The last physical count of these inventories was as of December 2007, except for the inventories of the Public Transportation and Water Quality Enterprises, which use cycle counting. Cycle counting takes physical counts of inventory throughout the year.

Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2007 (or June 30, 2007, for Harborview Medical Center), are recorded as prepaid items.

Capital Assets

Capital assets include: Land (fee simple land, right-of-way and easements, and farmland development rights); Infrastructure (roads and bridges network); Buildings; Improvements other than buildings; Furniture, machinery and equipment; and Work in progress. General capital

NOTE 1 – CONTINUED

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 balance sheets. For 2007, the capitalization threshold in the King County Primary Government is \$1 thousand.

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

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

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

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

NOTE 1 – CONTINUED

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

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

Deferred Charges

The government-wide financial statements and proprietary fund types in the fund financial statements defer expenditures for debt issuance, which are amortized over the life of the respective bond issues. The Public Transportation Enterprise includes certain amounts due from employees as deferred charges. The Water Quality Enterprise defers environmental remediation costs, which are amortized over 30 years. The Building Development and Management Corporations Fund defers organizational start-up costs and amortizes over 5 years. Both the government-wide and proprietary fund types in the fund financial statements defer bond premiums, discounts, and refunding losses, which are reported in the Statement of Net Assets under Noncurrent liabilities and in the fund financial statements under Long-term liabilities.

Deferred Revenues

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

Regulatory Deferrals

The King County Council has taken various regulatory actions resulting in differences between the recognition of revenues for rate-making purposes and their treatment under generally accepted accounting principals for nonregulated entities. Changes to these balances and their inclusion in rates may occur only at the direction of the Council.

In 2005, pursuant to Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 71 (FAS 71), *Accounting for the Effects of Certain Types of Regulation*, the Council established a Rate Stabilization Reserve. This action created a

NOTE 1 – CONTINUED

regulatory liability which deferred \$14.5 million from 2005 operating revenue to be set aside in a reserve and recognized in subsequent years to maintain stable sewer rates. In 2007, an additional \$8.2 million in revenue was deferred.

In 2006, the Council approved the application of FAS 71 to treat pollution remediation obligations as regulatory assets, in lieu of current expense. Based on revised cost estimates for pollution remediation obligations, \$3.5 million was capitalized as regulatory asset. In 2007, an additional \$2 million was capitalized as regulatory asset. The two separate assets will be amortized over a 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 four taxable debts as identified in Note 13 – Debt, Schedule of Long-term Debt. Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government except when spending exceptions rules are met. The County does not recognize a liability for arbitrage at the fund level unless this liability is due and payable at the end of the year. At the government-wide level, the liability is recognized during the period the excess interest is earned.

Compensated Absences

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

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

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

Long-term Obligations

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

NOTE 1 – CONTINUED

other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

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

Component Units – Summary of Significant Accounting Policies**Harborview Medical Center (HMC)**

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

The HMC financial statements are reported as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Harborview Medical Center's Statement of Net Assets and Statement of Activities reflect its financial position as of June 30, 2007.

Land, buildings, and equipment are stated at historical cost. Improvements and replacements of buildings and equipment are capitalized. Maintenance and repairs are expensed. The provision for depreciation is the straight-line method, which allocates the historical cost of capital assets over their estimated useful lives. Upon disposal, capital assets and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is recorded. Interest incurred on funds borrowed by HMC during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest was capitalized during 2007.

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

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

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

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

Capital assets include the Baseball Stadium and furniture, machinery, and equipment. The Baseball Stadium includes all costs associated with the development and construction of the ballpark project. Development costs include District staffing and related operating costs,

NOTE 1 – CONTINUED

architect and engineering fees, environmental consulting fees, and all other costs related to the development of the ballpark project.

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

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

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

Cultural Development Authority of King County (CDA)

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

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

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

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

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

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets:**

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$912,387 thousand difference are as follows (in thousands):

Bonds payable	\$ 815,706
Less: Deferred charge on refunding (to be amortized as interest expense)	(12,932)
Deferred charge for issuance costs (to be amortized over life of debt)	(4,096)
Plus: Unamortized premiums on bonds sold	26,172
Special assessment debt	15
Accrued interest payable	5,823
Capital leases payable	4,324
Compensated absences	70,866
Unemployment compensation payable	1,051
Other postemployment benefits	5,340
Rebatable arbitrage	<u>118</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 912,387</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:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$46,866 thousand difference are as follows (in thousands):

Capital outlay	\$ 74,135
Depreciation expense	<u>(27,269)</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>\$ 46,866</u>

NOTE 2 – CONTINUED

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets." The details of this \$40,014 thousand difference are as follows (in thousands):

In the statement of activities, only the gain on the sale of capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the book value of the capital assets sold.	\$ (18,076)
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.	57,784
Book value of capital assets transferred from business-type activities	2,200
Book value of capital assets transferred to business-type activities	<u>(1,894)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 40,014</u>

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds." The details of this \$302 thousand difference are as follows (in thousands):

Property tax accrual	\$ 67
Surface Water Management service charge accrual	196
Probation and parole service charge accrual	35
Work release service charge net accrual	(19)
Fines and forfeits net accrual	<u>23</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 302</u>

NOTE 2 – CONTINUED

Another element of that reconciliation states, "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$49,137 thousand difference are as follows (in thousands):

Debt issued or incurred	
Issuance of general obligation bonds	\$ (48,395)
Issuance of refunding bonds	(54,565)
Premium on bonds issued	(3,890)
Bond issuance costs	738
Principal repayments	87,195
Receipts from component units for principal repayments	(1,079)
Payment to escrow agent for refunding	<u>69,133</u>
Net adjustment to increase <i>net changes in fund</i>	
<i>balances – total governmental funds to arrive at</i>	
<i>changes in net assets of governmental activities</i>	<u>\$ 49,137</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$6,820 thousand difference are as follows (in thousands):

Claims and judgments	\$ (700)
Compensated absences	2,054
Accrued unemployment compensation	(296)
Other postemployment benefits	5,340
Accrued rebatable arbitrage	(59)
Accrued interest	845
Amortization of issuance costs	725
Amortization of deferred charge on refunding	3,511
Amortization of bond premiums	<u>(4,600)</u>
Net adjustment to decrease <i>net changes in fund</i>	
<i>balances – total governmental funds to arrive at</i>	
<i>changes in net assets of governmental activities</i>	<u>\$ 6,820</u>

NOTE 2 – CONTINUED

Another element of that reconciliation states, "Net revenues and expenses of certain activities of internal service funds are reported with governmental activities." The details of this \$1,513 thousand difference are as follows (in thousands):

Investment interest earnings	\$ 7,283
Revenues related to services provided to outside parties	3,113
Expenses related to services provided to outside parties	(3,028)
Gain on disposal of capital assets	897
Interest on long-term debt	(10,377)
Capital contributions	1,904
Transfers in	1,620
Transfers out	(5,751)
Internal service fund losses allocated to governmental activities	<u>5,852</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>\$ 1,513</u>

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

The proprietary funds statement of net assets includes a reconciliation between *net assets – total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The assets and liabilities of one internal service fund, Wastewater Equipment Rental Fund, are included in the business-type activities in the statement of net assets because the fund was established to serve the Water Quality Enterprise. The details of this \$592 thousand difference are as follows (in thousands):

Net assets of the business-type activities internal service fund	\$ (8,773)
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds – prior years	13,641
Internal payable representing the amount undercharged to the enterprise funds by the governmental activities internal service funds – current year	<u>(4,276)</u>
Net adjustment to decrease <i>net assets – total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	<u>\$ 592</u>

NOTE 2 – CONTINUED**Explanation of certain differences between the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Government-wide Statement of Activities:**

The proprietary funds statement of revenues, expenses, and changes in fund net assets includes a reconciliation between *change in net assets – total enterprise funds* and *change in net assets of business-type activities* as reported in the government-wide statement of activities. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$4,768 thousand difference are as follows (in thousands):

Investment interest earnings	\$ 153
Revenues related to services provided to outside parties	121
Expenses related to services provided to outside parties	(118)
Gain on disposal of capital assets	119
Transfers out	(51)
Internal service fund losses allocated to business-type activities	<u>4,544</u>
Net adjustment to increase <i>change in net assets – total enterprise funds</i> to arrive at <i>change in net assets of business-type activities</i>	<u>\$ 4,768</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.

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

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

The Flood Control Zone Districts Funds are not budgeted. These funds account for four flood control zone districts' activities in accordance with chapter 86.15 RCW.

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

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

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

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

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

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

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

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

NOTE 3 – CONTINUED

accrual basis rather than the accrual basis (the GAAP basis for proprietary funds). Appropriations are based on an estimate of expenditures expected to be incurred in the acquisition of goods and services during the fiscal year. Estimated revenues are based on the amount estimated to be earned and available during the fiscal year.

The Insurance Fund is budgeted on the modified accrual basis with one exception. Consistent with the intent of the County ordinance that delegates full claims settlement authority to the County Executive, the recognition of the portion of judgment and claim settlements that occurs and remains unpaid at the end of a fiscal year, and exceeds current year expenditure appropriations, is deferred to the following year when the claim is paid. In 2007 no judgment and claim settlement recognition was deferred to a future period on the budgetary basis due to insufficient appropriations in 2007.

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

The Trust and Agency Funds are not budgeted.

Encumbrances

Encumbrances outstanding as of December 31, 2007, are shown in the following schedule by fund type (in thousands):

General Fund	\$ 10,130
Public Health Fund	290
Special Revenue Funds	21,865
Capital Projects Funds	51,015
Enterprise Funds	5,134
Internal Service Funds	<u>5,885</u>
Total All Funds	<u>\$ 94,319</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. Budget to actual statements and schedules of the governmental funds include an explanation of the differences between the two bases. All statements that do not have budget comparisons are prepared on the GAAP basis.

Budgeted Level of Expenditures

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

These are the legal levels of budgetary control. Unless otherwise provided by the appropriation ordinances, all unexpended and unencumbered annual appropriations lapse at the end of

NOTE 3 – CONTINUED

the year. The budgetary comparison schedules (budgetary basis) include variances at the function of expenditure level. These variances are presented for informational purposes only and, if negative, do not constitute a legal violation. Administrative control is guided by the establishment of more detailed line item budgets.

Expenditures including Other Financing Uses, in Excess of Amounts Legally Authorized**Funds with Multi-year Budgets**

Seventy capital projects in twenty-six Capital Projects and Enterprise Funds with multi-year budgets have a combined total of \$8.3 million of expenditures in excess of budget. These deficits are expected to be corrected by additional appropriations in 2008.

Funds with Annual Budgets

All funds and departments/divisions with annual budgets completed the year within their legally authorized expenditures, including other financing uses.

Fund Balance and Net Asset Deficits

Building Construction and Improvement Fund – The deficit of \$33.6 million is the result of temporary short-term financing of critical building improvement projects through the issuance of bond anticipation notes which are reported as a fund liability. When the replacement G.O. bonds are issued, the fund balance deficit will be eliminated.

Building Development and Management Corporations – The deficit of \$5.2 million was due to bond interest payments made during the first few years of bond issuance when buildings are still under construction and monthly rent payments have not yet commenced. Lease revenue bonds normally include three years of capitalized interest to fund the initial interest costs.

Building Repair and Replacement Fund – The deficit of \$1.3 million is the result of unanticipated costs in certain building and improvement projects. Transfers from other funds will cover the deficit in 2008.

County Road Fund - The \$8.5 million deficit was the result of \$3.5 million in land sales that did not occur as projected in 2007 of which \$2.4 million have already taken place in 2008 with the remainder to take place by the end of the year; and approximately \$5 million in federal storm repair grants programmed but not received in 2007 and expected to be provided in 2008.

Road Improvement Districts Construction Fund – The deficit of \$22 thousand is the result of using short-term debt to finance the various projects of the road improvement districts. As capital projects are completed, short-term debt is replaced by long-term bonds thereby eliminating the deficit.

Printing/Graphic Arts Services Fund – The deficit of \$2.0 million is the result of not covering costs in printing and graphics. Printing and graphics operations were discontinued effective December 31, 2007. The deficit will be recovered through charges to user agencies over a three-year period.

Safety and Workers' Compensation Fund – The deficit of \$26.7 million is the result of a change of the method in 2004 for estimating workers' compensation claim liabilities from using the case reserves liabilities to an actuarially developed liabilities estimate. The change resulted in a large increase in the reported liabilities and related expenses in 2004. The funding plan developed to build the assets to equal the liabilities over a number of years has made significant progress reducing the deficit in each year since its inception. A further reduction is budgeted in 2008.

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 not covered by the Federal Depository Insurance Corporation (FDIC) are covered 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 of up to 10 percent of all their public deposits. There is no current provision for PDPC to make additional *pro rata* assessments if needed to cover a loss. Therefore, in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 150.110, PDPC protection is of the nature of collateral, not of insurance. Pledged securities under the PDPC collateral pool are held by the County's agent in the name of the County. Some large depositories hold public deposits in amounts in excess of the market value of the entire PDPC collateral pool. To the extent that uninsured public deposits of a financial institution exceed the PDPC's total value, equivalent proportions of the County's deposits in those institutions are exposed to custodial credit risk because they are uninsured and uncollateralized. Determination of these amounts is based on the conservative assumption that none of the excess public deposits is covered by FDIC insurance. Although such risk is recognized, the PDPC provides additional protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, and by monitoring the financial condition of all public depositories and optimizing collateralization requirements.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositories in the State of Washington and provides that the total deposits cannot exceed the net worth of the financial institution. The County establishes deposit limitations for all financial institutions with which deposits are placed, based on publications by IDC Financial Publishing Company. At year-end, the County has \$845 million of certificates of deposit of which \$745 million (88 percent) were rated "Superior" and \$100 million (12 percent) were rated "Excellent" by IDC. 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, 2007, King County Primary Government's total deposits were \$1.04 billion in carrying amount and \$1.02 billion in bank balance, of which \$506.2 million was exposed to custodial credit risk as uninsured and uncollateralized as shown in the following schedule (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Uninsured and Uncollateralized</u>
Demand Deposits	\$ 48,163	\$ 27,138	\$ 10,751
Money Market Deposits	173,968	173,961	173,759
Certificates of Deposit	816,290	816,290	321,716
Total deposits	<u>\$1,038,421</u>	<u>\$1,017,389</u>	<u>\$ 506,226</u>

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

NOTE 4 – CONTINUED

United States Government Money Market accounts. Of the \$174 million total money market deposits, \$173.8 million are exposed to custodial credit risk as uninsured and uncollateralized.

Investments

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 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.

State statutes authorize King County to invest in savings or time accounts in designated qualified public depositories or in certificates, notes, or bonds of the United States. The County is also authorized to invest in other obligations of the United States or its agencies or of any corporation wholly owned by the government of the United States. Statutes also authorize the County to invest in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation or 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 can 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.

The County voluntarily invests in the Washington State Treasurer's Local Government Investment Pool (LGIP). The amount is carried at cost, which approximates fair value. The LGIP is a 2a7-like pool that is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office. The LGIP also contracts for an annual outside independent audit.

The County is authorized to enter into repurchase and reverse repurchase agreements. The 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 and reverse repurchase agreements exceeding 180 days are not allowed. Currently, the County's tri-party custodial bank monitors compliance with these provisions. The County has not entered into yield maintenance repurchase agreements.

Reverse Repurchase Agreements Statutes permit the County Investment Pool to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. County policy prohibits the use of these agreements as a borrowing mechanism. The investments under reverse repurchase agreements represent the collateral securities transferred to the lender in exchange for the cash received and used to purchase other securities with the same maturities as the collateral securities, resulting in a matched position. As of December 31, 2007, there were no reverse repurchase agreements outstanding.

NOTE 4 – CONTINUED

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

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

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 2007, 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 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 this statement because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values. The net change in the fair values of the investments in the Pool are reflected as an increase or decrease in cash and cash equivalents in the statement of net assets. Details of the recognition of unrealized gains or losses are reported in the statements of revenues, expenditures and changes in fund balance – budget and actual.

The Primary Government, excluding the equity in the component units, has a balance of \$3.16 billion in the Investment Pool. The change in the fair value of the total investments for the reporting entity as of December 31, 2007, after considering purchases, sales and maturities, resulted in a net markdown from cost of \$70 million. The following schedule shows the types of investments, including deposits in savings accounts and certificates of deposit, the average interest rate, and the effective duration limits of the various components of the King County Investment Pool as of December 31, 2007 (in thousands):

NOTE 4 – CONTINUED**KING COUNTY INVESTMENT POOL**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>
Savings Accounts	\$ 170,315	\$ 170,315	4.35%	-
Certificates of Deposit	675,000	675,000	5.09%	0.331
Repurchase Agreements	530,000	530,000	4.68%	0.029
Commercial Paper	173,429	256,788	3.26%	0.030
US Agency Discount Notes	1,237,884	1,251,925	4.32%	0.279
Taxable Municipal Notes	47,170	46,785	4.97%	1.275
Taxable Municipal Zero Coupon Notes	19,969	20,525	3.75%	0.607
US Agency Notes	911,951	898,551	5.29%	1.530
US Agency Collateralized Mortgage Obligations	84,885	85,680	4.52%	3.095
State Treasurer's Investment Pool	353,092	353,092	4.56%	0.005
Totals	<u>\$4,203,695</u>	<u>\$ 4,288,661</u>	<u>4.66%</u>	<u>0.552</u>

Impaired Investments As of December 31, 2007, the King County Investment Pool held four commercial paper assets that are impaired and are part of enforcement events where a trustee/receiver is appointed to determine the best options for selling assets and/or restructuring the portfolio. The four impaired investments represent \$207 million or 5 percent of the Pool's total assets. The unrealized loss on these impaired investments is \$83 million and the maximum risk of the loss is \$207 million as of December 31, 2007. The County expects implementation to occur during the second half of 2008.

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the Pool. The Pool is managed as two subportfolios: the liquidity portfolio and the core portfolio. The liquidity portfolio's average maturity cannot exceed 120 days and is intended to meet the County's short-term liquidity requirements. The total balance of the liquidity portfolio must be at least 15 percent of the total Investment Pool. The core portfolio is managed similar to a short-term fixed-income fund. The average duration of the core portfolio is currently restricted to a range of one and one-quarter to three and one-quarter years. Securities in the core portfolio cannot have an average life greater than five years at purchase. Based on historical and forecasted cash flows, the Executive Finance Committee established the maximum amount that can be invested in the core portfolio. At year-end, this limit was \$2.2 billion and the County was in compliance with this policy. As of December 31, 2007, the combined effective duration of the liquidity and core portfolios was 0.552 years.

Credit risk of Debt Securities Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's Investment Pool was rated AA+ at December 31, 2007. In January 2008, the rating of the King County Investment Pool was temporarily suspended by Standard & Poor's pending further information becoming available on the outcome of restructuring proposals associated with each impaired investment. Standard & Poor's took this action because they had not been able to receive timely information about the impaired investments due to the confidential nature of the various enforcement events and related restructuring proceedings. Upon completion of the impaired investment restructurings or removal of the impaired investments from the Pool, the County may re-apply for a Pool rating.

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

NOTE 4 – CONTINUED**Credit Quality Distribution**

Investment Type	AAA or A-1	AA	D	Not Rated	Total
Repurchase Agreements	\$ 530,000	\$ -	\$ -	\$ -	\$ 530,000
Commercial Paper	49,902	-	123,527	-	173,429
US Agency Discount Notes	1,237,884	-	-	-	1,237,884
Taxable Municipal Notes	-	47,170	-	-	47,170
Taxable Municipal Zero Coupon Notes	19,969	-	-	-	19,969
US Agency Notes	911,951	-	-	-	911,951
US Agency Collateralized Mortgage Obligations	84,885	-	-	-	84,885
State Treasurer's Investment Pool	-	-	-	353,092	353,092
TOTAL	\$ 2,834,591	\$47,170	\$123,527	\$ 353,092	\$3,358,380

The King County Investment Pool's policy limits the maximum amount that can be invested in various securities. At year-end, the Pool was in compliance with this policy. The Pool's actual composition consisted of Savings Accounts and Certificates of Deposit—20 percent, Repurchase Agreements—13 percent, Commercial Paper—4 percent, Municipal bonds—2 percent, Agency Securities—51 percent, Agency Mortgage Backed Securities—2 percent and State Treasurer's Investment Pool—8 percent. The table below summarizes the Pool's diversification policy.

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

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

N/A = Not applicable

(1) Institution must be a Washington State depository. Treasurers can deposit up to 100% of bank's net worth.

(2) Washington state issuers: general obligations and revenue bonds. Other states: only general obligation bonds.

(3) Must be rated "A" or better by two rating agencies.

(4) 102% collateralized, over 30 days 105%.

(5) Must be rated in top credit category by at least two rating agencies. Maturities > 100 days must have "AA" long-term rating. Suspended new purchases of commercial paper in August 2007.

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

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

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 National Mortgage Association—21 percent, Federal Home Loan Bank—19 percent, Federal Home Loan Mortgage Corporation—13 percent, UBS Financial Services—7 percent, Key Bank, NA—6 percent and Credit Suisse Securities (USA) LLC—6 percent.

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. By County policy, all security transactions, including repurchase agreements, are settled "delivery versus payment." This

NOTE 4 – CONTINUED

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.

Investment Pool's Condensed Statements

The King County Investment Pool's Condensed Statement of Net Assets and Changes in Net Assets as of December 31, 2007, are as follows (in thousands):

Condensed Statement of Net Assets

Assets	\$ 4,212,825
Net assets held in trust for pool participants	<u>\$ 4,212,825</u>
Equity of internal pool participants	\$ 1,785,607
Equity of external pool participants	2,427,218
Total equity	<u>\$ 4,212,825</u>

Condensed Statement of Changes in Net Assets

Net assets - January 1, 2007	\$ 3,606,527
Net change in investments by pool participants	606,298
Net assets - December 31, 2007	<u>\$ 4,212,825</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 \$100 thousand per bank) totaling \$23.5 million with a carrying amount of \$23.4 million. In addition, HMC has equity in the Investment Pool – Certificates of Deposit and Investments (reported as cash equivalents on June 30, 2007). 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, 2007, HMC's equity in the pool was \$217.3 million and the carrying amount was \$217.8 million, as shown in the following table (in thousands):

NOTE 4 – CONTINUED**Harborview Medical Center**

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Uninsured and Uncollateralized</u>
Cash in other banks	\$ 23,361	\$ 23,480	\$ 275
Equity in Investment Pool			
Certificates of Deposit	43,789	43,701	17,162
Investments	173,969	173,622	-
Total Equity in Investment Pool	<u>217,758</u>	<u>217,323</u>	<u>17,162</u>
Total	<u>\$ 241,119</u>	<u>\$240,803</u>	<u>\$ 17,437</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 \$100 thousand per bank) totaling \$80 thousand. In addition, the PFD has equity in the Investment Pool – Certificates of Deposit and Investments (reported as cash equivalents on December 31, 2007). The PFD's equity in the pool applies the same criteria as the King County Investment Pool to classify the amounts of deposits and investments exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2007, the PFD's equity in the pool was \$11.3 million and the carrying amount was \$11.1 million as shown in the following table (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Uninsured and Uncollateralized</u>
Cash in other banks	\$ 80	\$ 80	\$ -
Equity in Investment Pool			
Certificates of Deposit	2,228	2,279	895
Investments	8,852	9,056	-
Total Equity in Investment Pool	<u>11,080</u>	<u>11,335</u>	<u>895</u>
Total	<u>\$ 11,160</u>	<u>\$ 11,415</u>	<u>\$ 895</u>

Cultural Development Authority of King County (CDA)

Deposits The Cultural Development Authority of King County (CDA), dba 4Culture, maintains a deposit relationship with a local commercial bank. All deposits with this qualified public depository that are not insured by the Federal Deposit Insurance Corporation (FDIC) are fully collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC); accordingly, the CDA has no custodial credit risk for its deposits. Carrying amounts of deposits for book purposes are materially the same as bank balances.

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

NOTE 4 – CONTINUED

monitors the investments to ensure compliance with Policy guidelines and reviews the investment performance at least annually.

State statutes authorize the CDA to invest in certificates, notes, or bonds of the United States, and other obligations of the United States or its agencies or any corporation wholly owned by the government of the United States. Statutes also authorize the CDA to invest in bankers' acceptances purchased on the secondary market, federal home loan bank notes and bonds, federal land bank bonds, federal national mortgage association notes and debentures and guaranteed certificates of participation. The CDA is also authorized to invest in the Washington State Local Government Investment Pool (LGIP), which is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. The LGIP funds are limited to high quality obligations with limited maximum and average maturities, with the effect of minimizing both market and credit risk.

The schedule below shows the types of investments, the average interest rate, the effective duration limits and concentration of all CDA investments as of December 31, 2007 (in thousands):

Cultural Development Authority (CDA)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>	<u>Concentration</u>
State Treasurer's Investment Pool	\$ 13,136	\$ 13,136	4.56%	0.003	36%
US Treasury Notes	11,788	11,449	4.19%	3.563	32%
Federal Home Loan Mortgage Corp Debentures	2,948	2,900	5.05%	3.350	8%
Federal National Mortgage Association Notes	7,285	7,142	4.96%	5.428	20%
Federal Home Loan Bank Bonds	1,485	1,456	4.12%	2.980	4%
Totals	<u>\$ 36,642</u>	<u>\$ 36,083</u>	<u>4.54%</u>	<u>2.617</u>	<u>100%</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, 2007, the combined weighted average effective duration of the CDA's portfolio was 2.617 years.

Credit risk of Debt Securities Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2007, all issuers of investments in the CDA portfolio had a Standard & Poor's rating of "AAA." The Washington State Local Government Investment Pool is not rated.

Concentration of credit risk – Investments Concentration of credit risk is the risk of loss attributed to the magnitude of the CDA's investment in a single issuer. As of December 31, 2007, the CDA had concentrations greater than 5 percent of its total portfolio in the following issuers: Federal National Mortgage Association–20 percent, and Federal Home Loan Mortgage Corporation Debentures–8 percent.

NOTE 4 – CONTINUED**Receivables****Analysis of Estimated Uncollectible Accounts Receivable**

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

	<u>General Fund</u>	<u>Public Health Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables				
Accounts receivable	\$ 75,941	\$ 2,134	\$ 30,384	\$ 108,459
Estimates uncollectible accounts receivable	(67,510)	(18)	(7,529)	(75,057)
Accounts receivable, net	<u>\$ 8,431</u>	<u>\$ 2,116</u>	<u>\$ 22,855</u>	<u>\$ 33,402</u>
Other receivables				
Abatements receivable	\$ -	\$ -	\$ 279	\$ 279
Estimated uncollectible abatements receivable	-	-	(65)	(65)
Assessments receivable - current	-	-	85	85
Assessments receivable - deferred	-	-	71	71
Accrued interest/penalty receivable - delinquent assessments	-	-	2	2
Other receivables, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372</u>	<u>\$ 372</u>
Due from other governments	\$ 43,230	\$ 19,690	\$ 46,995	\$ 109,915
Estimated uncollectible due from other governments	(264)	(1)	-	(265)
Due from other governments, net	<u>\$ 42,966</u>	<u>\$ 19,689</u>	<u>\$ 46,995</u>	<u>\$ 109,650</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 limitations as to rates and amounts and are imposed for general municipal purposes, including the payment of debt service on limited tax general obligation bonds. The County also may impose "excess" property taxes that are not subject to limitation when authorized by a 60 percent majority popular vote, as provided in Article VII, Section 2, of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40 percent of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the numbers of voters approving the excess levy is at least 60 percent of a number equal to 40 percent of the number who voted at the last County general election. Excess levies may be imposed without a popular vote when necessary to prevent the impairment of the obligation of contracts.

Regular property tax levies are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1 of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the district. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

Maximum Rate Limitations. The County may levy regular property taxes for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to \$1.80 per thousand of assessed value; the County levied \$1.08814 per thousand in 2007. 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 \$1.74574 per thousand in 2007. Both the general purposes levy and the road district purposes levy are below the maximum allowable rate because of an additional limitation on the increase from one year to the next in the amount of taxes levied.

The County is authorized to increase its general purposes levy to a maximum of \$2.475 per thousand of assessed value if the total combined levies for both general and road purposes do not exceed \$4.05 per thousand and if no other taxing district has its levy reduced as a result of the increased County levy (RCW 84.52.043).

The \$1.80 per thousand limitation on the general purposes levy is exclusive of the following regular property taxes: (1) a voted levy for emergency medical services, limited to \$0.50 per thousand (authorized by RCW 84.52.069); (2) a voted levy to finance affordable housing for very low income households, limited to \$0.50 per thousand (authorized by RCW 84.52.105), however, the County has not sought approval from voters for this levy; and (3) a non-voted levy for conservation futures, limited to \$0.0625 per thousand (authorized by RCW 84.34.230).

In November 2001 voters approved a six-year emergency medical services property tax at a maximum rate of \$0.25 per thousand beginning in the 2002 tax year. The County currently is levying \$0.05135 per thousand for conservation futures. On November 8, 2005, voters approved a \$0.05 Veterans and Human Services temporary lid lift for six years. The County levied \$0.04672 for Veterans and Human Services in 2007. 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 2007; the current levy rate is \$0.05680 per thousand.

NOTE 5 – CONTINUED

The County-wide four-year temporary lid lift for Regional and Rural Parks, approved by voters in 2003, has a current rate of \$0.04244 per thousand.

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

\$5.90/\$1,000 Aggregate Regular Property Tax Levy Limitation. Within the one percent limitation described above, aggregate regular property tax levies by all taxing districts except the State, port districts and public utility districts are subject to a rate limitation of \$5.90 per thousand of assessed value (or 0.59 percent) by RCW 84.52.043(2). This limitation is exclusive of levies for emergency medical services, affordable housing for very low income households, and acquiring conservation futures.

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

Regular Property Tax Increase Limitation. The regular property tax increase limitation (chapter 84.55 RCW), limits the total dollar amounts of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year's rate. As a result of the passage of Initiative 747 (Chapter 1, Laws of 2002), by State voters in November 2001, the limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than one percent, the limit factor can be increased to 101 percent, if approved by a majority plus one vote of the governing body of the taxing district, upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the taxing district upon a finding of substantial need and is also approved by the voters at a general or special election within the taxing district. Such election must be held less than 12 months before the date on which the proposed levy will be made, and any tax increase cannot be greater than described under "Maximum Rate Limitations." The approval of a majority of the voters would be required for the limit factor to be increased. The new limit factor will be effective for taxes collected in the following year only.

On November 8, 2007, the Washington Supreme Court ruled Initiative 747 unconstitutional in *Washington Citizens Action of Washington v. State*. That decision became effective November 28, 2007. On November 29, 2007, the State Legislature acted to reimpose the limit set forth in Initiative 747. As a consequence, regular property taxes will be subject to the limitations described above.

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

NOTE 5 – CONTINUED

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 Metropolitan King County Council created a County-wide flood control zone district and a County-wide ferry district. The boundaries of each district are coterminous with the boundaries of the County and the members of the County Council serve (at least initially) as the legislative body for each district, but under State law each district is a separate taxing district with independent taxing authority. Tax levies for each district will begin to be collected during 2008.

Property Tax Calendar

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

Tax Collection Procedures

Property taxes are levied in specific amounts by the County Council and the rate for all taxes levied for all taxing districts in the County is determined, calculated and fixed by the County Assessor (the "Assessor") based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the tax levied within each taxing district upon a tax roll that contains the total amounts of taxes levied and to be collected and assigns a tax account number to each tax lot. The tax roll is delivered to the Treasury Operations Section Manager who is responsible for the billing and collection of taxes due for each account. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds fifty dollars, one-half may be paid then and the balance no later than October 31 of that year (except that the half to be paid on April 30 may be paid at any time prior to October 31 if accompanied by penalties and interest accrued until the date of payment).

The methods for giving notice of payment of taxes due, collecting such taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed State statutes. Personal property taxes levied by the County Council are secured by a lien on the personal property assessed. A federal tax lien filed before the County Council levies the personal property taxes is senior to the County's

NOTE 5 – CONTINUED

personal property tax lien. In all other respects, and subject to the possible "homestead exemption" described below, the lien on property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County may commence foreclosure on a tax lien on real property after three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first \$125 thousand in proceeds of 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 2007 and 2006 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 2007 countywide assessed valuation was \$298,755,199 thousand, an increase of \$28.2 billion from 2006; the assessed valuation for the unincorporated area levy was \$45,407,873 thousand, an increase of \$3.9 billion from 2006.

NOTE 5 – CONTINUED**ALLOCATION OF 2007 AND 2006 TAX LEVIES**

	2007 Original Taxes Levied (in thousands)	2007 Levy Rate (per thousand)	2006 Original Taxes Levied (in thousands)	2006 Levy Rate (per thousand)
Countywide Levy Assessed Valuation:				
\$298,755,199 thousand ^(a)				
Items Within Operating Levy ^(b)				
General Fund	\$ 251,367	\$ 0.84558	\$ 241,142	\$ 0.89604
River Improvements	2,741	0.00922	2,654	0.00986
Veterans' Relief	2,319	0.00780	2,244	0.00834
Human Services	5,151	0.01733	4,990	0.01854
Intercounty River Improvement	50	0.00017	51	0.00019
Limited G.O. Bonds Debt Service	18,454	0.06208	19,041	0.07076
Automated Fingerprint Identification System ^(c)	16,881	0.05680	6	-
Park Levy ^(d)	12,616	0.04244	12,222	0.04542
Veterans and Human Services ^(e)	13,884	0.04672	13,450	0.05000
Total Operating Levy	323,463	1.08814	295,800	1.09915
Conservation Futures Levy^(f)				
Conservation Futures Levy	10,850	0.03650	4,430	0.01646
Farmland and Park Debt Service	4,415	0.01485	10,338	0.03842
Total Conservation Futures Levy	15,265	0.05135	14,768	0.05488
Unlimited Tax G.O. Bonds				
(Voter-approved Excess Levy)	44,311	0.15007	46,671	0.17466
Total Countywide Levy	383,039	1.28956	357,239	1.32869
EMS Levy Assessed Valuation:				
\$192,546,712 thousand ^{(a) (g)}				
	39,526	0.20621	38,251	0.21982
Unincorporated County Levy Assessed Valuation:				
\$45,407,873 thousand ^{(a) (h)}				
County Road Fund	77,733	\$ 1.74574	76,062	\$ 1.84203
Total County Tax Levies⁽ⁱ⁾	\$ 500,298		\$ 471,552	

(a) Assessed valuation for taxes payable in 2007.

(b) The operating levy tax rate is statutorily limited to \$1.80 per thousand of assessed valuation.

(c) The Automated Fingerprint Identification System (AFIS) levy is a regular property tax to be assessed for six years beginning in 2007 at a levy rate of not more than \$0.05680 per thousand of assessed valuation as authorized by RCW 84.55.050 and a proposition approved by a majority of the voters of King County.

(d) The Park Levy is a regular property tax to be assessed for four years beginning in 2004 at a levy rate of not more than \$0.049 per thousand of assessed valuation as authorized by RCW 84.55.050 and a proposition approved by a majority of the voters of King County.

(e) The Veterans and Human Services levy is a regular property tax to be assessed for six years beginning in 2006 at a levy rate of not more than \$0.05 per thousand of assessed valuation as authorized by RCW 84.55.050 and a proposition approved by a majority of voters in the County.

(f) The Conservation Futures levy tax rate is statutorily limited to \$.0625 per thousand of assessed valuation.

(g) The Emergency Medical Services (EMS) levy shown excludes that portion of the levy within the City of Seattle. The levy was approved by the voters of King County for a six-year period with collection beginning in 2002. A proposition to replace the expiring levy with new six-year levy with collections beginning in 2008 was approved by a majority of voters in the County in 2007.

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

(i) Excludes tax levy of the blended component unit Flood Control Zone Districts. In 2007 and 2006, the original taxes levied were \$956 and \$923 thousand, respectively.

NOTE 6 – CAPITAL ASSETS**Primary Government**

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

	Balance 01/01/07	Beginning Balance Adjustments	Increases	Decreases	Balance 12/31/07
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 731,318	\$ (14,622)	\$ 32,978	\$ (13,790)	\$ 735,884
Infrastructure	953,185	(86,319)	63,026	(2,024)	927,868
Work in progress	77,245	57,371	107,999	(127,022)	115,593
Total capital assets not being depreciated	<u>1,761,748</u>	<u>(43,570)</u>	<u>204,003</u>	<u>(142,836)</u>	<u>1,779,345</u>
Capital assets being depreciated					
Buildings	653,533	(21,447)	122,998	(69)	755,015
Improvements other than buildings	21,582	-	75	(666)	20,991
Equipment	213,079	-	38,970	(26,983)	225,066
Total capital assets being depreciated	<u>888,194</u>	<u>(21,447)</u>	<u>162,043</u>	<u>(27,718)</u>	<u>1,001,072</u>
Less accumulated depreciation for:					
Buildings	(201,210)	6,119	(19,064)	18	(214,137)
Improvements other than buildings	(3,909)	-	(1,256)	662	(4,503)
Equipment	(137,259)	-	(25,145)	17,064	(145,340)
Total capital assets being depreciated - net	<u>545,816</u>	<u>(15,328)</u>	<u>116,578</u>	<u>(9,974)</u>	<u>637,092</u>
Governmental activities capital assets - net	<u>\$ 2,307,564</u>	<u>\$ (58,898)</u>	<u>\$ 320,581</u>	<u>\$ (152,810)</u>	<u>\$ 2,416,437</u>
Business-type Activities:					
Capital assets not being depreciated					
Land	\$ 324,756	\$ -	\$ 9,130	\$ (1,902)	\$ 331,984
Work in progress	956,121	-	514,928	(100,772)	1,370,277
Total capital assets not being depreciated	<u>1,280,877</u>	<u>-</u>	<u>524,058</u>	<u>(102,674)</u>	<u>1,702,261</u>
Capital assets being depreciated					
Buildings	1,062,988	-	28,716	(18,095)	1,073,609
Improvements other than buildings	2,052,474	-	23,927	(9,247)	2,067,154
Equipment	1,416,916	-	40,669	(38,621)	1,418,964
Total capital assets being depreciated	<u>4,532,378</u>	<u>-</u>	<u>93,312</u>	<u>(65,963)</u>	<u>4,559,727</u>
Less accumulated depreciation for:					
Buildings	(371,226)	-	(35,745)	13,270	(393,701)
Improvements other than buildings	(755,796)	-	(51,577)	416	(806,957)
Equipment	(880,388)	-	(81,991)	24,321	(938,058)
Total capital assets being depreciated - net	<u>2,524,968</u>	<u>-</u>	<u>(76,001)</u>	<u>(27,956)</u>	<u>2,421,011</u>
Business-type activities capital assets - net	<u>\$ 3,805,845</u>	<u>\$ -</u>	<u>\$ 448,057</u>	<u>\$ (130,630)</u>	<u>\$ 4,123,272</u>

Beginning balance adjustments to infrastructure and land (right-of-way) were due to reclassifications of previously capitalized costs as preservation and other corrections. Beginning balance adjustments to buildings and accumulated depreciation were due to cost basis differences that resulted from the change in accounting for certain governmental buildings previously accounted for as capital leases. The cost of the buildings is now based on the actual construction cost (net of depreciation) as reported in the lessor corporations' balance sheets after the corporations were blended with the County primary government. The adjustment for work-in-progress was another effect of the blending. (See Note 15 – Restrictions, Reserves, Designations, and Changes in Equity – Restatements of Beginning Balances).

NOTE 6 – CONTINUED

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

Depreciation Expense

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

Governmental Activities	
General government services	\$ 9,732
Law, safety and justice	12,089
Physical environment	200
Transportation	629
Economic environment	284
Mental and physical health	1,787
Culture and recreation	2,548
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	10,838
Total depreciation expense – governmental activities	<u>\$ 38,107</u>
Business-type Activities	
Water Quality	\$ 74,781
Public Transportation	82,113
Solid Waste	13,566
King County International Airport	1,521
Radio Communications	1,138
Institutional Network	1,649
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	834
Total depreciation expense – business-type activities	<u>\$ 175,602</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 infrastructure are the roads and bridges network maintained by the Roads Division of the Department of Transportation. The roads and bridges network infrastructure is reported using the modified approach, i.e., depreciation is not recorded. An important consequence of opting for the modified approach is that costs incurred to extend the asset's useful life which are normally capitalized under the depreciation method are now expensed as preservation costs.

Roads and Bridges Infrastructure Valuation

The roads and bridges infrastructure network acquired or constructed prior to 2002 is valued at estimated historical cost. Base year estimates of 2001 replacement costs for all existing roads and 1988 replacement costs for all bridges were obtained using standard costing methods with the resultant values being deflated to the acquisition year (or estimated acquisition year, where

NOTE 6 – CONTINUED

the actual year was unknown), using the Engineering News Record Construction Cost Index. Retroactive reporting of traffic control elements is based on replacement cost.

Land

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

Right-of-Way

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

Conservation Easements

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

Farmland Development Rights

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

Governmental Buildings in Internal Service Fund

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

Construction Commitments

Project commitment is defined as authorized and planned expenditures for the next fiscal year.

Proprietary Funds

Public Transportation Enterprise – \$794.5 million is committed to maintenance of existing infrastructure, replacement of aging fleet, and expansion of transit base capacity.

Water Quality Enterprise – \$1.4 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 – \$125.8 million is committed to improving the County's solid waste regional landfill and transfer stations; \$35.5 million is committed to runway rehabilitation and facilities improvements at the King County International Airport.

Capital Projects Funds

\$454.9 million is committed to various capital projects, including: 1) strategic property acquisitions oriented towards conservation of natural resources, protection of habitat, and

NOTE 6 – CONTINUED

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 UnitsHarborview Medical Center (HMC)

Capital assets activity for HMC during the fiscal year ended June 30, 2007, was as follows (in thousands):

	<u>Balance</u> <u>07/01/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/07</u>
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	91,623	79,219	(7,446)	163,396
Total capital assets not being depreciated	<u>93,209</u>	<u>79,219</u>	<u>(7,446)</u>	<u>164,982</u>
Capital assets being depreciated:				
Buildings	186,504	2,547	-	189,051
Improvements other than buildings	1,531	107	(12)	1,626
Equipment	279,290	13,210	(12,496)	280,004
Total capital assets being depreciated	<u>467,325</u>	<u>15,864</u>	<u>(12,508)</u>	<u>470,681</u>
Less accumulated depreciation for:				
Buildings	(83,141)	(5,846)	-	(88,987)
Improvements other than buildings	(853)	(89)	12	(930)
Equipment	<u>(178,924)</u>	<u>(18,549)</u>	<u>11,874</u>	<u>(185,599)</u>
Total capital assets being depreciated - net	<u>204,407</u>	<u>(8,620)</u>	<u>(622)</u>	<u>195,165</u>
HMC capital assets, net	<u>\$ 297,616</u>	<u>\$ 70,599</u>	<u>\$ (8,068)</u>	<u>\$ 360,147</u>

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

NOTE 6 – CONTINUED

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

Capital assets activity for the PFD for the period ended December 31, 2007, was as follows (in thousands):

	<u>Balance</u> <u>01/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/07</u>
Capital assets not being depreciated:				
Land	\$ 38,498	\$ -	\$ -	\$ 38,498
Capital assets being depreciated:				
Baseball stadium	489,464	394	-	489,858
Improvements other than buildings	20,666	3,154	-	23,820
Equipment	65	-	-	65
Total capital assets being depreciated	<u>510,195</u>	<u>3,548</u>	<u>-</u>	<u>513,743</u>
Less accumulated depreciation for:				
Baseball stadium	(92,797)	(12,763)	-	(105,560)
Improvements other than buildings	(516)	(79)	-	(595)
Equipment	(60)	(4)	-	(64)
Total capital assets being depreciated - net	<u>416,822</u>	<u>(9,298)</u>	<u>-</u>	<u>407,524</u>
PFD capital assets, net	<u>\$ 455,320</u>	<u>\$ (9,298)</u>	<u>\$ -</u>	<u>\$ 446,022</u>

NOTE 7 – RESTRICTED ASSETS

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

Proprietary Funds

<u>Public Transportation</u> – restricted for future construction projects and debt service.	\$ 324,437
<u>Water Quality</u> – restricted for future construction projects, debt service, and reserves and obligations.	215,308
<u>King County International Airport</u> – restricted for future construction projects and expansion, and obligations.	11,904
<u>Radio Communications</u> – restricted for future construction projects.	3,247
<u>Solid Waste</u> – restricted for landfill closure and post-closure care costs.	67,380
<u>Building Development & Management Corporations</u> – restricted for future construction projects and debt service.	173,966
Total Proprietary restricted assets	\$ 796,242

Component Unit – Harborview Medical Center (HMC)

<u>HMC Construction Fund</u> – restricted for construction, seismic, public safety and other improvements, and furnishings of HMC buildings.	\$ 60,702
<u>HMC Special Purpose Fund</u> – consists of restricted donations, gifts, and bequests from various sources for specific uses.	7,842
<u>HMC Operating Fund</u> – consists of resources that are board-designated for specific purposes, including planned capital and service components, the self-insurance fund, commuter services, net fixed assets held for future use, and others.	52,882
<u>HMC Plant Fund</u> – consists of resources that are board-designated for building improvements, furnishings, and repair and replacement.	33,032
Total HMC restricted assets	\$ 154,458

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

<u>Public Arts Projects Fund</u> – restricted for the one percent for public art programs operated for the benefit of King County.	\$ 5,808
<u>Cultural Grant Awards Fund</u> – restricted for arts and heritage cultural programs.	14,235
<u>Cultural Endowment Fund</u> – a long-term endowment for the benefit of the arts and heritage cultural programs.	19,105
Total CDA restricted assets	\$ 39,148

NOTE 8 – PENSION PLANS

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380.

Historical trend and other information regarding SCERS is presented in the Seattle City Employees' Retirement System annual financial report. A copy of this report may be obtained at: Seattle City Employees' Retirement System, 801 Third Avenue, Suite 300, 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 option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. The PERS defined benefit retirement payments are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age 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 pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

NOTE 8 – CONTINUED

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

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

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM). Current justices or judges in PERS Plan 1 or 2 may 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 average financial compensation. Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who choose to participate in the JBM will accrue service credit at the higher multiplier beginning with the date of their election, 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 do not choose to participate will continue to accrue service credit at the regular multiplier, continue to participate in the JRA, if applicable, never be a participant in the JBM Program, and continue to pay contributions at the regular PERS rate.

Justices and judges who are newly elected or appointed to judicial service and choose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, are required to participate in the JBM Program.

Justices and judges who are newly elected or appointed to judicial service will: 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

NOTE 8 – CONTINUED

service; not contribute to the JRA; and not have the option to increase the multiplier for past judicial service.

Statewide there are 1,188 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans on September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled to, But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Nonvested	<u>49,812</u>
Total	<u>250,838</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 percent and do not vary from year to year. 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. The PERS Plan 3 defined contribution is a noncontributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2007, were as follows:

Members not participating in the JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	6.13%	6.13%	6.13%**
Employee	6.00%	4.15%	- ***

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

Members participating in the JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer-Local Govt.*	6.13%	6.13%	6.13%**
Employee-Local Govt.	12.26%	10.38%	7.50%***

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

NOTE 8 – CONTINUED

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2005	\$ 1,182	\$ 10,310	\$ 1,348
2006	1,918	18,562	2,460
2007	3,194	36,100	5,070

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 and firefighters. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established 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 benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes 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 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 final average salary 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 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes 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 final average salary per year of service. The final average salary is based on the 60 consecutive highest-paid service credit months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

NOTE 8 – CONTINUED

Statewide there are 383 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans on September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled to, But Not Yet Receiving, Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Nonvested	<u>3,603</u>
Total	<u>25,867</u>

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees will 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. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with chapter 41.45 RCW. 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 Plan 1 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2007, were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.16%	5.35%
Employee	- %	8.64%

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

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2005	\$ 3	\$ 1,815
2006	3	2,758
2007	2	3,225

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

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

NOTE 8 – CONTINUED

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

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

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- have primary responsibility to supervise eligible members who meet the above criteria.

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

Plan 2 retirement benefits are vested after an employee completes five years of eligible service and attains the age of 65. 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 10 years of PSERS service credit, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation 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 retirees 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 (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 69 participating employers in PSERS. Membership in PSERS consisted of 2,073 Active Plan Members Nonvested as of the latest actuarial valuation date for the plan on September 30, 2006.

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates, which 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, 2007, were as follows:

NOTE 8 – CONTINUED

	<u>PSERS Plan 2</u>
Employer*	8.55%
Employee	6.57%

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

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

	<u>PSERS Plan 2</u>
2006	\$ 334
2007	1,473

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 2005, 2006, and 2007 ending December 31 were \$704, \$700, and \$666 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

NOTE 8 – CONTINUED

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 semimonthly 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. Employer contributions are paid by the District in accordance with rates specified by the individual plans. Total payroll covered by all systems for the year ended December 31, 2007, was \$33 thousand.

Employees are also able to select the Stadium PFD Retirement Plan as an alternative benefit plan to PERS. The Plan is designated as a profit-sharing plan in accordance with Section 401 (a) (27) (B) of the Internal Revenue Code. No contributions by participants are required or permitted other than authorized rollover contributions. All contributions to the plan vest immediately. Actual contributions made to the plan in 2007 were \$3 thousand.

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

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

NOTE 9 – POSTEMPLOYMENT HEALTHCARE PLAN

During the year ended December 31, 2007, the County elected to adopt the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45), which requires other postemployment benefits (OPEB) expenses to be accrued based on a computed *Annual Required Contribution* (ARC) which 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 45, has recorded a liability of \$6.65 million for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB 45. This liability is included in other noncurrent liabilities in the accompanying December 31, 2007 statement of net assets.

The effect of GASB 45 for the current fiscal year was to reduce the County's excess of revenue over expenses before capital contributions as well as the County's net assets for the year ended December 31, 2007 by approximately \$6.65 million.

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

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

For the year ended December 31, 2007, the County contributed an estimated \$5.147 million to the Health Plan. The County's contribution was to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits.

Annual OPEB Cost and Net OPEB Obligation The basis for the County's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, will cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following displays the components of the County's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the County's net OPEB obligation to the Health Plan for the year ended December 31, 2007 (in thousands):

Normal cost — Unit Credit Method	\$ 3,806
Amortization of unfunded actuarial accrued liability (UAAL)	-
Amortization of unfunded actuarial accrued liability (UAAL) at transition	<u>7,989</u>
Annual Required Contribution (ARC)	11,795
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	11,795
Contributions made	<u>(5,147)</u>
Increase in net OPEB obligation	6,648
Net OPEB obligation — beginning of year	-
Net OPEB obligation — end of year	<u>\$ 6,648</u>

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

NOTE 9 - CONTINUED

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2007	\$11,795	43.6%	\$6,648

Funded Status and Funding Progress The funded status of the Health Plan as of December 31, 2007 (in thousands),

Actuarial accrued liability (AAL) — Unit Credit	\$141,893
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$141,893
Funded ratio (actuarial value of plan assets ÷ AAL)	0.0%
Covered payroll	\$854,800
UAAL as a percentage of covered payroll	16.6%

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

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

The December 31, 2007 valuation used the 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 healthcare cost trend rate of 11.0 percent for KingCare medical, 8.5 percent for KingCare Rx, and 11.0 percent for HMO medical/Rx, each reduced by decrements to an ultimate rate of 5.0 percent after 12 years. 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, 2007 was 29.0 years. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the Plan

(in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) — Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a ÷ b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)</u>
12/31/2007	\$ -	\$ 141,893	\$ 141,893	0.0%	\$ 854,800	16.6%

NOTE 10 – RISK MANAGEMENT

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

The County uses three internal service funds to account for and finance property/casualty, workers' compensation, and employee medical and dental benefits self-insurance programs. Unemployment liability is accounted for in the funds with loss experience and as governmental long-term liability. The County contracts with a plan administrator to process medical and dental claims. County fund/claims managers, together with the Civil Division of the King County Prosecuting Attorney's Office, are responsible for processing all tort and workers' compensation claims.

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

Insurance Fund

The Insurance Fund, an internal service fund, accounts for the County's property/casualty program. The Fund, established in 1977, accounts for the County's exposures to loss due to the tortious conduct of the County, including those commonly covered by general liability, automobile liability, police professional, public officials, errors and omissions, and professional malpractice insurance policies. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2007, is \$58.19 million.

The County purchases excess liability coverage that currently provides \$97.5 million in limits above a \$2.5 million per occurrence self-insured retention (SIR) for its general liability, automobile liability, police liability, public officials, errors and omissions, and Health Department professional malpractice exposures. The reinsurance policy has a "corridor" deductible that requires the County to pay an additional \$1 million above the \$2.5 million SIR before the reinsurance company becomes responsible for losses. This \$1 million may either be satisfied by one large loss exceeding \$3.5 million or through a combination of losses above the \$2.5 million SIR. Effective September 1, 2007, the County renewed the property insurance policy. This policy has a blanket limit of \$1 billion above a \$100 thousand per occurrence deductible and provides an overall earthquake sublimit of \$150 million. The 2007 policy was endorsed to cover Certified and Non-Certified Acts of Terrorism on a blanket basis up to \$250 million.

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

NOTE 10 – CONTINUED

In the past three years, two occurrences have resulted in payments in excess of the self-insured retention of \$2.5 million. During 2007 there were no significant changes made in the County's insurance program.

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

With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques. Nonincremental claim adjustment expenses are not included as part of the liability. The changes in the Insurance Fund's claims liability in 2006 and 2007 were as follows (in thousands):

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2006	\$ 46,608	\$ 12,490	\$ (13,391)	\$ 45,707
2007	45,707	22,255	(9,770)	58,192

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 5.25 percent, the County's average forecasted rate of return on investments. As of December 31, 2007, the total discounted claim liability is \$64.48 million and the undiscounted carrying amount of the claim liability is \$81.89 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 2006 and 2007 were (in thousands):

NOTE 10 – CONTINUED

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2006	\$ 54,248	\$ 19,547	\$ (16,646)	\$ 57,149
2007	57,149	23,575	(16,243)	64,481

Employee Benefits Program Fund

The Employee Benefits Program Fund, an internal service fund, accounts for employee medical, dental, vision, life, accidental death and dismemberment, and long-term disability benefit programs. There are three insured and one self-insured medical plans. Seventy-six percent of County employees are insured through the self-insured medical plan. The dental and vision plans are also self-insured. Interfund premiums are determined on a per employee, per month basis and charged to departments through a composite rate of expected claims, expenses and premiums. In some cases, there are employee contributions towards premiums. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2007, is \$13.87 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2006 and 2007 were (in thousands):

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2006	\$ 13,511	\$ 117,453	\$ (117,071)	\$ 13,893
2007	13,893	123,990	(124,011)	13,872

Unemployment Liability

The County has elected to retain the risk for unemployment compensation payable to former County employees. The State of Washington Employment Security Department bills the County for the unemployment compensation benefits paid to former employees. Expenditures are then recognized in various county funds. In addition, a long-term liability of \$1.05 million is recorded in governmental long-term liability for the estimated future claims liability for employees as of December 31, 2007.

Changes in governmental long-term liability for unemployment compensation in 2006 and 2007 were (in thousands):

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2006	\$ 1,271	\$ 1,699	\$ (1,623)	\$ 1,347
2007	1,347	970	(1,266)	1,051

NOTE 10 – CONTINUED**Component Unit – Harborview Medical Center**Insurance Fund

Harborview Medical Center (HMC) participates in a self-insurance revolving fund for professional liability coverage through the University of Washington (UW). As of June 30, 2007, the UW did not carry commercial general liability coverage at levels below \$2 million per occurrence. The UW's philosophy with respect to its self-insurance programs is to fully fund its anticipated losses through the establishment of actuarially determined self-insurance reserves. These reserves are deposited in a statutorily created and regulated fund and can only be expended for payment of claim costs and related expenses.

The annual funding to the self-insurance revolving fund is determined by the UW administration based on recommendations from the UW's Risk Management Advisory Committee. The HMC's *pro rata* share of premiums paid to the self-insurance revolving fund were approximately \$1.60 million in the period July 1, 2005 to June 30, 2006, and \$1.72 million in the period July 1, 2006 to June 30, 2007.

Employee Benefits Program

Eligible permanent employees of HMC receive the basic insurance benefits package that is purchased by the University of Washington through the Public Employees' Benefits Board (PEBB). HMC faculty and staff meeting PEBB eligibility rules receive this package of medical, dental, life, and long-term disability (LTD) insurance. In addition, there are optional employee-paid components to the life and LTD that HMC employees may elect.

All employees of HMC are covered by Workers' Compensation and Medical Aid Acts for injuries and occupational diseases that occur during the course of their employment. Coverage includes doctors' services, hospital care, ambulance, appliances, compensation for permanent, partial, and total disability, and allowances and pensions to surviving spouses and children in the case of fatal injuries. A majority of the premium cost is paid by the UW and a small deduction is made from the employee's pay to conform with the state law.

Component Unit – WSMLBS Public Facilities DistrictInsurance Fund

The Washington State Major League Baseball Stadium Public Facilities District (PFD) carries commercial general liability insurance with a general aggregate limit of \$2 million and a per occurrence limit of \$1 million. Excess liability coverage is in force at aggregate and per event limits of \$5 million. Business automobile liability coverage limit is at \$1 million per any one accident or loss. Commercial personal property losses are covered up to the replacement value not exceeding \$100 thousand with separate coverage for earthquake and flood losses. The PFD also has purchased employee benefit liability coverage with an aggregate limit of \$3 million and a per employee limit of \$1 million.

NOTE 10 – CONTINUED

Component Unit – Cultural Development Authority of King County

Insurance Fund

The Cultural Development Authority of King County (CDA), dba 4Culture, carries comprehensive general liability and auto liability insurance with no aggregate limit per member. The total limit is \$10 million and a per occurrence limit of \$9.5 million. Commercial property losses are covered up to the replacement cost on file with Washington Governmental Entity Pool.

The CDA also has purchased employee benefit liability coverage with an aggregate limit of \$20 million and an aggregate per member limit of \$10 million.

Employee Benefits Program

Employees of the CDA have a comprehensive benefits package through the Public Employees' Benefits Board (PEBB). The comprehensive package includes medical, dental, life, and long-term disability coverage. In addition, the PEBB offers the following optional products: long-term care, auto, and home insurance. The State of Washington Health Care Authority (HCA) is the administrating authority. The CDA also offers insurance with American Family Life Assurance Company (AFLAC). With the AFLAC coverage, the CDA employees can pick from a selection of insurance policies.

NOTE 11 – LEASES**Capital Leases**

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

The following is a schedule of capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2007 (in thousands):

	Capital Assets		Capital Leases Payable	
	Governmental Activities ^(a)	Business-type Activities	Governmental Activities ^(b)	Business-type Activities
Land	\$ 1,440	\$ -	\$ -	\$ -
Buildings	4,460	-	4,275 ^(a)	-
Leasehold improvements	-	4,881	-	3,534
Less depreciation	(686)	(943)	-	-
Subtotal	3,774	3,938	4,275	3,534
Machinery and equipment	183	-	49	-
Less depreciation	(73)	-	-	-
Subtotal	110	-	49	-
Totals	\$ 5,324	\$ 3,938	\$ 4,324	\$ 3,534

(a) Certain governmental land and buildings that were financed through capital leases in prior years are now reported as directly-owned capital assets in the primary government as a result of a reporting entity change in 2007 that recognizes the lessor corporations as blended component units. (See Note 1, "Summary of Significant Accounting Policies" – Component Units, Building Development and Management Corporations.)

(b) In prior years, limited tax general obligation lease revenue bonds were reported as capital leases pursuant to special financing agreements. In 2007, bonds issued in accordance with the provisions of Revenue Ruling 63-20 have been reclassified as lease revenue bonds of a blended component. See Note 15, "Restrictions, Reserves, Designations and Changes in Equity" - Restatements of Beginning Balances.

The following is a schedule, by year, of future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2007 (in thousands):

NOTE 11 – CONTINUED

	Governmental Activities	Business-type Activities
2008	\$ 534	\$ 255
2009	482	255
2010	484	255
2011	480	255
2012	481	255
2013-2017	2,407	1,275
2018-2022	964	1,275
2023-2027	-	1,275
2028-2031	-	913
Total minimum lease payments	<u>5,832</u>	<u>6,013</u>
Less: Amount representing interest	<u>(1,508)</u>	<u>(2,479)</u>
Present value of net minimum lease payments	<u>\$ 4,324</u>	<u>\$ 3,534</u>

Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year ended December 31, 2007, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$37.3 million. The patterns of future lease payment requirements are systematic and rational. Future minimum lease payments for these leases are as follows (in thousands):

Year	Office Space	Equipment	Other	Total
2008	\$ 5,973	\$ 123	\$ 806	\$ 6,902
2009	5,131	122	702	5,955
2010	4,500	72	681	5,253
2011	3,761	39	667	4,467
2012	3,430	-	575	4,005
2013-2017	14,562	-	2,838	17,400
2018-2022	1,013	-	2,889	3,902
2023-2027	1,013	-	2,657	3,670
2028-2032	1,013	-	1,817	2,830
2033-2037	216	-	2,006	2,222
2038-2042	-	-	2,215	2,215
2043-2047	-	-	2,445	2,445
2048-2052	-	-	2,700	2,700
2053	-	-	428	428

The County currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. Under business-type activities, the King County Airport Enterprise leases out most of the buildings and grounds in the King County International Airport/Boeing Field complex to companies and government agencies in the aviation industry.

The following schedule is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2007 (in thousands):

NOTE 11 – CONTINUED

	Governmental	Business-type Activities	
	Activities	Airport	Other
Land	\$ 70	\$ 11,220	\$ -
Buildings	1,795	50,086	702
Less depreciation	(584)	(28,353)	(95)
Total cost of property under lease	<u>\$ 1,281</u>	<u>\$ 32,953</u>	<u>\$ 607</u>

The following is a schedule of minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2007 (in thousands):

Year	Governmental	Business-type Activities		Total
	Activities	Airport	Other	
2008	\$ 2,787	\$ 5,205	\$ 1,246	\$ 9,238
2009	2,527	4,997	763	8,287
2010	2,020	4,983	715	7,718
2011	1,254	4,983	388	6,625
2012	915	4,863	213	5,991

NOTE 12 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

King County is legally responsible for closure and post-closure care costs associated with the County's solid waste landfills. Estimated costs of closure and post-closure care are recognized as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in current dollars. Actual cost may be different due to inflation, changes in technology, or changes in regulations.

State and federal laws and regulations require King County to place a final cover on its Cedar Hills Landfill site when the County stops accepting waste at this location. Certain maintenance and monitoring functions are also required at the sites for 30 years following closure. Enumclaw, Hobart, Duvall, Vashon, and Cedar Falls landfills have been covered. Puyallup, Houghton, Bow Lake, and First Northeast are custodial landfills which were covered 30 or more years ago and are no longer subject to these laws and regulations.

Although closure and post-closure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period. The expense is based on landfill capacity used as of each year-end. The \$106.8 million reported as landfill closure and post-closure care liability as of December 31, 2007, represents the cumulative percentage reported based on the amount that each of the landfills has been filled to date as follows (dollars in thousands):

<u>Landfill</u>	<u>Percent Filled</u>	<u>Estimated Liability</u>	<u>Estimated Remaining Liability</u>	<u>Estimated Year of Closure</u>
Cedar Hills	82%	\$ 65,806	\$ 19,975	2015
Covered	100%	32,178	--	(closed)
Custodial	100%	8,832	--	(closed)

The County is required by state and federal laws and regulations to make annual contributions to a reserve fund to finance closure and post-closure care. The County is in compliance with these requirements. As of December 31, 2007, cash and cash equivalents of \$42.9 million were held in the Landfill Reserve Fund. Cash and cash equivalents of \$20.3 million were held in the Landfill Post-closure Maintenance Fund, a fund designated for these purposes.

The County expects that future cost increases resulting from inflation will be covered by the interest income earned on these annual contributions. However, if interest earnings are inadequate, or additional post-closure care requirements are determined (due to changes in technology or regulations), the County may need to increase future user fees or tax revenues.

The County also established the Environmental Reserve Fund for future investigation and possible remediation of custodial landfills. Landfill investigations and foreseeable remediation efforts are complete; therefore there is no liability recorded for custodial landfills.

NOTE 13 – DEBT**Short-term Debt Instruments and Liquidity**

For the year ended December 31, 2007, King County has one short-term debt instrument outstanding. On November 1, 2007, the County issued \$43.98 million of limited tax general obligation (GO) bond anticipation notes with a maturity date of November 1, 2008. The proceeds of the notes are accounted for in the Building Construction and Improvement fund. The notes were issued to provide continued interim financing for various projects related to the County Courthouse, the integrated security and jail health project, the Kent Pullen Regional Communications and Emergency Coordination Center, the Pedestrian Tunnel between the Chinook Building and the Goat Hill parking garage, and the acquisition of workstations and furniture for the Chinook Building. Also, a portion of the proceeds were used to pay the cost of issuance of the 2007 notes. The County intends to finance the repayment of the 2007 notes by issuing general obligation bonds in 2008.

The County has \$100 million of commercial paper outstanding in the Water Quality Enterprise Fund. The commercial paper outstanding as of December 31, 2007, has maturities ranging from 30 to 154 days. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the Enterprise. Repayment of the debt will be made from operating revenues. The following schedule provides a summary of changes in short-term debt as of December 31, 2007:

**CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	Balance 01/01/07	Additions	Reductions	Balance 12/31/07
Governmental activities:				
Limited tax GO bond anticipation notes	\$ 83,990	\$ 43,975	\$ (83,990)	\$ 43,975
Unamortized premium bonds sold	273	293	(273)	293
Governmental activities short-term debt	<u>\$ 84,263</u>	<u>\$ 44,268</u>	<u>\$ (84,263)</u>	<u>\$ 44,268</u>
Business-type activities:				
Commercial paper	\$ 50,000	\$ 50,000	-	\$ 100,000
Business-type activities short-term debt	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

Long-term Debt

King County's long-term debt is reported under governmental activities and business-type activities. Governmental activities long-term debt consists of general obligation bonds, general obligation lease revenue bonds, general obligation capital leases, and special assessment bonds with governmental commitment. Payment of special assessment bonds are guaranteed by the Road Improvement Guaranty Fund if a road improvement district fails to pay.

Business-type activities long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Institutional Network (I-NET), Solid Waste, Public Transportation, and Water Quality Enterprise Funds; capital leases accounted for in the Public Transportation Fund; and State of Washington revolving loans and sewer revenue bonds accounted for in the Water Quality Enterprise Fund.

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 1 of 4)**

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Outstanding at 12/31/07</u>
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Limited Tax GO Bond Redemption Fund					
1993 Various Purpose Series B (Partial)	12/01/93	01/01/24	5.35-6.70%	\$ 109,436	\$ 17,750
1996 Various Purpose Series A (Partial)	02/01/96	01/01/09	5.00-5.25%	105,268	2,275
1997 Baseball Stadium Parking Facilities (Taxable) Series C	04/01/97	12/01/08	7.06-7.79%	25,000	1,275
1997 Baseball Stadium Series D	05/07/97	12/01/09	4.60-5.75%	150,000	37,080
1999 Various Purpose Series A (Partial)	05/01/99	12/01/12	4.00-5.25%	85,695	12,959
2001 Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	26,925	17,250
2002 Refunding 1997B Bonds (Baseball Stadium)	06/04/02	12/01/14	4.00-5.50%	124,575	61,650
2002 Various Purpose (Road CIP) Bonds	10/01/02	12/01/16	2.00-5.00%	38,340	26,865
2003 Limited Tax GO (Payoff BAN 2003B) Series A	10/30/03	06/01/23	2.00-5.25%	27,605	23,915
2003 Various Purpose Refunding Bonds Series B (Partial)	10/30/03	06/01/23	2.00-5.25%	27,890	18,555
2004 Refunding Bonds Series A	09/21/04	01/01/16	2.00-5.00%	57,045	53,085
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	01/01/25	2.50-5.00%	82,435	77,810
2004 Baseball Stadium (Refg 1997C Partial) (Taxable) Series C	12/21/04	12/01/11	2.92-4.49%	13,195	8,310
2004 Baseball Stadium (Refg 1997D Partial) Series D	12/21/04	12/01/11	3.00-5.00%	32,075	27,710
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	37,675
2006 HUD Section 108 Bonds – Greenbridge Project	08/01/06	08/01/24	4.96-5.70%	6,783	6,647
2007 Kingdome Debt Series A Refunding 1997F	09/05/07	12/01/15	4.00-5.00%	48,665	48,100
2007 Kingdome Debt Series B Refunding 1997E (Taxable)	09/05/07	12/01/10	4.98-5.11%	5,900	4,550
2007 Various Purpose Series C	11/01/07	01/01/28	4.00-4.50%	10,695	10,695
2007 Various Purpose Series D	11/01/07	01/01/28	4.00-5.00%	34,630	34,630
2007 Various Purpose Series E (Partial)	11/27/07	12/01/17	4.00-5.00%	3,070	3,070
Total Payable From Limited Tax GO Redemption Fund				<u>1,076,067</u>	<u>554,366</u>
Payable From Internal Service Funds					
1999 Various Purpose Series A	05/01/99	12/01/09	4.00-5.25%	525	120
2001 Various Purpose (Partial)	11/01/01	12/01/11	3.00-5.00%	1,050	470
Total Payable From Internal Service Funds				<u>1,575</u>	<u>590</u>
IB. Limited Tax GO Capital Leases					
Payable From Public Health	Various	Various	Various	183	49
Payable From General Fund – 1998 Certificates of Participation - Issaquah District Court	09/29/98	12/01/19	3.80-5.05%	5,900	4,275
Total Limited Tax GO Capital Leases				<u>6,083</u>	<u>4,324</u>

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 2 of 4)**

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Outstanding at 12/31/07</u>
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IC. Limited Tax GO Lease Revenue Bonds ^(a)					
Payable From Internal Service Funds					
1997 King Street Center Project	06/01/97	06/01/08	4.50-5.13%	\$ 78,275	\$ 2,235
2002 Broadway Office Property – HMC Office Space	11/13/02	12/01/31	4.00-5.38%	62,540	60,075
2005 Goathill Property – Chinook Building	02/03/05	12/01/33	4.00-5.25%	101,035	101,035
2006A NJB Properties – HMC	12/05/06	12/01/36	5.00%	179,285	179,285
2006B NJB Properties – HMC (Taxable)	12/05/06	12/01/36	5.51%	10,435	10,435
2007 King Street Center Project Refunding 1997	03/08/07	06/01/25	4.00-5.00%	62,400	61,470
Total Limited Tax GO Lease Revenue Bonds				<u>493,970</u>	<u>414,535</u>
Total Limited Tax General Obligation Debt				<u>1,577,695</u>	<u>973,815</u>
ID. Unlimited Tax General Obligation Bonds (ULTGO)					
Payable From Unlimited Tax GO Redemption Fund					
2000 Refunding Bonds (Partial)	10/01/00	06/01/16	5.00-5.50%	102,740	43,235
2001 Harborview Medical Center	02/01/01	12/01/20	4.00-5.00%	29,130	23,745
2003 Refunding 1993 Series C Bonds	04/23/03	06/01/19	2.00-5.25%	108,795	37,155
2004 Harborview Medical Center Series A	05/04/04	12/01/23	2.00-5.00%	110,000	100,920
2004 Harborview Medical Center Series B	09/14/04	06/01/23	3.00-5.00%	54,000	50,395
Total Payable From Unlimited Tax GO Bond Redemption Fund				<u>404,665</u>	<u>255,450</u>
Payable From Stadium GO Bond Redemption Fund					
2000 Refunding Bonds (Partial)	10/01/00	06/01/12	5.00-5.50%	18,880	8,815
Total Unlimited Tax General Obligation Bonds				<u>423,545</u>	<u>264,265</u>
IE. Special Assessment General Long-Term Debt					
Special assessment bonds with governmental commitment – bonds payable from Road Improvement Districts S.A. Bond Redemption Fund – 1986 RID 2 Consolidated	07/01/86	07/01/08	7.88-8.25%	286	15
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				<u>2,001,526</u>	<u>1,238,095</u>

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 3 of 4)**

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Outstanding at 12/31/07</u>
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
1996 LTGO Refunding (Revenue Bonds) Series C	12/15/96	01/01/08	5.00-6.25%	\$ 130,965	\$ 2,730
1998 LTGO (Public Transportation Sales Tax) Refunding Series A	05/15/98	12/01/19	4.50-5.00%	85,715	53,400
1998 LTGO Refunding (WQ-LTGO & Revenues) Series B	09/15/98	01/01/34	4.75-5.25%	261,625	247,810
1999 LTGO Refunding Series A (Partial)	05/01/99	12/01/12	4.00-5.25%	8,720	6,161
2001 LTGO Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	8,580	6,820
2002 LTGO (Public Transportation Sales Tax) Refunding Bonds	11/05/02	12/01/19	3.00-5.50%	64,285	50,735
2004 LTGO (Public Transportation Sales Tax) Bonds	06/08/04	06/01/34	2.50-5.50%	49,695	47,265
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	7,865
2007 Various Purpose Series E (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	40,635
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>858,215</u>	<u>663,421</u>
II.B. Revenue Bonds, Capital Leases and Loans					
Payable From Enterprise Funds					
1999 Sewer Revenue Bonds Series 2	11/01/99	01/01/09	5.00-6.25%	60,000	2,270
2001 Sewer Revenue Bonds Junior Lien Series A	08/06/01	01/01/32	Variable Rate ^(b)	50,000	50,000
2001 Sewer Revenue Bonds Junior Lien Series B	08/06/01	01/01/32	Variable Rate ^(b)	50,000	50,000
2001 Sewer Revenue and Refunding Bonds	11/28/01	01/01/35	3.00-5.25%	270,060	229,925
2002 Sewer Revenue Bonds Series A	08/14/02	01/01/35	5.00-5.50%	100,000	94,960
2002 Sewer Revenue Refunding Bonds Series B	10/03/02	01/01/33	3.00-5.50%	346,130	291,715
2003 Sewer Revenue Refunding Bonds	04/24/03	01/01/35	2.00-5.25%	96,470	93,005
2004 Sewer Revenue Bonds Series A	03/18/04	01/01/35	4.50-5.00%	185,000	185,000
2004 Sewer Revenue Refunding 1999-2 Bonds Series B	03/18/04	01/01/35	2.00-5.00%	61,760	59,840
2006 Sewer Revenue and Refunding 1999-1 Bonds Series A	05/16/06	01/01/36	5.00%	124,070	124,070
2006 Sewer Revenue Bonds Junior Lien Multi-Modal Series A	10/04/06	01/01/36	Variable Rate ^(c)	50,000	50,000
2006 Sewer Revenue Bonds Junior Lien Multi-Modal Series B	10/04/06	01/01/36	Variable Rate ^(c)	50,000	50,000
2006 Sewer Revenue and Refunding Bonds Series B-2	11/30/06	01/01/36	3.50-5.00%	193,435	193,435
2007 Sewer Revenue Bonds	06/26/07	01/01/47	5.00%	250,000	250,000
2000-2007 State of Washington Revolving Loans	Various	Various	0.50-1.50%	141,335	118,524
2000 Public Transportation Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	3,534
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				<u>2,032,982</u>	<u>1,846,278</u>
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				2,891,197	2,509,699
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				<u>\$ 4,892,723</u>	<u>\$ 3,747,794</u>

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 4 of 4)**

(a) In prior years, limited tax general obligation lease revenue bonds were reported as capital leases pursuant to special financing agreements. In 2007, these bonds issued in accordance with the provisions of Revenue Ruling 63-20 of the US Treasury were reclassified as general obligation lease revenue bonds of a blended component unit in the internal service funds. See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

(b) 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.

(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 County may elect to convert one or both series of the Bonds to Daily Mode, Flexible Mode, Term Rate Mode, Fixed Rate Mode or Auction Rate Securities ("ARS") Mode.

NOTE 13 – CONTINUED

KING COUNTY, WASHINGTON
DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES

Year	General Obligation Bonds		General Obligation Lease Revenue Bonds		General Obligation Capital Leases and Special Assessment Bonds		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 78,793	\$ 39,001	\$ 5,895	\$ 20,258	\$ 339	\$ 210	\$ 85,027	\$ 59,469
2009	82,771	35,786	6,185	19,975	285	197	89,241	55,958
2010	71,044	31,944	6,465	19,689	300	184	77,809	51,817
2011	58,621	28,521	10,465	19,390	310	170	69,396	48,081
2012	59,913	25,580	10,965	18,892	325	156	71,203	44,628
2013-2017	259,074	79,899	63,505	85,775	1,885	522	324,464	166,196
2018-2022	146,931	33,942	80,425	68,858	895	69	228,251	102,869
2023-2027	58,754	4,986	89,200	47,965	-	-	147,954	52,951
2028-2032	3,320	78	92,835	26,205	-	-	96,155	26,283
2033-2037	-	-	48,595	6,126	-	-	48,595	6,126
TOTAL	\$ 819,221	\$ 279,737	\$ 414,535	\$ 333,133	\$ 4,339	\$ 1,508	\$ 1,238,095	\$ 614,378

BUSINESS-TYPE ACTIVITIES

Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total Business-Type Activities		Total Long-Term Debt (Excluding General Obligation Long-Term Liabilities)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 18,035	\$ 32,940	\$ 32,976	\$ 70,621	\$ 51,011	\$ 103,561	\$ 136,038	\$ 163,030
2009	16,017	32,180	37,281	75,174	53,298	107,354	142,539	163,312
2010	16,767	31,405	38,932	73,522	55,699	104,927	133,508	156,744
2011	16,000	30,634	40,637	71,800	56,637	102,434	126,033	150,515
2012	16,742	29,842	42,407	70,154	59,149	99,996	130,352	144,624
2013-2017	98,045	136,290	227,978	320,257	326,023	456,547	650,487	622,743
2018-2022	127,140	104,991	221,761	271,018	348,901	376,009	577,152	478,878
2023-2027	130,195	73,979	253,785	217,155	383,980	291,134	531,934	344,085
2028-2032	147,095	38,926	405,071	150,255	552,166	189,181	648,321	215,464
2033-2037	77,385	4,968	361,525	71,138	438,910	76,106	487,505	82,232
2038-2042	-	-	80,805	38,295	80,805	38,295	80,805	38,295
2043-2047	-	-	103,120	15,971	103,120	15,971	103,120	15,971
TOTAL	\$ 663,421	\$ 516,155	\$ 1,846,278	\$ 1,445,360	\$ 2,509,699	\$ 1,961,515	\$ 3,747,794	\$ 2,575,893

NOTE 13 – CONTINUED

The following table summarizes changes in long-term liabilities for the year ended December 31, 2007 (in thousands).

	<u>Balance 01/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 870,445	\$ 102,960	\$ (154,184)	\$ 819,221	\$ 78,793
Special assessment bonds with governmental commitment	15	-	-	15	15
Less deferred amounts:					
Unamortized premium bonds sold	26,882	3,890	(4,600)	26,172	-
Refunding	(14,475)	(1,968)	3,511	(12,932)	-
Total bonds payable	<u>882,867</u>	<u>104,882</u>	<u>(155,273)</u>	<u>832,476</u>	<u>78,808</u>
Limited GO lease revenue bonds	131,750	353,155	(70,370)	414,535	5,895
Limited GO capital leases	4,695	-	(371)	4,324	324
Claims and judgments payable	700	-	(700)	-	-
Compensated absences liability	78,774	(2,592)	4,836	81,018	5,200
Other postemployment benefits	-	5,542	-	5,542	-
Unemployment compensated liabilities	1,347	970	(1,266)	1,051	1,051
Estimated claims settlements and other liabilities	116,823	169,842	(150,061)	136,604	87,200
Rebatable arbitrage	177	31	-	208	90
Total Governmental activities long-term liabilities	<u>\$ 1,217,133</u>	<u>\$ 631,830</u>	<u>\$ (373,205)</u>	<u>\$ 1,475,758</u>	<u>\$ 178,568</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 642,383	\$ 40,635	\$ (19,597)	\$ 663,421	\$ 18,035
Revenue bonds	1,499,105	250,000	(24,885)	1,724,220	26,315
Less deferred amounts:					
Unamortized premium bonds sold	34,475	8,066	(2,731)	39,810	-
Refunding	(77,663)	(293)	9,567	(68,389)	-
Total bonds payable	<u>2,098,300</u>	<u>298,408</u>	<u>(37,646)</u>	<u>2,359,062</u>	<u>44,350</u>
Capital leases	3,611	-	(77)	3,534	81
State revolving loans	118,622	5,374	(5,472)	118,524	6,580
Claims and judgments payable	1,882	-	(1,882)	-	-
Compensated absences liability	54,275	15,651	(14,971)	54,955	7,032
Other postemployment benefits	-	1,106	-	1,106	-
Landfill closure and post-closure care liability	92,879	18,918	(4,981)	106,816	6,000
Environmental remediation and other liabilities	12,601	2,905	(1,039)	14,467	-
Total Business-type activities long-term liabilities	<u>\$ 2,382,170</u>	<u>\$ 342,362</u>	<u>\$ (66,068)</u>	<u>\$ 2,658,464</u>	<u>\$ 64,043</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 \$136.5 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.

NOTE 13 – CONTINUED**Computation of Legal Debt Margin**

Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½ percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1½ percent of assessed value of property within the County for general county purposes and ¾ percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy. The legal debt margin computation for the year ended December 31, 2007 is as follows (in thousands):

2007 ASSESSED VALUE (2008 TAX YEAR)	\$ 340,995,440
Debt limit of limited tax (LT) general obligations for metropolitan functions	
3/4 % of assessed value	\$ 2,557,466
Less: Net LT general obligation indebtedness for metropolitan functions	(697,894)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 1,859,572</u>
Debt limit of LT general obligations for general county purposes and metropolitan functions – 1½ % of assessed value	\$ 5,114,932
Less: Net LT general obligation indebtedness for general county purposes	(1,067,840)
Net LT general obligation indebtedness for metropolitan functions	(697,894)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	(1,765,734)
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 3,349,198</u>
Debt limit of total general obligations for metropolitan functions	
2½ % of assessed value	\$ 8,524,886
Less: Net total general obligation indebtedness for metropolitan functions	(697,894)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 7,826,992</u>
Debt limit of total general obligations for general county purposes	
2½ % of assessed value	\$ 8,524,886
Less: Net unlimited tax general obligation indebtedness for general county purposes	(253,635)
Net LT general obligation indebtedness for general county purposes	(1,067,840)
Net total general obligation indebtedness for general county purposes	(1,321,475)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 7,203,411</u>

NOTE 13 – CONTINUED**Refunding and Defeasing General Obligation Bond Issues – 2007**

Limited Tax General Obligation Refunding Bonds, 2007A – On September 5, 2007, the County issued \$48.7 million in limited tax general obligation bonds, 2007 Series A with an effective interest cost of 4.06 percent to advance refund \$50.6 million of outstanding limited tax general obligation bonds, 1997 Series F with an effective interest cost of 5.15 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$708 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2015, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$3.8 million over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$3.2 million.

Limited Tax General Obligation Refunding Bonds, 2007B – Also, on September 5, 2007, the County issued \$5.9 million in limited tax general obligation bonds, 2007 Series B with an effective interest cost of 5.24 percent to advance refund \$5.7 million of outstanding limited tax general obligation bonds, 1997 Series E with an effective interest cost of 6.94 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$130 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2010, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$1.9 million over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$748 thousand.

Partial Defeasance of Limited Tax General Obligation (Baseball Stadium) Refunding Bonds, 2007 On December 13, 2007, the County completed a partial defeasance of limited tax general obligation (Baseball Stadium) refunding bonds, 2002 for \$10.9 million using the excess proceeds from special taxes and revenues. 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 2014, using the outstanding principal balance method. The transaction resulted in an economic loss of \$367 thousand for the year ended December 31, 2007.

Refunding General Obligation Lease Revenue Bond Issues – 2007

Limited Tax Lease Revenue Refunding Bonds, 2007 (King Street Center Project) – On March 8, 2007, the CDP – King County III, acting as an "on-behalf-of-issuer" of King County, issued \$62.4 million in general obligation lease revenue bonds, 2007 (King Street Center Project) with an effective interest cost of 4.37 percent to advance refund \$66.06 million of its outstanding general obligation lease revenue bonds, 1997 with an effective interest cost of 5.22 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments by \$4.8 million over the life of

NOTE 13 – CONTINUED

the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$3.3 million.

Refunded Bonds

King County has eleven outstanding refunded and defeased bond issues consisting of limited tax general obligation bonds (\$57.5 million), unlimited tax general obligation bonds (\$20.1 million) and sewer revenue bonds (\$138.8 million) that were originally reported in the Primary Government's statement of net assets. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, the US Bank of Washington, and the liability for the defeased bonds has been removed from the statement of net assets.

Future Borrowing Plans

During the first quarter of 2008, the County sold \$237 million of limited tax general obligation refunding bonds (payable from Sewer Revenues) to refund \$244.3 million of its outstanding 1998 Series B bonds.

The County expects to issue approximately \$100 million of new long-term limited tax general obligation bonds during 2008. The proceeds of these bonds will be used to provide funding for certain capital facilities projects and other small projects.

For the remainder of this decade the County expects to issue over \$1 billion of new debt to provide continuing funding for its Wastewater Treatment Division's capital improvement program. While most of this new debt will be in the form of Sewer Revenue Bonds, a portion will be comprised of general obligation bonds that are additionally secured by a pledge of sewer revenues.

Also, the County intends to take advantage of favorable interest rates by refinancing any outstanding higher rate bonds when and if market conditions permit.

NOTE 14 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Fund	\$ 909
	Nonmajor Governmental Funds	8,258
	Nonmajor Enterprise Funds	2,471
	Internal Service Funds	2,473
	All Others	285
Public Health Fund	Nonmajor Governmental Funds	1,781
	All Others	472
Nonmajor Governmental Funds	General Fund	5,954
	Nonmajor Governmental Funds	18,496
	Water Quality Enterprise	3,662
	Nonmajor Enterprise Funds	872
	Internal Service Funds	1,861
	All Others	142
Public Transportation Enterprise	Nonmajor Governmental Funds	1,249
	Public Transportation Enterprise	24,128
	All Others	167
Water Quality Enterprise	Nonmajor Governmental Funds	2,153
	Water Quality Enterprise	900
	All Others	157
Nonmajor Enterprise Funds	All Others	729
Internal Service Funds	General Fund	713
	Nonmajor Governmental Funds	2,256
	Internal Service Funds	987
	All Others	456
Total		<u>\$ 81,531</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.

NOTE 14 – CONTINUEDAdvances 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
Public Transportation Enterprise	General Fund	900
	Nonmajor Governmental Funds	46
Total		<u>\$ 4,746</u>

The advances from the General Fund to the Public Transportation Enterprise and Nonmajor Governmental Funds consisted of loans made for the purposes of cash flow. Neither advance is scheduled to be repaid in 2008.

The \$900 thousand advance from the Public Transportation Enterprise to the General Fund, which arose from the sale of the Tashiro-Kaplan Building, is reported as "Advances to other funds" in the Public Transportation Enterprise and as "Advances from other funds" in the General Fund. \$300 thousand of the balance is scheduled to be collected in 2008. The \$46 thousand advance from the Public Transportation Enterprise to Nonmajor Governmental Funds was used to acquire capital assets. \$46 thousand of the total advance to Nonmajor Governmental Funds is scheduled to be collected in 2008.

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	\$ 29,534
	Nonmajor Governmental Funds	36,639
	Internal Service Funds	1,211
Public Health Fund	All Others	192
Nonmajor Governmental Funds	Nonmajor Governmental Funds	107,096
	All Others	391
Public Transportation Enterprise	Nonmajor Governmental Funds	659
Water Quality Enterprise	All Others	159
Nonmajor Enterprise Funds	All Others	385
Internal Service Funds	Nonmajor Governmental Funds	3,472
	All Others	68
Total transfers in		179,806
Transfer out of capital assets		2,387
Total transfers out		<u>\$ 182,193</u>

NOTE 14 – CONTINUED

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

In the fund financial statements, total transfers out exceed total transfers in because there were \$2,387 thousand of capital assets transferred during the year.

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Public Transportation Enterprise	Nonmajor Enterprise Funds	\$ 92
Water Quality Enterprise	Nonmajor Enterprise Funds	2
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	11
	Nonmajor Enterprise Funds	5
	Internal Service Funds	15
Internal Service Funds	General Fund	70
	Public Health Fund	2
	Nonmajor Governmental Funds	2,177
	Nonmajor Enterprise Funds	5
	Internal Service Funds	8
Total		<u>\$ 2,387</u>

NOTE 15 – RESTRICTIONS, RESERVES, DESIGNATIONS, AND CHANGES IN EQUITY

Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are classified into three categories:

Invested in capital assets, net of related debt – Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets – Consists of net assets that do not meet the definition of the two preceding categories.

Restricted Net Assets – Business-type Activities (in thousands)

\$ 309,571	Public Transportation Enterprise restricted for future construction projects (\$298,722) and debt service (\$10,849).
97,202	Water Quality Enterprise restricted for future construction projects (\$59,515), debt service (\$32,595), and litigation settlements (\$5,092).
9,105	King County International Airport Enterprise restricted for future construction projects.
<u>3,240</u>	Radio Communications Enterprise restricted for construction.
<u>\$ 419,118</u>	Total Business-type Restricted Net Assets

Restricted Net Assets – Internal Service Funds (in thousands)

\$ 32,682	Building Development & Management Corporations Fund restricted for future construction projects (\$5,865) and debt service (\$26,817).
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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.

NOTE 15 – CONTINUED

Following is a list of all reserves and designations used by King County and a description of each:

Reserved Fund Balances (in thousands)

	<u>General Fund</u>	<u>Public Health Fund</u>	<u>Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Capital Projects</u>
Reserved for:					
Inventory	\$ -	\$ 425	\$ -	\$ -	\$ -
Prepayments	-	-	5,808	-	-
Encumbrances	10,130	290	21,865	-	51,015
Advances to other funds	3,800	-	-	-	-
Animal services	562	-	-	-	-
Crime victim compensation program	65	-	-	-	-
Criminal justice	10,538	-	-	-	-
Debt service	-	-	330	-	-
Drug enforcement program	780	-	-	-	-
Antiprofitteering program	95	-	-	-	-
Dispute resolution centers	105	-	-	-	-
Inmate welfare	954	-	-	-	-
Laptop replacement	292	-	-	-	-
Real property title assurance	25	-	-	-	-
Training and equipment for Medic One	-	61	-	-	-
Youth sports facilities grant endowment	-	-	646	-	-
PFD stadium bond debt service	-	-	-	12,358	-
PFD stadium bond debt service - escrow	-	-	-	4,877	-
Traffic mitigation	-	-	-	-	3,370
Total reserved fund balances	<u>\$ 27,346</u>	<u>\$ 776</u>	<u>\$ 28,649</u>	<u>\$ 17,235</u>	<u>\$ 54,385</u>

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

Reserved for prepayments – Segregates a portion of fund balance equal to the asset prepayments; it does not represent available, spendable resources for the fund's current operations.

Reserved for encumbrances – Segregates a portion of fund balance for commitments made for goods or services that have not been delivered or completed as of year-end. The budget for these commitments will be reestablished in the new year without reappropriation.

Reserved for advances to other funds – Segregates a portion of fund balance for advances to other funds (the noncurrent portion of interfund loans receivable) to indicate that they do not constitute available financial resources and are not available for appropriation.

Reserved for animal services – Segregates a portion of fund balance to indicate that resources are restricted solely for the purpose of funding the animal services program, which promotes and enforces the humane treatment of the animal population of King County.

NOTE 15 – CONTINUED

Reserved for crime victim compensation program – Segregates a portion of fund balance to indicate that resources are legally restricted to the crime victim compensation program and are not spendable resources for other expenditures (chapter 7.68 RCW).

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

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

Reserved for drug enforcement program – Segregates a portion of fund balance to indicate that resources are legally restricted solely for the purpose of enhancing enforcement of the Uniform Controlled Substances Act, chapter 69.50 RCW, or other laws regulating controlled substances, including training, equipment, and operational expenses.

Reserved for antiprofitteering program – Segregates a portion of fund balance to indicate that resources are legally restricted solely for the purposes of the investigation and prosecution of any offense included in the definition of criminal profiteering set forth in chapter 9A.82 RCW.

Reserved for dispute resolution centers – Segregates a portion of fund balance to indicate that resources are legally restricted solely for the purpose of funding dispute resolution centers (RCW 7.75.035).

Reserved for inmate welfare – Segregates a portion of fund balance to indicate that resources are restricted solely for the purpose of the welfare of inmates held by the Department of Adult and Juvenile Detention.

Reserved for laptop replacement – Segregates a portion of fund balance to indicate that resources are restricted solely for the purpose of replacing laptop computers used by law enforcement officers.

Reserved for real property title assurance – Segregates a portion of fund balance to indicate that resources are legally restricted solely for the purpose of the payment of damages to any person sustaining loss or damage, through any omission, mistake, or misfeasance of the registrar of titles, or of any examiner of titles, or of any deputy, or by the mistake or misfeasance of the clerk of the court, or any deputy, in the performance of their respective duties under the provisions of chapter 65.12 RCW Registration of Land Titles (Torrens Act).

Reserved for training and equipment for Medic One – Segregates a portion of fund balance to indicate that the use of donations from individuals to Medic One are restricted to 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. The investment income from the endowment will be used exclusively to supplement the Youth Sports Facilities Grant Fund for the acquisition and operation of outdoor sports fields for youth.

Reserved for PFD stadium bond debt service – Segregates the revenues collected by the County that are earmarked for future debt service payments on the 1997A-1, 1997B, 1997D, 2002 Refunding, and 2004D Refunding tax exempt Baseball Stadium bond issues.

Reserved for PFD stadium bond debt service – escrow – Segregates the revenues collected by the County that are earmarked for future debt service payments on the 1997A-2, 1997C, and 2004C Refunding taxable Baseball Stadium bond issues.

NOTE 15 – CONTINUED

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

Designated Fund Balances (in thousands)

	<u>General Fund</u>	<u>Public Health Fund</u>	<u>Nonmajor Special Revenue</u>
Designated for:			
Equipment replacement	\$ -	\$ -	\$ 6,695
Capital projects	4,534	-	-
DDES	-	-	2,523
Environmental health services	-	3,625	-
FEMA match	-	-	164
Operating reserve	-	-	13,349
PIHP risk reserve	-	-	2,700
Reappropriation	588	653	7,420
Contingencies	15,903	-	-
Children and family services program	<u>2,294</u>	<u>-</u>	<u>-</u>
Total designated fund balances	<u>\$ 23,319</u>	<u>\$ 4,278</u>	<u>\$ 32,851</u>

Designated for equipment replacement – Indicates that a portion of fund balance has been earmarked for the replacement of equipment.

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

Designated for DDES – In the Department of Development and Environmental Services (DDES) Fund, this account sets aside revenues for permit fee supported areas of DDES in the following categories: (1) reserve for staff reductions; (2) revenue shortfall reserve (amount to cover a 15 percent fee revenue shortfall for three months at the budgeted level for fee revenue); and (3) reserve for fee waivers and other unanticipated costs.

Designated for environmental health services – Segregates environmental health fee revenue which may only be used by Environmental Health Services as mandated by the Board of Health.

Designated for FEMA match – Identifies a portion of fund balance in the Flood Control Zone Districts Fund that has been designated for future use as a local match for federal and state grants in the event of a federally-declared flood disaster.

Designated for operating reserve – Funds designated from Mental Health revenue that are set aside according to the King County Regional Services Network (KCRSN)'s contract with the State Mental Health Division, totaling approximately 5 percent of annual revenues if funds are available. Operating reserve funds are set aside to maintain adequate cash flow for the provision of mental health services.

Designated for Prepaid Inpatient Health Plan (PIHP) risk reserve – Funds used to cover inpatient adjustments, outpatient tier benefits, and closeout expenditures in case the King County

NOTE 15 – CONTINUED

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

Designated for contingencies – In the General Fund, this account segregates a portion of fund balance to indicate that resources have been earmarked by county ordinance for the following: (1) maintenance of essential county services in the event that General Fund revenue collections in a given fiscal year are less than 97 percent of adopted estimated revenues; (2) payment of legal settlements relating to the collection of past General Fund revenues; (3) payment of catastrophic losses in excess of the Insurance Fund reserve and all other fund balances; and (4) requests for priority capital maintenance projects if and when the contingencies reserve exceeds \$15 million.

Designated for children and family services programs – Segregates a portion of fund balance to indicate that resources have been earmarked by county ordinance to provide children and family services to the residents of King County.

Management Plans for Internal Service Fund Unrestricted Net Assets

The following Internal Service Funds have resources that have been earmarked by County management for a specific future use as of December 31, 2007:

Department of Executive Service (DES) Equipment Replacement Fund – \$772 thousand for the replacement of personal computers.

Information and Telecommunications Services Fund – Telecommunications Subfund – \$677 thousand for the replacement of telecommunications equipment.

Insurance Fund – \$14.4 million for catastrophic losses. The catastrophic loss reserve will be used to respond to large, nonrecurring losses exceeding \$1 million per incident.

King County Geographic Information Service (GIS) Fund – \$48 thousand for the replacement of GIS equipment, \$100 thousand for rate stabilization, and \$59 thousand for prepaid client services.

Motor Pool Equipment Rental Fund – \$4.9 million for the replacement of rental equipment.

Public Works Equipment Rental Fund – \$7.0 million for the replacement of rental equipment.

Wastewater Equipment Rental Fund – \$5.6 million for the replacement of rental equipment.

Restatements of Beginning Balances

The following schedules present detailed information regarding restatements of beginning balances (in thousands):

Risk Abatement – The Clark Contract Administration Fund and the Logan/Knox Settlement Fund were administratively closed in 2007. The balances in those funds were transferred to the Risk Abatement Fund. Both funds will be closed by ordinance in 2008.

Road Improvement Districts Maintenance Fund – This adjustment was to reverse a 2006 posting error. The adjustment required the beginning 2007 balance be manually adjusted.

NOTE 15 – CONTINUED

Governmental Activities – The prior period adjustments in infrastructure and related right-of-way costs resulted from: 1) reclassification of previously capitalized costs as preservation to be in line with federal reporting guidelines that were revised for GASBS 34; 2) recognition of a prior year's transfer of a road segment to another government following annexation; and 3) to adjust for other errors in the assignment of capital costs.

The restatement in government-wide beginning net assets is also due to the retroactive implementation of a change in reporting entity. In 2007, four Washington state nonprofit corporations each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings are reported as blended component units of the County. A single internal service fund, the Building Development and Management Fund, is used to blend the four nonprofit corporations' activities and balances with the primary government. Prior to the change, the County accounted for the lease agreements it had with these corporations as standard capital leases. The beginning 2007 Net Assets have been restated by adjusting the Net Assets for the difference between the capital lease assets and liabilities reported as of December 31, 2006 with the beginning January 1, 2007 Net Assets reported in the internal service fund.

The following schedules present detailed information regarding restatements of beginning balances (in thousands):

	Governmental Activities	Business-type Activities	Internal Service Funds	Building Development & Management & Management Corporations	
Net Assets – December 31, 2006	\$ 1,712,797	\$ 2,017,249	\$ 68,412	\$ -	
Infrastructure adjustment	(100,988)				
Building Development and Management Corporations Changes					
Remove old capital asset value	(121,071)				
Remove old capital lease value	131,750				
Add Building Development & Mgmt. Corporations beginning net assets	(5,909)	2,805	(3,104)	(3,104)	
2006 Posting Error Correction	(25)				
Net Assets – January 1, 2007	<u>\$ 1,616,554</u>	<u>\$ 2,020,054</u>	<u>\$ 65,308</u>	<u>\$ (3,104)</u>	
	Nonmajor Special Revenue Funds	Clark Contract Administration Fund	Logan/Knox Settlement Fund	Risk Abatement Fund	Road Improvement Districts Maintenance Fund
Fund Balance – December 31, 2006	\$ 120,285	\$ 7	\$ 1,701	\$ 6,020	\$ 29
Fund closure		(7)	(1,701)	1,708	
2006 Posting Error Correction	(25)				(25)
Fund Balance – January 1, 2007	<u>\$ 120,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,728</u>	<u>\$ 4</u>

NOTE 15 – CONTINUED

Component Unit – Harborview Medical Center (HMC)

Restricted Net Assets

Restricted expendable net assets – The \$89,692 thousand consists of investments restricted for capital use and 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 \$1,920 thousand consists of permanent endowments by donors.

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

Restricted Net Assets

Restricted expendable net assets – \$13,664 thousand is restricted by RCW 67.28.180.3 and King County ordinance for use for arts and heritage cultural program awards according to a specified formula.

Restricted nonexpendable net assets – \$19,105 thousand is a long-term endowment funded from a portion of the hotel/motel tax pursuant to RCW 67.28.180.3(e) to finance future arts and heritage cultural programs.

NOTE 16 – LEGAL MATTERS, CONTINGENT LIABILITIES, AND OTHER COMMITMENTS**Primary Government**

There is no litigation or claim currently pending against King County in which to our knowledge the likelihood of an unfavorable outcome with material damages assessed against the County is considered "probable."

The following litigation, or potential litigation, may involve claims for material damages against King County for which the County is unable to provide an opinion as to the ultimate outcome or the amount of damages that may be found:

- A lawsuit against the County filed by a private transportation operator seeking damages in the amount of \$12.4 Million. Plaintiff claims that County transit service violates its rights, under a Certificate of Public Convenience and Necessity, to be sole provider of direct airporter service between downtown Seattle and Sea-Tac International Airport. Early summary judgment motions on liability have been denied.
- Claims for unspecified damages filed against King County by two sewer districts who allege that the County's sewage disposal rates are based on costs improperly incurred by the Wastewater Treatment Division. The County intends to vigorously defend the claim.
- An administrative order from the Environmental Protection Agency (EPA) requiring the County, the City of Seattle, the Boeing Company, and the Port of Seattle to conduct studies that will determine the nature and extent of the contamination in the Lower Duwamish Waterway. Potentially, upon completion of the studies, another administrative order may require remediation. At this stage the type of remediation that will be required, the timetable for complying, and the cost of remediation cannot reasonably be determined.
- A notification from the Washington State Department of Ecology (DOE) proposing that the County, the City of Seattle, and the Boeing Company may be required to help fund the investigation of a County airport property, currently leased to the Boeing Company, to determine the nature and extent of any hazardous waste, to develop a cleanup action plan, and to perform cleanup, if required. The site includes North Boeing Field and the Georgetown Steam Plant. The estimated cost of investigation and assessment is \$2.5 million which will be shared equally by the three named parties. The cost of the actual cleanup that may be required and the County's ultimate responsibility have yet to be determined.
- A complaint filed by the City of Seattle against the Boeing Company who in turn has named the County as a third-party defendant. The complaint seeks to recover remediation costs, under the Model Toxic Control Act, in the areas of North Boeing Field, Georgetown Steam Plant, and Slip 4. Through this litigation, it is likely that the County can recover some of the costs of investigating and remediating the Slip 4 area and performing the work in North Boeing Field/Georgetown Steam Plant. Recovery, however, may potentially be offset by the repayment of state grants and the cost of litigation.
- A potential requirement for additional cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The Wastewater Treatment Division has already performed interim cleanup costing \$3.6 million to comply with an agreed order from the Washington State Department of Ecology but the federal agency has reserved its rights to require additional or different remedial actions. The County is unable to determine further amounts that Wastewater Treatment Division may be responsible for, if any.
- A complaint filed by the City of Seattle against a private company who in turn has named the County as a third-party defendant. The complaint seeks to recover remediation costs, under the Model Toxic Control Act, for the cleanup in an area along the Lower Duwamish

NOTE 16 – CONTINUED

Waterway that is now the site of Port of Seattle's Terminal 117. The original defendants allege that pollutants (PCBs and petroleum-based) were released during the 1960s when the County or its contractor allegedly transported and disposed of waste pavement materials from King County Airport onto the above referenced site. An additional claim alleges that the County released waste oil containing PCBs onto streets near the site as part of the County's maintenance of those streets. The County denies all claims.

- 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 Wastewater Treatment Division has a one-third *pro rata* share of the study costs but this can still be reallocated among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the studies are completed.
- A proposed class action lawsuit against the County where the plaintiff, representing similarly situated public defenders and their staff, allege that the County should have enrolled them in the State retirement system. The County is vigorously defending the action.

Contingent Liabilities

King County has entered into several contingent loan agreements totaling \$93.8 million with the King County Housing Authority (KCHA) and other owners/developers of affordable housing. The County has provided credit support for certain bonds issued by the KCHA. All projects are currently self-supporting and the County has not made any loans pursuant to these agreements.

Other Commitments

The Solid Waste Enterprise paid the County General Fund \$7.6 million for annual rent on the Cedar Hills landfill site in 2007. Solid Waste is committed to pay rent as long as the Cedar Hills site continues to accept waste.

Component Unit – Harborview Medical Center

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

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

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

NOTE 17 – SUBSEQUENT EVENTS**Investment Pool**

On January 18, 2008, Standard & Poor's temporarily suspended the King County Investment Pool's rating pending the outcome of enforcement events on the four impaired commercial paper investments. Enforcement events involve the winding down of the impaired investments by the trustee with assets being sold to repay debt. The County maintains its senior creditor status on any distribution or restructuring after enforcement.

Newly Created Districts

The King County Flood Control Zone District, created by the Council in 2007, began operations in 2008. The countywide entity replaced twelve separate districts that covered different flood regions within the County. The district will implement the 2006 King County Flood Hazard Management Plan which was developed to fix and improve the County's aging network of levees and revetments that protect residents and businesses, economic activity, and public infrastructure. The program is expected to cost about \$335 million over ten years and will be funded through a property tax levy of 10 cents per thousand assessed valuation. The King County Council serves as the *ex officio* Board of Supervisors for the district.

The King County Ferry District, created by the Council in 2007, will also begin operations in 2008 to provide passenger-only ferry service between points within the County. Funding for operations will be through a property tax levy of 5.5 cents per thousand assessed valuation while capital grants, debt, and other sources are expected to fund improvement of docks and pier facilities. The King County Council serves as the *ex officio* Ferry District board.

REQUIRED SUPPLEMENTARY INFORMATION

Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Roads

The County performs condition assessments on its network of roads through the King County Pavement Management System. This system generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index from zero to one hundred (0 – 100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as pavement cracking. Based on the PCI score, condition ratings are assigned as follows: a PCI of less than 30 is defined as "poor to substandard" (heavy pavement cracking and potholes); a PCI of 30 or more but less than 50 is defined to be in "fair" condition (noticeable cracks and/or utility cuts); and a PCI of between 50 and higher is defined to be in "excellent to good" condition (relatively smooth roadway). Condition assessments are undertaken every three years.

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

Condition ratings	2007-2005		2004-2002		2001-1999	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	485.4	89.6	442.9	81.7	451.1	83.0
Fair	14.5	2.7	61.1	11.3	44.5	8.2
Poor to substandard	41.6	7.7	38.0	7.0	47.6	8.8
Total	<u>541.5</u>	<u>100.0</u>	<u>542.0</u>	<u>100.0</u>	<u>543.2</u>	<u>100.0</u>
Local access roads						
Excellent to good	1,094.5	83.4	1,075.4	81.6	1,031.1	80.0
Fair	127.3	9.7	139.0	10.6	132.3	10.3
Poor to substandard	91.2	6.9	102.9	7.8	125.5	9.7
Total	<u>1,313.0</u>	<u>100.0</u>	<u>1,317.3</u>	<u>100.0</u>	<u>1,288.9</u>	<u>100.0</u>

It is the policy of the King County Road Services Division to maintain at least 80 percent of the road system at a PCI of 40 or better. The following table (derived from the table of condition ratings) shows the number and percentage of miles of roads that meet the 40 PCI level.

PCI score interval	2007-2005		2004-2002		2001-1999	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	493.4	91.1	475.6	87.7	477.8	88.0
PCI 0 - 39	48.1	8.9	66.4	12.3	65.4	12.0
Total	<u>541.5</u>	<u>100.0</u>	<u>542.0</u>	<u>100.0</u>	<u>543.2</u>	<u>100.0</u>
Local access roads						
PCI 40 - 100	1,170.3	89.1	1,165.6	88.5	1,108.3	86.0
PCI 0 - 39	142.7	10.9	151.7	11.5	180.6	14.0
Total	<u>1,313.0</u>	<u>100.0</u>	<u>1,317.3</u>	<u>100.0</u>	<u>1,288.9</u>	<u>100.0</u>

REQUIRED SUPPLEMENTARY INFORMATION – continued

The majority of roads that fall below the established rating (PCI = 40) are local access roads that are situated in rural areas.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network at or above the minimum acceptable condition level from 2003 to 2007. The budgeted amount is equivalent to the anticipated amount needed to maintain roads up to the required condition level (in thousands). The amounts reported for prior years (2003-2006) were revised upward from those reported in the 2006 CAFR because certain infrastructure activities previously considered capital were actually preservation or maintenance under the modified approach.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Budgeted	\$61,864	\$58,709	\$49,321	\$48,008	\$49,719
Expended	51,859	49,029	39,986	38,093	41,946
amounts for 2003-2006 restated					

Underspensing 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 184 bridges. Physical inspections to determine the condition of bridges and the degree of wear and deterioration are carried out at least every two years. Inspections reveal deficiencies in bridges such as steel corrosion, damaged guardrails, rotten timbers, deteriorated bridge decks, bank erosion, and cracked concrete. These are documented in an inspection report along with recommended repairs and needed services. Five pedestrian bridges are included in the list of bridges being maintained by the County. These are also subject to condition assessments but under different standards as the more heavily used vehicular bridges.

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

A key element in the priority score is the sufficiency rating, the measure considered by state and federal governments as the basis for establishing eligibility and priority for bridge replacement or rehabilitation funding. The sufficiency rating is a numerical rating of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The formula used to calculate the sufficiency rating for a particular bridge is dictated by the Federal Highway Administration and is built into the State's inspection software. The software used by the State was upgraded in 2007 and now calculates the sufficiency rating more accurately than the past versions. 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

REQUIRED SUPPLEMENTARY INFORMATION – continued

0 and 49 could be considered for replacement or rehabilitation funding, though typically only bridges that score less than 30 are selected for funding.

Below are the three most recent bridge sufficiency ratings.

<u>Bridge sufficiency rating</u>	<u>Number of Bridges</u>		
	<u>2008*</u>	<u>2006</u>	<u>2004</u>
0 - 20	6	6	9
21 - 30	2	2	2
31 - 49	18	20	20
50 - 100	158	159	156
Totals	<u>184</u>	<u>187</u>	<u>187</u>

* updated for bridges inspected as of 12/31/07

It is the policy of the King County Road Services Division to maintain bridges in such a manner that no more than 12 will have a sufficiency rating of 20 or less. A rating of 20 or less is usually indicative of a bridge with a structural deficiency. The most common remedy is full replacement or rehabilitation of the bridge.

Amounts budgeted and spent to maintain and preserve bridges from 2003-2007 are shown in the table below (in thousands). The amounts reported for prior years (2003-2006) were revised upward from those reported in the 2006 CAFR because certain infrastructure activities previously considered capital were actually preservation or maintenance under the modified approach.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Budgeted	\$24,834	\$17,024	\$26,855	\$17,074	\$16,376
Expended	16,189	11,526	16,810	12,529	8,448

amounts for 2003-2006 restated

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level. Generally, backlogs in maintenance work orders greatly affect the trend in maintenance costs. Such backlogs could result from increased bridge traffic, higher weight loads, labor shortages, stringent environmental restrictions, and an aging inventory.



CAFR

**GOVERNMENTAL
FUNDS**

**NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

NONMAJOR SPECIAL REVENUE FUNDS

Alcoholism and Substance Abuse Services Fund – Finances detoxification, treatment, and other services to the alcohol or drug abuser and his or her family.

Arts and Cultural Development Fund – Acts as a conduit to transfer money to the Cultural Development Authority. Revenue sources include the county's tax on hotel/motel rooms, one percent of county expenditures for certain construction projects, and a small amount of county general tax revenue.

Automated Fingerprint Identification System Fund – Accounts for the receipt of revenues and disbursement of expenditures related to the acquisition and implementation of a regional Automated Fingerprint Identification System (AFIS) for King County. The AFIS database consists of more than 500,000 people's fingerprint files from King County, the City of Seattle, and 42 police agencies within the region. This database is also electronically connected to the Washington State Patrol, California Department of Justice, and the Western Identification Network, an AFIS database shared by seven western states, giving access to nearly 20 million sets of fingerprints. Included in this system is the electronic fingerprint capture and transmission to AFIS, known as Live Scan. There are currently 34 Live Scan units throughout King County.

Citizen Councilor Revolving Fund – Accounts for citizen involvement groups created by Initiative 24 to foster increased participation in local government. These citizen networks are made up of four to twelve people who will be encouraged to voice their opinions on and help prioritize issues brought to the King County Council.

Community Development Block Grant Fund – Accounts for Federal grants received from the United States Department of Housing and Urban Development under the Housing and Community Development Act.

County Road Fund – Finances the construction, maintenance, preservation, and inspection of county streets, roads and bridges.

Development and Environmental Services Fund – Accounts for (1) administration of the King County building, housing, fire, energy, shoreline management, zoning, and subdivision codes; (2) ensuring that development complies with the requirements of the State Environmental Policy Act (SEPA) and King County's environmental code, procedures, and regulations; (3) protecting natural resources, natural areas, sensitive areas, and water bodies in the county; (4) managing County review of building applications and issuing permits; (5) conducting fire prevention and investigation activities; (6) reviewing and inspecting proposed land developments; and (7) administering the County's drainage regulation policies through review of land development permit applications.

Developmental Disabilities Fund – Finances assistance to individuals who have developmental disabilities. Funded services include information, referral, advocacy and outreach activities, employment services, community support programs, and housing referral and information services. The fund also accounts for the provision of early intervention services for birth to three-year-old children and their families.

Emergency Medical Services Fund – Finances emergency medical services programs for developing, implementing, and administering various emergency medical services in

**NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

cooperation with King County fire districts. This fund also provides contract funds for financing certain paramedic and other emergency medical services programs in the County.

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

Flood Control Zone District Funds – The Green River District Fund provides for operation and maintenance of the Green River pump stations, maintenance of Green River levees and revetments, and administration of the Green River Flood Control Zone District. The Kimball Creek, Southwest Lake Sammamish, and West Lake Sammamish District Funds are all inactive.

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

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

Mental Health Fund – Accounts for the King County Mental Health Regional Support Network, one of 14 Regional Support Networks in the state of Washington. This fund provides for operation of the involuntary treatment program, the provision of mental health services for children and adults, and community services for these individuals. This fund also includes criminal justice-related programs to reduce jail populations.

Miscellaneous Grants Fund – Accounts for assistance from various federal, state, and local government agencies.

Noxious Weed Control Fund – Accounts for the special assessment revenue and the costs of operation of the King County Noxious Weed Control Program.

Parks and Recreation Fund – Serves communities and enhances the quality of life through partnerships, entrepreneurial initiative, and environmentally sound stewardship of regional and rural parks, trails, natural lands, and recreational facilities.

Parks Trust and Contribution Fund – Accounts for gifts, bequests, and donations of money to the County for parks and recreation purposes.

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

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

**NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

River Improvement Fund – Accounts for all river improvement levy funds collected under authority granted by chapter 86.12 RCW. Levy proceeds may be used to plan, construct, maintain, operate, and regulate flood control facilities. The fund is also used to account for Green River Flood Control District levy funds consistent with agreements with King County and the Districts.

Road Improvement Districts Maintenance Fund – There are currently three active Road Improvement Districts (RID), numbers 57, 107, and 110, accounting for special assessments.

Surface Water Management Fund – Works in partnerships with County agencies, cities, and state and federal authorities as well as community based organizations and private individuals to: sustain healthy watersheds; protect wastewater systems; minimize flood hazards; protect public health and water quality; preserve open space, working farms, and forests; ensure adequate water for people and fish; manage public drainage systems; and protect and restore habitats.

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

Veterans and Human Services Fund – Accounts for tax revenues designated to fund services for veterans, military personnel (including National Guard and reservists) and their families, including services specific to veterans' needs such as treatment for post-traumatic stress disorder; as well as regional health and human services including housing, homelessness prevention, substance abuse services and employment assistance.

Veterans' Relief Fund – Finances emergency financial assistance, counseling services, employment opportunities, and referrals to other agencies for specialized services for veterans and their dependents.

Youth Employment Programs Fund – Receives revenues from the United States Department of Labor under the Workforce Investment Act. The programs benefit youths and young adults aged 14 through 24 who are completing their education and developing skills that lead to obtaining employment.

Youth Sports Facilities Grant Fund – Accounts for 25 percent of the proceeds of sales and use tax levied upon retail car rentals within King County to fund youth sports facilities.

NONMAJOR DEBT SERVICE FUNDS

Limited General Obligation Bond Redemption Fund – Accumulates funds for payment of those bonds which have been issued without a vote of the people. This fund is supported by various sources, including property taxes, a share of the hotel/motel tax, auto rental sales and use taxes, other revenues, and transfers from various County funds. Two subfunds are used to segregate revenues, including sales tax, state lottery allocation, and related interest earnings, which are dedicated to debt service on bonds issued to construct a baseball stadium owned by the Washington State Major League Baseball Stadium Public Facilities District.

**NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

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

Road Improvement Guaranty Fund – Accumulates funds to ensure payment of County Road Improvement Districts' special assessment bonds.

Stadium General Obligation Bond Redemption Fund – Accumulates funds for payment of bonds issued for Kingdome construction which had a 3/5-approval vote of the people. The debt service for this fund is financed by a share of the hotel/motel tax.

Unlimited General Obligation Bond Redemption Fund – Accumulates funds for payment of those bonds which have been issued with a 3/5-approval vote of the people, except those issued for Kingdome construction which are accounted for in a separate fund. Property taxes are levied to finance annual debt service.

NONMAJOR CAPITAL PROJECTS FUNDS

Arts and Historic Preservation Capital Fund – Resources in this fund are earmarked for the Historic Preservation Program.

Arts Construction Fund – The Arts Construction Fund is slated for closure pending disposition of excess earnings that were held in reserve for potential arbitrage tax.

Building Construction and Improvement Fund – Established to account for long-term and short-term financing of major building construction and improvement projects.

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

Capital Acquisition and County Facilities Renovation Fund – Established to account for the receipt of bond proceeds for improvements to County facilities, for acquisition of real property and equipment, and for capital grants.

Conservation Futures Levy Fund – Established to account for the receipt and disbursement of conservation futures levy proceeds for the open space acquisition program.

County Road Construction Fund – Established to account for the receipt and disbursement of funds received through a subsidy from the County Road Fund and federal road grants for construction of County roads. Receipts from the mitigation payment system trust fund, although legally segregated in a trust fund, are included in this fund for reporting purposes.

Emergency Communications System Fund – Established to support the development of a regional emergency radio communication system funded by a general tax levy.

**NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

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

Housing Opportunity Acquisition Fund – Established to account for receipts from real estate excise taxes that are to be used to acquire, renovate and/or construct housing for qualified low-income families, senior citizens, and the homeless in the County.

Information and Telecommunications Services Capital Fund – Established to account for equipment replacements and general purpose technology projects managed by the Office of Information Resource Management (OIRM).

Jail Renovation and Construction Fund – Established to account for the construction of the King County Correctional Facility. This fund will be closed pending disposition of residual balances.

Long-term Leases Fund – Accounts for periodic payments on office space and other leases entered into by King County agencies.

Major Maintenance Reserve Fund – Established to account for the County's ongoing major maintenance requirements for County-owned buildings and grounds.

Neighborhood Parks and Open Space Acquisition and Development Fund – Established to account for the amount paid to King County as fees in lieu of land dedication or reservation for parks and open space and the disbursement of funds for purposes authorized under King County Ordinance 5596. The fund accounts for revenue by school district.

Office of Information Resource Management Capital Fund – Established to account for funds used to support the financial management of the County's capital technology projects.

Open Space Projects Acquisition and Improvement Fund – Established to account for bond proceeds from a 1990 voter-approved bond issue used in the acquisition, development and/or improvement of public green space, green belt, open space, and parks and trail projects in King County, the City of Seattle, and certain suburban jurisdictions. This fund also accounts for any nonbond revenues supplementing the bonds and short-term borrowing.

Park Facilities Rehabilitation Fund – Established to account for receipt and disbursement of funds for rehabilitation of County-owned parks facilities.

Parks CIP Funds – Currently accounts for urban reforestation and habitat restoration programs funded by grants.

Parks, Recreation and Open Space Fund – Established to account for the revenues and expenditures involved in park acquisition and development.

**NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

Public Art Fund – The One Percent for Art program is now managed by the Cultural Development Authority (CDA) of King County, dba "4Culture." This fund will be closed pending disposition of amounts reserved for arbitrage taxes.

Real Estate Excise Tax (REET) Capital Fund – Consists of a subfund accounting for the proceeds of the one-quarter of one percent excise tax on the sale of real property in unincorporated King County that can be programmed for public investment in infrastructure required to support private development. A second subfund accounts for a separate excise tax of one-quarter of one percent on the sale of real property in unincorporated King County that may be programmed for the planning, construction, reconstruction, rehabilitation, or improvement of parks located in unincorporated King County. The cash balances in the REET CIP subfunds are invested for the benefit of the General Fund.

Regional Justice Center Construction Fund – Currently being used to account for facility improvement projects in the Regional Justice Center complex.

Renton Maintenance Facilities Construction Fund – Established to account for the construction and improvement of operations and maintenance facilities for the Road Services Division.

Road Improvement Districts Construction Fund – Established for reporting the combined construction activity of the County's Road Improvement Districts. Special assessment districts are authorized under RCW 36.88.

Surface and Storm Water Management Construction Fund – Established to account for the receipt of proceeds from Surface Water Management fees and the disbursement of expenditures for construction and related costs for the acquisition and development of drainage control facilities.

Surface Water Management Construction Fund – Established to account for revenues from various sources, particularly proceeds from bond issues specifically earmarked for the continuation and expansion of the King County Surface Water Management program.

Technology 1997 Bonds Fund – Established to account for bond proceeds earmarked for technological improvements in several County agencies.

Technology Systems Capital Fund – Established to account for the receipt of bond proceeds to be used for various technology-related projects.

Transfer of Development Credit Program Fund – Established to account for the purchase and sale of development credits under the Transfer of Development Credit Program.

Working Forest Fund – Established to account for receipt and disbursement of bond proceeds to be used in acquiring real property interests to preserve sustainable forest production lands, and to account for the receipt and disbursement of Title III forest revenues.

Youth Services Facilities Construction Fund – Currently used to account for planning future Youth Services facilities.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 179,804	\$ 40,486	\$ 172,469	\$ 392,759
Taxes receivable – delinquent	4,525	1,574	245	6,344
Accounts receivable, net	22,500	-	355	22,855
Other receivables, net	218	95	59	372
Due from other funds	10,729	12	20,246	30,987
Due from other governments, net	28,030	9,151	9,814	46,995
Prepayments	5,808	-	-	5,808
TOTAL ASSETS	<u><u>\$ 251,614</u></u>	<u><u>\$ 51,318</u></u>	<u><u>\$ 203,188</u></u>	<u><u>\$ 506,120</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 22,196	\$ -	\$ 11,746	\$ 33,942
Due to other funds	24,338	12	7,487	31,837
Interfund short-term loans payable	1,266	24	1,556	2,846
Due to other governments	4,626	-	74	4,700
Due to component unit	1,381	-	-	1,381
Interest payable	-	1,811	311	2,122
Wages payable	6,341	-	153	6,494
Taxes payable	31	-	20	51
Bonds payable	-	2,925	-	2,925
Deferred revenues	37,158	1,645	457	39,260
Notes and contracts payable	-	-	44,268	44,268
Custodial accounts	9,247	-	1,739	10,986
Advances from other funds	300	-	46	346
Total Liabilities	<u>106,884</u>	<u>6,417</u>	<u>67,857</u>	<u>181,158</u>
Fund Balances				
Reserved	28,649	17,235	54,385	100,269
Unreserved, designated	32,851	-	-	32,851
Unreserved, undesignated	83,230	27,666	80,946	191,842
Total fund balances	<u>144,730</u>	<u>44,901</u>	<u>135,331</u>	<u>324,962</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 251,614</u></u>	<u><u>\$ 51,318</u></u>	<u><u>\$ 203,188</u></u>	<u><u>\$ 506,120</u></u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
REVENUES				
Taxes	\$ 199,602	\$ 118,426	\$ 29,622	\$ 347,650
Licenses and permits	11,555	-	100	11,655
Intergovernmental revenues	215,910	6,289	25,563	247,762
Charges for services	105,056	3,280	13,654	121,990
Fines and forfeits	320	-	4	324
Interest earnings	5,967	744	4,648	11,359
Miscellaneous revenues	10,466	151	28,710	39,327
TOTAL REVENUES	<u>548,876</u>	<u>128,890</u>	<u>102,301</u>	<u>780,067</u>
EXPENDITURES				
Current				
General government	8,087	-	47,792	55,879
Law, safety and justice	77,401	-	2	77,403
Physical environment	42,605	-	17,215	59,820
Transportation	77,668	-	28,728	106,396
Economic environment	66,542	-	10,633	77,175
Mental and physical health	180,921	-	72	180,993
Culture and recreation	36,219	-	11,293	47,512
Debt service				
Redemption of long-term debt	-	86,824	260	87,084
Interest and other debt service costs	1,089	40,069	859	42,017
Refunding bond issuance costs	-	405	-	405
Payment to escrow agent	-	12,000	-	12,000
Capital outlay				
Capital projects	49	-	48,791	48,840
Capitalized expenditures	5,991	-	16,045	22,036
TOTAL EXPENDITURES	<u>496,572</u>	<u>139,298</u>	<u>181,690</u>	<u>817,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,304</u>	<u>(10,408)</u>	<u>(79,389)</u>	<u>(37,493)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,057	11,888	106,635	148,580
Transfers out	(58,802)	(3,388)	(45,297)	(107,487)
Premium on bonds sold	-	2,973	917	3,890
General government debt issued	-	-	48,395	48,395
Refunding bonds issued	-	54,565	-	54,565
Sale of capital assets	911	71	1,775	2,757
Payment to refunded bond escrow agent	-	(57,133)	-	(57,133)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(27,834)</u>	<u>8,976</u>	<u>112,425</u>	<u>93,567</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	24,470	(1,432)	33,036	56,074
Fund balances - January 1, 2007 (Restated)	120,260 ^(a)	46,333	102,295	268,888
Fund balances - December 31, 2007	<u>\$ 144,730</u>	<u>\$ 44,901</u>	<u>\$ 135,331</u>	<u>\$ 324,962</u>

(a) See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.



NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 1 OF 6)

	<u>TOTAL</u>	<u>ALCOHOLISM & SUBSTANCE ABUSE SERVICES</u>	<u>ARTS & CULTURAL DEVELOPMENT</u>	<u>AUTOMATED FINGERPRINT IDENTIFICATION SYSTEM</u>
ASSETS				
Cash and cash equivalents	\$ 179,804	\$ 2,445	\$ 1,318	\$ 11,921
Taxes receivable - delinquent	4,525	-	-	318
Abatements receivable	279	-	-	-
Estimated uncollectible abatements receivable	(65)	-	-	-
Accounts receivable	30,029	-	-	-
Estimated uncollectible accounts receivable	(7,529)	-	-	-
Assessments receivable	4	-	-	-
Due from other funds	10,729	220	55	-
Due from other governments	28,030	3,938	-	-
Prepayments	5,808	-	5,808	-
TOTAL ASSETS	\$ 251,614	\$ 6,603	\$ 7,181	\$ 12,239
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 22,179	\$ 1,643	\$ -	\$ 83
Retainage payable	17	-	-	-
Due to other funds	24,338	71	3,062	16
Due to other governments	4,626	2,324	-	-
Interfund loans payable	1,266	-	-	-
Due to component unit	1,381	-	1,381	-
Wages payable	6,341	129	-	252
Taxes payable	31	-	-	-
Deferred revenues	37,158	16	-	318
Custodial accounts	9,247	-	-	-
Advances from other funds	300	-	-	-
Total liabilities	106,884	4,183	4,443	669
Fund balances				
Reserved for encumbrances	21,865	108	-	2,464
Reserved for youth sports facilities grant endowment	646	-	-	-
Reserved for prepayments	5,808	-	5,808	-
Reserved for debt service	330	-	-	-
Unreserved				
Designated for equipment replacement	6,695	-	-	-
Designated for DDES	2,523	-	-	-
Designated for FEMA match	164	-	-	-
Designated for operating reserve	13,349	-	-	-
Designated for PIHP risk reserve	2,700	-	-	-
Designated for reappropriation	7,420	-	-	-
Undesignated (deficit)	83,230	2,312	(3,070)	9,106
Total fund balances	144,730	2,420	2,738	11,570
TOTAL LIABILITIES AND FUND BALANCES	\$ 251,614	\$ 6,603	\$ 7,181	\$ 12,239

NONMAJOR SPECIAL REVENUE FUNDS
 SUBCOMBINING BALANCE SHEET
 DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 2 OF 6)

<u>CITIZEN COUNCILOR REVOLVING</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>	<u>COUNTY ROAD</u>	<u>DEVELOPMENT & ENVIRONMENTAL SERVICES</u>	<u>DEVELOPMENTAL DISABILITIES</u>	<u>EMERGENCY MEDICAL SERVICES</u>
\$ 20	\$ 2,467	\$ 4,761	\$ 45,929	\$ 2,910	\$ 10,163
-	-	2,257	193	58	901
-	-	-	279	-	-
-	-	-	(65)	-	-
-	13,205	410	9,319	-	1
-	-	(165)	(7,339)	-	-
-	-	-	-	-	-
-	1,559	1,454	57	2	88
-	4,813	2,863	-	5,878	10
-	-	-	-	-	-
<u>\$ 20</u>	<u>\$ 22,044</u>	<u>\$ 11,580</u>	<u>\$ 48,373</u>	<u>\$ 8,848</u>	<u>\$ 11,163</u>
\$ -	\$ 2,564	\$ 802	\$ 287	\$ 1,820	\$ 3,182
-	-	17	-	-	-
-	590	14,941	39	185	176
-	-	-	-	824	-
-	-	-	-	-	-
-	-	-	-	-	-
-	90	1,890	819	124	629
-	-	16	-	-	-
-	17,324	2,377	11,162	59	901
-	637	47	8,506	18	32
-	-	-	-	-	-
-	<u>21,205</u>	<u>20,090</u>	<u>20,813</u>	<u>3,030</u>	<u>4,920</u>
-	8,483	1,209	198	11	2
-	-	-	-	-	-
-	-	-	-	-	-
-	330	-	-	-	-
-	-	-	965	-	-
-	-	-	2,523	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20	(7,974)	(9,719)	23,874	5,807	6,241
20	839	(8,510)	27,560	5,818	6,243
<u>\$ 20</u>	<u>\$ 22,044</u>	<u>\$ 11,580</u>	<u>\$ 48,373</u>	<u>\$ 8,848</u>	<u>\$ 11,163</u>

**NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 3 OF 6)**

	<u>ENHANCED 911 EMERGENCY TELEPHONE SYSTEM</u>	<u>FLOOD CONTROL GREEN RIVER</u>	<u>FLOOD CONTROL KIMBALL CREEK</u>	<u>FLOOD CONTROL SW LAKE SAMMAMISH</u>	<u>FLOOD CONTROL WEST LAKE SAMMAMISH</u>
ASSETS					
Cash and cash equivalents	\$ 15,271	\$ 340	\$ 30	\$ 172	\$ -
Taxes receivable - delinquent	-	24	-	-	-
Abatements receivable	-	-	-	-	-
Estimated uncollectible abatements receivable	-	-	-	-	-
Accounts receivable	4,087	-	-	-	-
Estimated uncollectible accounts receivable	-	-	-	-	-
Assessments receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepayments	-	-	-	-	-
TOTAL ASSETS	\$ 19,358	\$ 364	\$ 30	\$ 172	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 2,318	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-	-
Due to other funds	22	-	-	-	-
Due to other governments	-	-	-	-	-
Interfund loans payable	-	-	-	-	-
Due to component unit	-	-	-	-	-
Wages payable	30	-	-	-	-
Taxes payable	-	-	-	-	-
Deferred revenues	-	23	-	-	-
Custodial accounts	2	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	2,372	23	-	-	-
Fund balances					
Reserved for encumbrances	1,133	-	-	-	-
Reserved for youth sports facilities grant endowment	-	-	-	-	-
Reserved for prepayments	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Unreserved					
Designated for equipment replacement	5,145	585	-	-	-
Designated for DDES	-	-	-	-	-
Designated for FEMA match	-	164	-	-	-
Designated for operating reserve	-	-	-	-	-
Designated for PIHP risk reserve	-	-	-	-	-
Designated for reappropriation	-	-	-	-	-
Undesignated (deficit)	10,708	(408)	30	172	-
Total fund balances	16,986	341	30	172	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,358	\$ 364	\$ 30	\$ 172	\$ -

NONMAJOR SPECIAL REVENUE FUNDS
 SUBCOMBINING BALANCE SHEET
 DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 4 OF 6)

<u>INTERCOUNTY RIVER IMPROVEMENT</u>	<u>LOCAL HAZARDOUS WASTE</u>	<u>MENTAL HEALTH</u>	<u>MISCELLANEOUS GRANTS</u>	<u>NOXIOUS WEED CONTROL</u>	<u>PARKS & RECREATION</u>
\$ 24	\$ 1,496	\$ 30,898	\$ 2,740	\$ 342	\$ 4,393
1	-	59	-	43	278
-	-	-	-	-	-
-	-	-	-	-	-
-	1,257	-	-	-	224
-	-	-	-	-	-
-	-	-	-	-	-
-	966	173	239	4	836
-	1,158	1,402	3,969	45	-
-	-	-	-	-	-
<u>\$ 25</u>	<u>\$ 4,877</u>	<u>\$ 32,532</u>	<u>\$ 6,948</u>	<u>\$ 434</u>	<u>\$ 5,731</u>
\$ -	\$ 410	\$ 6,735	\$ 339	\$ 1	\$ 338
-	-	-	-	-	-
(2)	84	125	2,319	-	52
-	-	1,470	6	-	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	297	160	22	523
-	-	-	-	-	14
1	-	59	61	42	591
-	-	-	-	-	5
-	-	-	300	-	-
<u>(1)</u>	<u>494</u>	<u>8,686</u>	<u>3,185</u>	<u>65</u>	<u>1,525</u>
-	-	32	4,898	38	111
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	13,349	-	-	-
-	-	2,700	-	-	-
-	-	-	-	-	20
26	4,383	7,765	(1,135)	331	4,075
26	4,383	23,846	3,763	369	4,206
<u>\$ 25</u>	<u>\$ 4,877</u>	<u>\$ 32,532</u>	<u>\$ 6,948</u>	<u>\$ 434</u>	<u>\$ 5,731</u>

NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 5 OF 6)

	<u>PARKS TRUST & CONTRIBUTION</u>	<u>RECORDER'S O & M</u>	<u>RISK ABATEMENT</u>	<u>RIVER IMPROVEMENT</u>
ASSETS				
Cash and cash equivalents	\$ 16	\$ 4,258	\$ 8,486	\$ 1,082
Taxes receivable - delinquent	-	-	-	63
Abatements receivable	-	-	-	-
Estimated uncollectible abatements receivable	-	-	-	-
Accounts receivable	-	-	67	-
Estimated uncollectible accounts receivable	-	-	(1)	-
Assessments receivable	-	-	-	-
Due from other funds	-	-	-	200
Due from other governments	-	-	-	808
Prepayments	-	-	-	-
TOTAL ASSETS	<u>\$ 16</u>	<u>\$ 4,258</u>	<u>\$ 8,552</u>	<u>\$ 2,153</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 192	\$ 37	\$ 95
Retainage payable	-	-	-	-
Due to other funds	-	-	-	1,206
Due to other governments	-	-	-	-
Interfund loans payable	-	-	-	-
Due to component unit	-	-	-	-
Wages payable	-	18	-	48
Taxes payable	-	-	-	-
Deferred revenues	-	-	-	150
Custodial accounts	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>210</u>	<u>37</u>	<u>1,499</u>
Fund balances				
Reserved for encumbrances	-	147	-	392
Reserved for youth sports facilities grant endowment	-	-	-	-
Reserved for prepayments	-	-	-	-
Reserved for debt service	-	-	-	-
Unreserved				
Designated for equipment replacement	-	-	-	-
Designated for DDES	-	-	-	-
Designated for FEMA match	-	-	-	-
Designated for operating reserve	-	-	-	-
Designated for PIHP risk reserve	-	-	-	-
Designated for reappropriation	-	-	-	-
Undesignated (deficit)	16	3,901	8,515	262
Total fund balances	<u>16</u>	<u>4,048</u>	<u>8,515</u>	<u>654</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16</u>	<u>\$ 4,258</u>	<u>\$ 8,552</u>	<u>\$ 2,153</u>

NONMAJOR SPECIAL REVENUE FUNDS
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ROAD IMPROVEMENT DISTRICTS MAINTENANCE	SURFACE WATER MANAGEMENT	TREASURER'S O & M	VETERANS & HUMAN SERVICES	VETERANS' RELIEF	YOUTH EMPLOYMENT PROGRAMS	YOUTH SPORTS FACILITIES GRANT
\$ 1	\$ 950	\$ 144	\$ 24,955	\$ 727	\$ -	\$ 1,545
-	(8)	-	285	53	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,459	-	-	-	-	-
-	(24)	-	-	-	-	-
4	-	-	-	-	-	-
-	4,739	-	-	-	137	-
-	1,324	-	-	-	1,725	97
-	-	-	-	-	-	-
<u>\$ 5</u>	<u>\$ 8,440</u>	<u>\$ 144</u>	<u>\$ 25,240</u>	<u>\$ 780</u>	<u>\$ 1,862</u>	<u>\$ 1,642</u>
\$ -	\$ 614	\$ -	\$ 282	\$ 242	\$ 101	\$ 94
-	-	-	-	-	-	-
-	1,058	73	24	6	291	-
-	-	-	-	-	-	-
-	-	-	-	-	1,266	-
-	-	-	-	-	-	-
-	1,099	-	24	19	164	4
-	1	-	-	-	-	-
-	3,736	-	285	53	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,508	73	615	320	1,822	98
-	1,437	-	527	5	-	670
-	-	-	-	-	-	646
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,557	-	4,793	-	-	50
5	(2,062)	71	19,305	455	40	178
5	1,932	71	24,625	460	40	1,544
<u>\$ 5</u>	<u>\$ 8,440</u>	<u>\$ 144</u>	<u>\$ 25,240</u>	<u>\$ 780</u>	<u>\$ 1,862</u>	<u>\$ 1,642</u>

**KING COUNTY, WASHINGTON
NONMAJOR DEBT SERVICE FUNDS
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	<u>TOTAL</u>	<u>LIMITED GO BOND REDEMPTION</u>	<u>ROAD IMPROVEMENT DISTRICTS S. A. DEBT REDEMPTION</u>	<u>ROAD IMPROVEMENT GUARANTY</u>	<u>STADIUM GO BOND REDEMPTION</u>	<u>UNLIMITED GO BOND REDEMPTION</u>
ASSETS						
Cash and cash equivalents	\$ 40,486	\$ 30,150	\$ -	\$ 1,597	\$ 4,699	\$ 4,040
Taxes receivable - delinquent	1,574	536	-	-	-	1,038
Assessments receivable - current	24	-	24	-	-	-
Assessments receivable - deferred	71	-	71	-	-	-
Due from other funds	12	-	12	-	-	-
Due from other governments	9,151	8,298	-	-	853	-
TOTAL ASSETS	<u>\$ 51,318</u>	<u>\$ 38,984</u>	<u>\$ 107</u>	<u>\$ 1,597</u>	<u>\$ 5,552</u>	<u>\$ 5,078</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$ 12	\$ -	\$ -	\$ 12	\$ -	\$ -
Interfund short-term loans payable	24	-	24	-	-	-
Deferred revenues	1,645	536	71	-	-	1,038
Bonds payable - current	2,925	2,925	-	-	-	-
Interest payable - current	1,811	1,811	-	-	-	-
Total liabilities	<u>6,417</u>	<u>5,272</u>	<u>95</u>	<u>12</u>	<u>-</u>	<u>1,038</u>
Fund balances						
Reserved						
PFD Stadium bond debt service	12,358	12,358	-	-	-	-
PFD Stadium bond debt service - escrow	4,877	4,877	-	-	-	-
Unreserved, undesignated	27,666	16,477	12	1,585	5,552	4,040
Total fund balances	<u>44,901</u>	<u>33,712</u>	<u>12</u>	<u>1,585</u>	<u>5,552</u>	<u>4,040</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 51,318</u>	<u>\$ 38,984</u>	<u>\$ 107</u>	<u>\$ 1,597</u>	<u>\$ 5,552</u>	<u>\$ 5,078</u>

KING COUNTY, WASHINGTON
NONMAJOR CAPITAL PROJECTS FUNDS
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	TOTAL	ARTS & HISTORIC PRESERVATION CAPITAL	ARTS CONSTRUCTION	BUILDING CONSTRUCTION & IMPROVEMENT	BUILDING REPAIR & REPLACEMENT	CAPITAL ACQUISITION & COUNTY FACILITIES RENOVATION
ASSETS						
Cash and cash equivalents	\$ 172,469	\$ 744	\$ 2	\$ 11,000	\$ -	\$ 97
Taxes receivable - delinquent	245	-	-	-	-	-
Accounts receivable	355	196	-	-	2	-
Assessments receivable	57	-	-	-	-	-
Accrued interest/penalty receivable - delinquent assessments	2	-	-	-	-	-
Due from other funds	20,246	-	-	-	1,756	-
Due from other governments	9,814	-	-	-	-	-
TOTAL ASSETS	\$ 203,188	\$ 940	\$ 2	\$ 11,000	\$ 1,758	\$ 97
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 9,865	\$ -	\$ -	\$ -	\$ 942	\$ -
Retainage payable	1,791	-	-	-	25	-
Due to other funds	7,487	-	-	-	584	-
Interfund short-term loans payable	1,556	-	-	-	1,516	-
Due to other governments	74	-	-	-	-	-
Wages payable	153	-	-	-	-	-
Taxes payable	20	-	-	-	-	-
Interest payable	311	-	-	311	-	-
Deferred revenues	457	-	-	-	-	-
Notes and contracts payable	44,268	-	-	44,268	-	-
Arbitrage earnings payable	90	2	-	-	14	-
Custodial accounts	1,739	-	-	-	-	-
Advances from other funds	46	-	-	-	-	-
Total liabilities	67,857	2	-	44,579	3,081	-
Fund balances						
Reserved for encumbrances	51,015	-	-	-	7,714	2
Reserved for traffic mitigation	3,370	-	-	-	-	-
Unreserved						
Undesignated (deficit)	80,946 ^(a)	938	2	(33,579)	(9,037)	95
Total fund balances (deficit)	135,331	938	2	(33,579)	(1,323)	97
TOTAL LIABILITIES AND FUND BALANCES	\$ 203,188	\$ 940	\$ 2	\$ 11,000	\$ 1,758	\$ 97

(a) See Note 6, "Capital Assets" – Construction Commitments.

KING COUNTY, WASHINGTON
NONMAJOR CAPITAL PROJECTS FUNDS
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	CONSERVATION FUTURES LEVY	COUNTY ROAD CONSTRUCTION	EMERGENCY COMMUNICATIONS SYSTEM	FARMLAND & OPEN SPACE ACQUISITION	HOUSING OPPORTUNITY ACQUISITION	INFORMATION & TELECOM. SERVICES CAPITAL
ASSETS						
Cash and cash equivalents	\$ 34,473	\$ 12,719	\$ 109	\$ 1,616	\$ 21,115	\$ 4,174
Taxes receivable - delinquent	245	-	-	-	-	-
Accounts receivable	-	17	-	-	-	-
Assessments receivable	-	-	-	-	-	-
Accrued interest/penalty receivable - delinquent assessments	-	-	-	-	-	-
Due from other funds	-	10,007	-	3	69	313
Due from other governments	-	5,570	-	-	-	-
TOTAL ASSETS	<u>\$ 34,718</u>	<u>\$ 28,313</u>	<u>\$ 109</u>	<u>\$ 1,619</u>	<u>\$ 21,184</u>	<u>\$ 4,487</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 51	\$ 3,156	\$ -	\$ 7	\$ 1,783	\$ 117
Retainage payable	-	1,478	-	-	-	-
Due to other funds	85	1,421	-	4	896	28
Interfund short-term loans payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Wages payable	-	-	-	-	1	-
Taxes payable	-	18	-	-	-	-
Interest payable	-	-	-	-	-	-
Deferred revenues	245	-	-	-	-	-
Notes and contracts payable	-	-	-	-	-	-
Arbitrage earnings payable	-	-	-	-	-	-
Custodial accounts	271	1,000	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>652</u>	<u>7,073</u>	<u>-</u>	<u>11</u>	<u>2,680</u>	<u>145</u>
Fund balances						
Reserved for encumbrances	36	15,622	-	-	13,693	235
Reserved for traffic mitigation	-	3,370	-	-	-	-
Unreserved						
Undesignated (deficit)	34,030	2,248	109	1,608	4,811	4,107
Total fund balances (deficit)	<u>34,066</u>	<u>21,240</u>	<u>109</u>	<u>1,608</u>	<u>18,504</u>	<u>4,342</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,718</u>	<u>\$ 28,313</u>	<u>\$ 109</u>	<u>\$ 1,619</u>	<u>\$ 21,184</u>	<u>\$ 4,487</u>

KING COUNTY, WASHINGTON
NONMAJOR CAPITAL PROJECTS FUNDS
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	JAIL RENOVATION & CONSTRUCTION	LONG- TERM LEASES	MAJOR MAINTENANCE RESERVE	NEIGHBORHOOD PARKS & OPEN SPACE ACQUISITION & DEVELOPMENT	OFFICE OF INFORMATION RESOURCE MANAGEMENT CAPITAL	OPEN SPACE PROJECTS ACQUISITION & IMPROVEMENT	PARK FACILITIES REHABILITATION
ASSETS							
Cash and cash equivalents	\$ 48	\$ 3,033	\$ 9,487	\$ 387	\$ 19,007	\$ 3,032	\$ 1,457
Taxes receivable - delinquent	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-
Accrued interest/penalty receivable - delinquent assessments	-	-	-	-	-	-	-
Due from other funds	-	345	5,064	-	583	350	363
Due from other governments	-	-	-	-	-	2,284	-
TOTAL ASSETS	<u>\$ 48</u>	<u>\$ 3,378</u>	<u>\$ 14,551</u>	<u>\$ 387</u>	<u>\$ 19,590</u>	<u>\$ 5,666</u>	<u>\$ 1,820</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ 956	\$ 1,007	\$ 10	\$ 417	\$ 157	\$ 249
Retainage payable	-	-	231	-	-	-	44
Due to other funds	-	1,015	212	-	633	28	230
Interfund short-term loans payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Wages payable	-	-	-	-	152	-	-
Taxes payable	-	-	-	-	2	-	-
Interest payable	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-	-
Notes and contracts payable	-	-	-	-	-	-	-
Arbitrage earnings payable	-	-	-	-	-	-	-
Custodial accounts	-	440	7	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>2,411</u>	<u>1,457</u>	<u>10</u>	<u>1,204</u>	<u>185</u>	<u>523</u>
Fund balances							
Reserved for encumbrances	-	2,449	3,340	-	898	25	850
Reserved for traffic mitigation	-	-	-	-	-	-	-
Unreserved							
Undesignated (deficit)	48	(1,482)	9,754	377	17,488	5,456	447
Total fund balances (deficit)	<u>48</u>	<u>967</u>	<u>13,094</u>	<u>377</u>	<u>18,386</u>	<u>5,481</u>	<u>1,297</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48</u>	<u>\$ 3,378</u>	<u>\$ 14,551</u>	<u>\$ 387</u>	<u>\$ 19,590</u>	<u>\$ 5,666</u>	<u>\$ 1,820</u>

KING COUNTY, WASHINGTON
NONMAJOR CAPITAL PROJECTS FUNDS
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	PARKS CIP	PARKS, RECREATION & OPEN SPACE	PUBLIC ART	REAL ESTATE EXCISE TAX CAPITAL	REGIONAL JUSTICE CENTER CONSTRUCTION	RENTON MAINTENANCE FACILITIES CONSTRUCTION	ROAD IMPROVEMENT DISTRICTS CONSTRUCTION
ASSETS							
Cash and cash equivalents	\$ 794	\$ 4,209	\$ 1	\$ 29,934	\$ 3,107	\$ 1,290	\$ -
Taxes receivable - delinquent	-	-	-	-	-	-	-
Accounts receivable	-	-	-	140	-	-	-
Assessments receivable	-	-	-	-	-	-	57
Accrued interest/penalty receivable - delinquent assessments	-	-	-	-	-	-	2
Due from other funds	-	327	-	-	-	2	-
Due from other governments	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 794	\$ 4,536	\$ 1	\$ 30,074	\$ 3,107	\$ 1,292	\$ 59
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 9	\$ 674	\$ -	\$ 142	\$ 10	\$ 7	\$ -
Retainage payable	-	3	-	-	-	-	-
Due to other funds	-	481	-	970	-	14	-
Interfund short-term loans payable	-	-	-	-	-	-	40
Due to other governments	-	50	-	24	-	-	-
Wages payable	-	-	-	-	-	-	-
Taxes payable	-	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-	41
Notes and contracts payable	-	-	-	-	-	-	-
Arbitrage earnings payable	-	4	-	-	-	-	-
Custodial accounts	-	-	-	-	-	-	-
Advances from other funds	-	46	-	-	-	-	-
Total liabilities	9	1,258	-	1,136	10	21	81
Fund balances							
Reserved for encumbrances	18	4,843	-	-	-	-	-
Reserved for traffic mitigation	-	-	-	-	-	-	-
Unreserved							
Undesignated (deficit)	767	(1,565)	1	28,938	3,097	1,271	(22)
Total fund balances (deficit)	785	3,278	1	28,938	3,097	1,271	(22)
TOTAL LIABILITIES AND FUND BALANCES	\$ 794	\$ 4,536	\$ 1	\$ 30,074	\$ 3,107	\$ 1,292	\$ 59

KING COUNTY, WASHINGTON
NONMAJOR CAPITAL PROJECTS FUNDS
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	SURFACE & STORM WATER MANAGEMENT CONSTRUCTION	SURFACE WATER MANAGEMENT CONSTRUCTION	TECHNOLOGY 1997 BONDS	TECHNOLOGY SYSTEMS CAPITAL	TRANSFER OF DEVELOPMENT CREDIT PROGRAM	WORKING FOREST	YOUTH SERVICES FACILITIES CONSTRUCTION
ASSETS							
Cash and cash equivalents	\$ 1,010	\$ 6,423	\$ 1,178	\$ 572	\$ 848	\$ 534	\$ 69
Taxes receivable - delinquent	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-
Accrued interest/penalty receivable - delinquent assessments	-	-	-	-	-	-	-
Due from other funds	946	118	-	-	-	-	-
Due from other governments	1,172	788	-	-	-	-	-
TOTAL ASSETS	<u>\$ 3,128</u>	<u>\$ 7,329</u>	<u>\$ 1,178</u>	<u>\$ 572</u>	<u>\$ 848</u>	<u>\$ 534</u>	<u>\$ 69</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 45	\$ 123	\$ -	\$ 3	\$ -	\$ -	\$ -
Retainage payable	-	10	-	-	-	-	-
Due to other funds	135	581	-	163	7	-	-
Interfund short-term loans payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Wages payable	-	-	-	-	-	-	-
Taxes payable	-	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-	-
Deferred revenues	-	171	-	-	-	-	-
Notes and contracts payable	-	-	-	-	-	-	-
Arbitrage earnings payable	-	-	70	-	-	-	-
Custodial accounts	-	21	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Total liabilities	<u>180</u>	<u>906</u>	<u>70</u>	<u>166</u>	<u>7</u>	<u>-</u>	<u>-</u>
Fund balances							
Reserved for encumbrances	78	1,193	-	-	-	19	-
Reserved for traffic mitigation	-	-	-	-	-	-	-
Unreserved							
Undesignated (deficit)	2,870	5,230	1,108	406	841	515	69
Total fund balances (deficit)	<u>2,948</u>	<u>6,423</u>	<u>1,108</u>	<u>406</u>	<u>841</u>	<u>534</u>	<u>69</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,128</u>	<u>\$ 7,329</u>	<u>\$ 1,178</u>	<u>\$ 572</u>	<u>\$ 848</u>	<u>\$ 534</u>	<u>\$ 69</u>

NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
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	<u>TOTAL</u>	<u>ALCOHOLISM & SUBSTANCE ABUSE SERVICES</u>	<u>ARTS & CULTURAL DEVELOPMENT</u>	<u>AUTOMATED FINGERPRINT IDENTIFICATION SYSTEM</u>
REVENUES				
Taxes	\$ 199,602	\$ -	\$ 10,499	\$ 16,705
Licenses and permits	11,555	-	-	-
Intergovernmental revenues	215,910	20,299	-	-
Charges for services	105,056	328	800	-
Fines and forfeits	320	-	-	-
Interest earnings	5,967	-	370	285
Miscellaneous revenues	10,466	58	-	-
TOTAL REVENUES	<u>548,876</u>	<u>20,685</u>	<u>11,669</u>	<u>16,990</u>
EXPENDITURES				
Current				
General government services	8,087	-	-	-
Law, safety and justice	77,401	-	-	11,717
Physical environment	42,605	-	-	-
Transportation	77,668	-	-	-
Economic environment	66,542	-	-	-
Mental and physical health	180,921	24,202	-	-
Culture and recreation	36,219	-	13,106	-
Total current	<u>489,443</u>	<u>24,202</u>	<u>13,106</u>	<u>11,717</u>
Debt service				
Interest and other debt service costs	1,089	-	-	-
Total debt service	<u>1,089</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay				
Capital projects	49	-	-	-
Capitalized expenditures	5,991	2	451	726
Total capital outlay	<u>6,040</u>	<u>2</u>	<u>451</u>	<u>726</u>
TOTAL EXPENDITURES	<u>496,572</u>	<u>24,204</u>	<u>13,557</u>	<u>12,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,304</u>	<u>(3,519)</u>	<u>(1,888)</u>	<u>4,547</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,057	3,408	2,361	-
Transfers out	(58,802)	(6)	-	(10)
Sale of capital assets	911	-	-	18
TOTAL OTHER FINANCING SOURCES (USES)	<u>(27,834)</u>	<u>3,402</u>	<u>2,361</u>	<u>8</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	24,470	(117)	473	4,555
Fund balances (deficit) - January 1, 2007 (Restated) ^(a)	<u>120,260</u>	<u>2,537</u>	<u>2,265</u>	<u>7,015</u>
Fund balances (deficit) - December 31, 2007	<u>\$ 144,730</u>	<u>\$ 2,420</u>	<u>\$ 2,738</u>	<u>\$ 11,570</u>

(a) See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
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CITIZEN COUNCILOR REVOLVING	COMMUNITY DEVELOPMENT BLOCK GRANT	COUNTY ROAD	DEVELOPMENT & ENVIRONMENTAL SERVICES	DEVELOPMENTAL DISABILITIES	EMERGENCY MEDICAL SERVICES
\$ -	\$ -	\$ 77,634	\$ -	\$ 2,584	\$ 39,505
-	-	-	11,289	-	-
-	14,827	25,979	203	1,084	2
-	92	4,476	23,054	20,855	3
-	-	6	314	-	-
-	66	271	1,694	-	370
20	5,437	120	31	73	132
<u>20</u>	<u>20,422</u>	<u>108,486</u>	<u>36,585</u>	<u>24,596</u>	<u>40,012</u>
-	-	-	-	-	-
-	-	-	1,264	-	43,423
-	-	-	-	-	-
-	-	77,668	-	-	-
-	20,205	-	29,803	2,182	-
-	-	-	-	23,226	-
-	-	-	-	-	-
<u>-</u>	<u>20,205</u>	<u>77,668</u>	<u>31,067</u>	<u>25,408</u>	<u>43,423</u>
-	1,040	-	-	1	-
<u>-</u>	<u>1,040</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
-	-	49	-	-	-
-	1	639	287	15	40
-	1	688	287	15	40
<u>-</u>	<u>21,246</u>	<u>78,356</u>	<u>31,354</u>	<u>25,424</u>	<u>43,463</u>
20	(824)	30,130	5,231	(828)	(3,451)
-	1,027	1,045	3,886	703	375
-	(637)	(39,264)	(38)	(43)	(150)
-	-	771	-	3	65
<u>-</u>	<u>390</u>	<u>(37,448)</u>	<u>3,848</u>	<u>663</u>	<u>290</u>
20	(434)	(7,318)	9,079	(165)	(3,161)
-	1,273	(1,192)	18,481	5,983	9,404
<u>\$ 20</u>	<u>\$ 839</u>	<u>\$ (8,510)</u>	<u>\$ 27,560</u>	<u>\$ 5,818</u>	<u>\$ 6,243</u>

NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 3 OF 6)

	ENHANCED 911 EMERGENCY TELEPHONE SYSTEM	FLOOD CONTROL GREEN RIVER	FLOOD CONTROL KIMBALL CREEK	FLOOD CONTROL SW LAKE SAMMAMISH
REVENUES				
Taxes	\$ 15,503	\$ 949	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	65	-	-	-
Charges for services	528	-	-	-
Fines and forfeits	-	-	-	-
Interest earnings	507	32	1	5
Miscellaneous revenues	1,568	-	-	-
TOTAL REVENUES	18,171	981	1	5
EXPENDITURES				
Current				
General government services	-	-	-	-
Law, safety and justice	13,462	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Total current	13,462	-	-	-
Debt service				
Interest and other debt service costs	-	-	-	-
Total debt service	-	-	-	-
Capital outlay				
Capital projects	-	-	-	-
Capitalized expenditures	2,892	-	-	-
Total capital outlay	2,892	-	-	-
TOTAL EXPENDITURES	16,354	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,817	981	1	5
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2)	(1,605)	-	-
Sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2)	(1,605)	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,815	(624)	1	5
Fund balances - January 1, 2007 (Restated) ^(a)	15,171	965	29	167
Fund balances - December 31, 2007	<u>\$ 16,986</u>	<u>\$ 341</u>	<u>\$ 30</u>	<u>\$ 172</u>

(a) See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 4 OF 6)

FLOOD CONTROL WEST LAKE SAMMAMISH	INTERCOUNTY RIVER IMPROVEMENT	LOCAL HAZARDOUS WASTE	MENTAL HEALTH	MISCELLANEOUS GRANTS	NOXIOUS WEED CONTROL
\$ -	\$ 51	\$ -	\$ 2,584	\$ -	\$ 1,259
-	-	-	-	-	-
-	-	7,841	117,116	19,085	101
-	-	5,013	1,627	85	-
-	-	-	-	-	-
1	3	63	1,014	13	10
-	-	6	218	149	-
<u>1</u>	<u>54</u>	<u>12,923</u>	<u>122,559</u>	<u>19,332</u>	<u>1,370</u>
-	-	-	-	6,487	-
-	-	-	-	7,535	-
-	128	-	-	-	1,073
-	-	-	-	-	-
-	-	-	-	932	-
-	-	12,406	119,357	1,730	-
-	-	-	-	1	-
<u>-</u>	<u>128</u>	<u>12,406</u>	<u>119,357</u>	<u>16,685</u>	<u>1,073</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	67	416	10
-	-	-	67	416	10
<u>-</u>	<u>128</u>	<u>12,406</u>	<u>119,424</u>	<u>17,101</u>	<u>1,083</u>
<u>1</u>	<u>(74)</u>	<u>517</u>	<u>3,135</u>	<u>2,231</u>	<u>287</u>
-	-	-	1,884	-	-
(67)	-	-	(183)	(2)	(171)
-	-	-	3	-	-
<u>(67)</u>	<u>-</u>	<u>-</u>	<u>1,704</u>	<u>(2)</u>	<u>(171)</u>
(66)	(74)	517	4,839	2,229	116
<u>66</u>	<u>100</u>	<u>3,866</u>	<u>19,007</u>	<u>1,534</u>	<u>253</u>
<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 4,383</u>	<u>\$ 23,846</u>	<u>\$ 3,763</u>	<u>\$ 369</u>

NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 5 OF 6)

	PARKS & RECREATION	PARKS TRUST & CONTRIBUTION	RECORDER'S O & M	RISK ABATEMENT	RIVER IMPROVEMENT
REVENUES					
Taxes	\$ 12,656	\$ -	\$ -	\$ -	\$ 2,750
Licenses and permits	266	-	-	-	-
Intergovernmental revenues	42	-	815	-	221
Charges for services	4,452	-	1,352	143	759
Fines and forfeits	-	-	-	-	-
Interest earnings	123	4	119	257	-
Miscellaneous revenues	<u>2,229</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>
TOTAL REVENUES	<u>19,768</u>	<u>6</u>	<u>2,286</u>	<u>402</u>	<u>3,731</u>
EXPENDITURES					
Current					
General government services	-	-	951	212	-
Law, safety and justice	-	-	-	-	-
Physical environment	-	-	-	-	4,056
Transportation	-	-	-	-	-
Economic environment	-	-	-	-	-
Mental and physical health	-	-	-	-	-
Culture and recreation	22,182	-	-	-	-
Total current	<u>22,182</u>	<u>-</u>	<u>951</u>	<u>212</u>	<u>4,056</u>
Debt service					
Interest and other debt service costs	-	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay					
Capital projects	-	-	-	-	-
Capitalized expenditures	144	-	127	3	-
Total capital outlay	<u>144</u>	<u>-</u>	<u>127</u>	<u>3</u>	<u>-</u>
TOTAL EXPENDITURES	<u>22,326</u>	<u>-</u>	<u>1,078</u>	<u>215</u>	<u>4,056</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,558)</u>	<u>6</u>	<u>1,208</u>	<u>187</u>	<u>(325)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,036	-	-	650	1,665
Transfers out	-	-	(821)	(50)	(1,454)
Sale of capital assets	31	-	-	-	3
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,067</u>	<u>-</u>	<u>(821)</u>	<u>600</u>	<u>214</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	509	6	387	787	(111)
Fund balances - January 1, 2007 (Restated) ^(a)	<u>3,697</u>	<u>10</u>	<u>3,661</u>	<u>7,728</u>	<u>765</u>
Fund balances - December 31, 2007	<u>\$ 4,206</u>	<u>\$ 16</u>	<u>\$ 4,048</u>	<u>\$ 8,515</u>	<u>\$ 654</u>

(a) See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 6 OF 6)

ROAD IMPROVEMENT DISTRICTS MAINTENANCE	SURFACE WATER MANAGEMENT	TREASURER'S O & M	VETERANS & HUMAN SERVICES	VETERANS' RELIEF	YOUTH EMPLOYMENT PROGRAMS	YOUTH SPORTS FACILITIES GRANT
\$ -	\$ -	\$ -	\$ 13,888	\$ 2,326	\$ -	\$ 709
-	-	-	-	-	-	-
-	1,733	-	-	-	6,497	-
-	40,902	258	-	-	329	-
-	-	-	-	-	-	-
1	122	-	585	-	-	51
25	66	-	-	2	327	-
<u>26</u>	<u>42,823</u>	<u>258</u>	<u>14,473</u>	<u>2,328</u>	<u>7,153</u>	<u>760</u>
-	228	209	-	-	-	-
-	-	-	-	-	-	-
-	37,348	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,374	2,240	8,806	-
-	-	-	-	-	-	-
-	-	-	-	-	-	930
-	<u>37,576</u>	<u>209</u>	<u>2,374</u>	<u>2,240</u>	<u>8,806</u>	<u>930</u>
-	48	-	-	-	-	-
-	<u>48</u>	-	-	-	-	-
-	-	-	-	-	-	-
-	141	-	1	-	29	-
-	<u>141</u>	-	<u>1</u>	-	<u>29</u>	-
-	37,765	209	2,375	2,240	8,835	930
<u>26</u>	<u>5,058</u>	<u>49</u>	<u>12,098</u>	<u>88</u>	<u>(1,682)</u>	<u>(170)</u>
-	8,286	-	-	-	1,731	-
(25)	(13,461)	-	(500)	(301)	(12)	-
-	-	-	15	2	-	-
(25)	<u>(5,175)</u>	-	<u>(485)</u>	<u>(299)</u>	<u>1,719</u>	-
1	(117)	49	11,613	(211)	37	(170)
<u>4</u>	<u>2,049</u>	<u>22</u>	<u>13,012</u>	<u>671</u>	<u>3</u>	<u>1,714</u>
<u>\$ 5</u>	<u>\$ 1,932</u>	<u>\$ 71</u>	<u>\$ 24,625</u>	<u>\$ 460</u>	<u>\$ 40</u>	<u>\$ 1,544</u>

KING COUNTY, WASHINGTON
NONMAJOR DEBT SERVICE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>TOTAL</u>	<u>LIMITED GO BOND REDEMPTION</u>	<u>ROAD IMPROVEMENT DISTRICTS S.A. DEBT REDEMPTION</u>	<u>ROAD IMPROVEMENT GUARANTY</u>	<u>STADIUM GO BOND REDEMPTION</u>	<u>UNLIMITED GO BOND REDEMPTION</u>
REVENUES						
Taxes	\$ 118,426	\$ 71,768	\$ -	\$ -	\$ 2,441	\$ 44,217
Intergovernmental revenues	6,289	6,289	-	-	-	-
Charges for services	3,280	3,280	-	-	-	-
Interest earnings	744	649	72	23	-	-
Miscellaneous revenues	151	24	122	-	-	5
TOTAL REVENUES	<u>128,890</u>	<u>82,010</u>	<u>194</u>	<u>23</u>	<u>2,441</u>	<u>44,222</u>
EXPENDITURES						
Debt service						
Redemption of long-term debt	86,824	50,979	-	-	1,665	34,180
Interest and other debt service costs	40,069	25,941	1	-	550	13,577
Refunding bond issuance costs	405	405	-	-	-	-
Payment to escrow agent	12,000	12,000	-	-	-	-
TOTAL EXPENDITURES	<u>139,298</u>	<u>89,325</u>	<u>1</u>	<u>-</u>	<u>2,215</u>	<u>47,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,408)</u>	<u>(7,315)</u>	<u>193</u>	<u>23</u>	<u>226</u>	<u>(3,535)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	11,888	9,474	12	2,402	-	-
Transfers out	(3,388)	-	(2,356)	(1,032)	-	-
Premium on bonds sold	2,973	2,973	-	-	-	-
Refunding bonds issued	54,565	54,565	-	-	-	-
Sale of capital assets	71	24	-	-	-	47
Payment to refunded bond escrow agent	(57,133)	(57,133)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,976</u>	<u>9,903</u>	<u>(2,344)</u>	<u>1,370</u>	<u>-</u>	<u>47</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(1,432)</u>	<u>2,588</u>	<u>(2,151)</u>	<u>1,393</u>	<u>226</u>	<u>(3,488)</u>
Fund balances - January 1, 2007	<u>46,333</u>	<u>31,124</u>	<u>2,163</u>	<u>192</u>	<u>5,326</u>	<u>7,528</u>
Fund balances - December 31, 2007	<u>\$ 44,901</u>	<u>\$ 33,712</u>	<u>\$ 12</u>	<u>\$ 1,585</u>	<u>\$ 5,552</u>	<u>\$ 4,040</u>



NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 1 OF 6)

	<u>TOTAL</u>	<u>ARTS & HISTORIC PRESERVATION CAPITAL</u>	<u>ARTS CONSTRUCTION</u>	<u>BUILDING CONSTRUCTION & IMPROVEMENT</u>
REVENUES				
Taxes	\$ 29,622	\$ -	\$ -	\$ -
Licenses and permits	100	-	-	-
Intergovernmental revenues	25,563	-	-	-
Charges for services	13,654	-	-	-
Fines and forfeits	4	-	-	-
Interest earnings	4,648	24	-	633
Miscellaneous revenues				
Rent and maintenance reimbursement	27,584	-	-	-
Other miscellaneous revenues	1,126	-	-	-
TOTAL REVENUES	<u>102,301</u>	<u>24</u>	<u>-</u>	<u>633</u>
EXPENDITURES				
Current				
General government services	47,792	-	-	2,185
Law, safety and justice	2	-	-	-
Physical environment	17,215	-	-	-
Transportation	28,728	-	-	-
Economic environment	10,633	2	-	-
Mental and physical health	72	-	-	-
Culture and recreation	11,293	28	-	-
Total current	<u>115,735</u>	<u>30</u>	<u>-</u>	<u>2,185</u>
Debt service				
Redemption of long-term debt	260	-	-	-
Interest and other debt service costs	859	-	-	212
Total debt service	<u>1,119</u>	<u>-</u>	<u>-</u>	<u>212</u>
Capital outlay				
Capital projects	48,791	-	-	-
Capitalized expenditures	16,045	-	-	-
Total capital outlay	<u>64,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>181,690</u>	<u>30</u>	<u>-</u>	<u>2,397</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(79,389)</u>	<u>(6)</u>	<u>-</u>	<u>(1,764)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	106,635	-	-	-
Transfers out	(45,297)	-	-	(11,211)
General government debt issued	48,395	-	-	10,695
Premium on bonds sold	917	-	-	19
Sale of capital assets	1,775	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>112,425</u>	<u>-</u>	<u>-</u>	<u>(497)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	33,036	(6)	-	(2,261)
Fund balances (deficit) - January 1, 2007	102,295	944	2	(31,318)
Fund balances (deficit) - December 31, 2007	<u>\$ 135,331</u>	<u>\$ 938</u>	<u>\$ 2</u>	<u>\$ (33,579)</u>

NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 2 OF 6)

<u>BUILDING REPAIR & REPLACEMENT</u>	<u>CAPITAL ACQUISITION & COUNTY FACILITIES RENOVATION</u>	<u>CONSERVATION FUTURES LEVY</u>	<u>COUNTY ROAD CONSTRUCTION</u>	<u>EMERGENCY COMMUNICATIONS SYSTEM</u>	<u>FARMLAND & OPEN SPACE ACQUISITION</u>	<u>HOUSING OPPORTUNITY ACQUISITION</u>
\$ -	\$ -	\$ 10,877	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	19,776	-	-	-
313	-	-	3,424	-	751	7,485
-	-	-	4	-	-	-
108	3	1,039	236	6	67	677
-	-	-	582	-	17	-
-	-	-	14	-	321	110
<u>421</u>	<u>3</u>	<u>11,916</u>	<u>24,036</u>	<u>6</u>	<u>1,156</u>	<u>8,272</u>
7,266	4	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,911	-	-	1,555	-
-	-	-	28,471	-	-	-
-	-	-	-	-	-	10,555
-	-	-	-	-	-	-
<u>7,266</u>	<u>4</u>	<u>5,911</u>	<u>28,471</u>	<u>-</u>	<u>1,555</u>	<u>10,555</u>
-	-	-	-	-	-	-
63	-	-	26	-	40	-
<u>63</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>40</u>	<u>-</u>
12,209	-	-	25,091	-	-	-
1,070	-	1,169	25	-	32	-
<u>13,279</u>	<u>-</u>	<u>1,169</u>	<u>25,116</u>	<u>-</u>	<u>32</u>	<u>-</u>
20,608	4	7,080	53,613	-	1,627	10,555
<u>(20,187)</u>	<u>(1)</u>	<u>4,836</u>	<u>(29,577)</u>	<u>6</u>	<u>(471)</u>	<u>(2,283)</u>
15,875	-	-	37,767	-	-	2,544
(995)	-	(307)	(4,085)	-	-	(249)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	361	-	-	417	-
<u>14,880</u>	<u>-</u>	<u>54</u>	<u>33,682</u>	<u>-</u>	<u>417</u>	<u>2,295</u>
(5,307)	(1)	4,890	4,105	6	(54)	12
3,984	98	29,176	17,135	103	1,662	18,492
<u>\$ (1,323)</u>	<u>\$ 97</u>	<u>\$ 34,066</u>	<u>\$ 21,240</u>	<u>\$ 109</u>	<u>\$ 1,608</u>	<u>\$ 18,504</u>

**NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

(IN THOUSANDS)

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	INFORMATION & TELECOM. SERVICES CAPITAL	JAIL RENOVATION & CONSTRUCTION	LONG- TERM LEASES	MAJOR MAINTENANCE RESERVE	NEIGHBORHOOD PARKS & OPEN SPACE ACQUISITION & DEVELOPMENT
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	100	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Charges for services	-	-	99	176	41
Fines and forfeits	-	-	-	-	-
Interest earnings	202	2	31	278	22
Miscellaneous revenues					
Rent and maintenance reimbursement	-	-	25,631	1,354	-
Other miscellaneous revenues	-	-	659	-	-
TOTAL REVENUES	302	2	26,420	1,808	63
EXPENDITURES					
Current					
General government services	667	-	24,544	6,988	-
Law, safety and justice	-	-	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic environment	-	-	-	-	-
Mental and physical health	-	-	-	-	-
Culture and recreation	-	-	-	-	2
Total current	667	-	24,544	6,988	2
Debt service					
Redemption of long-term debt	-	-	260	-	-
Interest and other debt service costs	-	-	248	-	-
Total debt service	-	-	508	-	-
Capital outlay					
Capital projects	-	-	-	2,919	-
Capitalized expenditures	1,128	-	2	-	-
Total capital outlay	1,128	-	2	2,919	-
TOTAL EXPENDITURES	1,795	-	25,054	9,907	2
Excess (deficiency) of revenues over (under) expenditures	(1,493)	2	1,366	(8,099)	61
OTHER FINANCING SOURCES (USES)					
Transfers in	2,279	-	-	9,744	-
Transfers out	-	-	(72)	(722)	(141)
General government debt issued	-	-	-	-	-
Premium on bonds sold	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,279	-	(72)	9,022	(141)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	786	2	1,294	923	(80)
Fund balances (deficit) - January 1, 2007	3,556	46	(327)	12,171	457
Fund balances (deficit) - December 31, 2007	\$ 4,342	\$ 48	\$ 967	\$ 13,094	\$ 377

NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 4 OF 6)

OFFICE OF INFORMATION RESOURCE MANAGEMENT CAPITAL	OPEN SPACE PROJECTS ACQUISITION & IMPROVEMENT	PARK FACILITIES REHABILITATION	PARKS CIP	PARKS, RECREATION & OPEN SPACE	PUBLIC ART	REAL ESTATE EXCISE TAX CAPITAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,745
-	-	-	-	-	-	-
382	2,511	81	-	88	-	-
-	164	-	-	-	-	-
-	-	-	-	-	-	-
584	93	60	17	91	-	-
-	-	-	-	-	-	-
1	-	-	-	-	-	-
<u>967</u>	<u>2,768</u>	<u>141</u>	<u>17</u>	<u>179</u>	<u>-</u>	<u>18,745</u>
6,095	-	-	-	-	-	-
-	1,912	-	-	-	-	5
-	-	-	-	-	-	-
-	-	-	-	3	-	-
-	-	3,941	17	7,305	-	-
<u>6,095</u>	<u>1,912</u>	<u>3,941</u>	<u>17</u>	<u>7,308</u>	<u>-</u>	<u>5</u>
-	-	-	-	-	-	-
18	214	-	-	7	-	-
<u>18</u>	<u>214</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>
4,332	-	1,562	-	2,678	-	-
2,301	5,302	47	-	3,436	-	-
<u>6,633</u>	<u>5,302</u>	<u>1,609</u>	<u>-</u>	<u>6,114</u>	<u>-</u>	<u>-</u>
<u>12,746</u>	<u>7,428</u>	<u>5,550</u>	<u>17</u>	<u>13,429</u>	<u>-</u>	<u>5</u>
<u>(11,779)</u>	<u>(4,660)</u>	<u>(5,409)</u>	<u>-</u>	<u>(13,250)</u>	<u>-</u>	<u>18,740</u>
8,765	2,484	6,152	-	13,717	-	-
-	-	(25)	-	(219)	-	(23,909)
3,070	34,630	-	-	-	-	-
163	735	-	-	-	-	-
-	-	-	-	116	-	103
<u>11,998</u>	<u>37,849</u>	<u>6,127</u>	<u>-</u>	<u>13,614</u>	<u>-</u>	<u>(23,806)</u>
219	33,189	718	-	364	-	(5,066)
18,167	(27,708)	579	785	2,914	1	34,004
<u>\$ 18,386</u>	<u>\$ 5,481</u>	<u>\$ 1,297</u>	<u>\$ 785</u>	<u>\$ 3,278</u>	<u>\$ 1</u>	<u>\$ 28,938</u>

NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 5 OF 6)

	REGIONAL JUSTICE CENTER CONSTRUCTION	RENTON MAINTENANCE FACILITIES CONSTRUCTION	ROAD IMPROVEMENT DISTRICTS CONSTRUCTION	SURFACE & STORM WATER MANAGEMENT CONSTRUCTION
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	544
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest earnings	144	14	8	54
Miscellaneous revenues	-	-	-	-
Rent and maintenance reimbursement	-	-	-	-
Other miscellaneous revenues	-	-	21	-
TOTAL REVENUES	144	14	29	598
EXPENDITURES				
Current				
General government services	-	-	-	-
Law, safety and justice	2	-	-	-
Physical environment	-	-	-	441
Transportation	-	157	-	-
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Total current	2	157	-	441
Debt service				
Redemption of long-term debt	-	-	-	-
Interest and other debt service costs	-	-	2	-
Total debt service	-	-	2	-
Capital outlay				
Capital projects	-	-	-	-
Capitalized expenditures	-	74	-	853
Total capital outlay	-	74	-	853
TOTAL EXPENDITURES	2	231	2	1,294
Excess (deficiency) of revenues over (under) expenditures	142	(217)	27	(696)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,434	-	971
Transfers out	(2,478)	(215)	(47)	(6)
General government debt issued	-	-	-	-
Premium on bonds sold	-	-	-	-
Sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,478)	1,219	(47)	965
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(2,336)	1,002	(20)	269
Fund balances (deficit) - January 1, 2007	5,433	269	(2)	2,679
Fund balances (deficit) - December 31, 2007	\$ 3,097	\$ 1,271	\$ (22)	\$ 2,948

NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 6 OF 6)

SURFACE WATER MANAGEMENT CONSTRUCTION	TECHNOLOGY 1997 BONDS	TECHNOLOGY SYSTEMS CAPITAL	TRANSFER OF DEVELOPMENT CREDIT PROGRAM	WORKING FOREST	YOUTH SERVICES FACILITIES CONSTRUCTION
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,761	-	-	-	420	-
1,201	-	-	-	-	-
-	-	-	-	-	-
182	24	27	7	12	3
-	-	-	-	-	-
-	-	-	-	-	-
3,144	24	27	7	432	3
39	-	4	-	-	-
-	-	-	-	-	-
7,268	-	-	50	73	-
100	-	-	-	-	-
2	71	-	-	-	-
72	-	-	-	-	-
-	-	-	-	-	-
7,481	71	4	50	73	-
-	-	-	-	-	-
29	-	-	-	-	-
29	-	-	-	-	-
-	-	-	-	-	-
606	-	-	-	-	-
606	-	-	-	-	-
8,116	71	4	50	73	-
(4,972)	(47)	23	(43)	359	3
4,616	-	-	287	-	-
(361)	-	(163)	-	(66)	(26)
-	-	-	-	-	-
-	-	-	-	-	-
383	-	-	395	-	-
4,638	-	(163)	682	(66)	(26)
(334)	(47)	(140)	639	293	(23)
6,757	1,155	546	202	241	92
\$ 6,423	\$ 1,108	\$ 406	\$ 841	\$ 534	\$ 69

KING COUNTY, WASHINGTON
GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF ANNUAL BUDGETS AND EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 1 OF 4)

APPROPRIATION UNIT	BUDGET				ACTUAL		
	ORIGINAL	ADJUSTMENTS	FINAL	VARIANCE	TOTAL	2007 YEAR-END ENCUMBRANCES	EXPENDITURES
MAJOR FUNDS							
General Fund							
County Council	\$ 5,679	\$ -	\$ 5,679	\$ 390	\$ 5,289	\$ -	\$ 5,289
Office of Council Administration	9,208	336	9,544	254	9,290	941	8,349
Office of the Hearing Examiner	737	-	737	302	435	2	433
Office of the Auditor	1,524	335	1,859	269	1,590	102	1,488
Ombudsman/Tax Advisor	1,131	-	1,131	77	1,054	18	1,036
King County Civic Television	688	-	688	2	686	-	686
Board of Appeals and Equalization	644	-	644	4	640	-	640
Office of Law Enforcement Oversight	404	-	404	402	2	-	2
Charter Review Commission	483	34	517	200	317	-	317
Office of Economic and Financial Analysis	200	(89)	111	60	51	-	51
County Executive	296	-	296	3	293	-	293
Office of the Executive	3,722	-	3,722	188	3,534	70	3,464
Office of Management and Budget	7,204	-	7,204	635	6,569	391	6,178
Finance	3,137	-	3,137	-	3,137	-	3,137
Business Relations and Economic Development	2,481	75	2,556	67	2,489	127	2,362
Sheriff	123,553	881	124,434	554	123,880	115	123,765
Sheriff - Drug Enforcement Forfeits	663	-	663	92	571	-	571
Office of Emergency Management	1,570	-	1,570	51	1,519	2	1,517
Executive Services Administration	2,593	-	2,593	159	2,434	-	2,434
Human Resources Management	9,681	-	9,681	46	9,635	301	9,334
Cable Communications	260	-	260	3	257	28	229
Property Services	3,145	-	3,145	208	2,937	-	2,937
Facilities Management	2,306	148	2,454	-	2,454	-	2,454
Records, Elections and Licensing Services	26,611	2,097	28,708	221	28,487	189	28,298
Prosecuting Attorney	54,011	268	54,279	23	54,256	-	54,256
Prosecuting Attorney - Antiprofitteering	120	-	120	20	100	-	100
Superior Court	42,660	615	43,275	500	42,775	196	42,579
District Courts	24,130	336	24,466	400	24,066	233	23,833
Judicial Administration	19,131	56	19,187	214	18,973	386	18,587
State Auditor	687	-	687	42	645	-	645
Boundary Review Board	300	-	300	10	290	-	290

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

KING COUNTY, WASHINGTON
GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF ANNUAL BUDGETS AND EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 2 OF 4)

APPROPRIATION UNIT	BUDGET				ACTUAL		
	ORIGINAL	ADJUSTMENTS	FINAL	VARIANCE	TOTAL	2007 YEAR-END ENCUMBRANCES	EXPENDITURES
General Fund—continued							
Special Programs							
Memberships and Dues	\$ 538	\$ -	\$ 538	\$ 4	\$ 534	\$ -	\$ 534
Salary and Wage Contingency	1,043	(1,043)	-	-	-	-	-
Executive Contingency	1,000	(1,000)	-	-	-	-	-
Internal Support	7,621	2,228	9,849	1,002	8,847	-	8,847
Assessments	19,734	114	19,848	82	19,766	-	19,766
Fund Transfers							
Human Service Transfers	22,055	1,503	23,558	430	23,128	-	23,128
General Government Transfers	3,858	185	4,043	19	4,024	-	4,024
Public Health and EMS Transfers	23,455	2,673	26,128	462	25,666	-	25,666
Physical Environment Transfers	6,972	41	7,013	131	6,882	-	6,882
CIP Transfers	15,896	6,683	22,579	4,882	17,697	-	17,697
Jail Health Services	25,276	104	25,380	1,364	24,016	-	24,016
Adult and Juvenile Detention	112,940	3,235	116,175	1,341	114,834	435	114,399
Office of the Public Defender	39,075	853	39,928	496	39,432	873	38,559
Children and Family Services							
Community Services Division	18,855	3,628	22,483	126	22,357	5,688	16,669
Transfers to Work Training Program	1,731	-	1,731	-	1,731	-	1,731
Transfers to Public Health	4,243	-	4,243	-	4,243	-	4,243
Services Administration	574	-	574	-	574	-	574
Transfers to Housing Opportunity	1,217	-	1,217	-	1,217	-	1,217
Inmate Welfare - Adult	950	-	950	296	654	33	621
Inmate Welfare - Juvenile	9	-	9	5	4	-	4
Designated for Contingencies	4,873	-	4,873	-	4,873	-	4,873
Total of General Fund	<u>660,874</u>	<u>24,296</u>	<u>685,170</u>	<u>16,036</u>	<u>669,134</u>	<u>10,130</u>	<u>659,004</u>
Public Health							
Public Health	181,615	6,227	187,842	13,475	174,367	290	174,077
Medical Examiner	3,958	-	3,958	1	3,957	-	3,957
Total Public Health	<u>185,573</u>	<u>6,227</u>	<u>191,800</u>	<u>13,476</u>	<u>178,324</u>	<u>290</u>	<u>178,034</u>
Total for major funds	<u>846,447</u>	<u>30,523</u>	<u>876,970</u>	<u>29,512</u>	<u>847,458</u>	<u>10,420</u>	<u>837,038</u>

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

KING COUNTY, WASHINGTON
GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF ANNUAL BUDGETS AND EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 3 OF 4)

APPROPRIATION UNIT	BUDGET				ACTUAL		
	ORIGINAL	ADJUSTMENTS	FINAL	VARIANCE	TOTAL	2007 YEAR-END ENCUMBRANCES	EXPENDITURES
NONMAJOR FUNDS							
Special Revenue Funds							
Alcoholism and Substance Abuse	\$ 23,284	\$ 4,954	\$ 28,238	\$ 3,920	\$ 24,318	\$ 108	\$ 24,210
Arts and Cultural Development	14,121	651	14,772	55	14,717	-	14,717
Automated Fingerprint Identification System	21,605	20	21,625	6,708	14,917	2,464	12,453
County Road							
Stormwater Decant Program	531	-	531	49	482	-	482
Road Services Operating	78,869	2,507	81,376	2,229	79,147	1,209	77,938
Road Construction Transfers	39,400	(200)	39,200	-	39,200	-	39,200
Total County Road	118,800	2,307	121,107	2,278	118,829	1,209	117,620
Development and Environmental Services	33,444	2,507	35,951	4,361	31,590	198	31,392
Developmental Disabilities							
Community and Human Services Administration	2,273	144	2,417	217	2,200	3	2,197
Developmental Disabilities Division	23,384	1,740	25,124	1,846	23,278	8	23,270
Total Developmental Disabilities	25,657	1,884	27,541	2,063	25,478	11	25,467
Emergency Medical Services	44,682	48	44,730	1,115	43,615	2	43,613
Enhanced 911 Emergency Telephone System	20,811	635	21,446	3,957	17,489	1,133	16,356
Intercounty River Improvement	128	-	128	-	128	-	128
Local Hazardous Waste	12,931	483	13,414	1,008	12,406	-	12,406
Mental Health	133,075	-	133,075	13,436	119,639	32	119,607
Noxious Weed Control	1,307	47	1,354	62	1,292	38	1,254
Parks and Recreation	23,199	649	23,848	1,411	22,437	111	22,326
Recorder's Operation and Maintenance	2,784	-	2,784	738	2,046	147	1,899
Risk Abatement							
OMB/Duncan Robert Lawsuit Administration	501	-	501	455	46	-	46
OMB/2006 Fund	650	-	650	481	169	-	169
Total Risk Abatement	1,151	-	1,151	936	215	-	215

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

KING COUNTY, WASHINGTON
GOVERNMENTAL FUNDS WITH ANNUAL BUDGETS
SCHEDULE OF ANNUAL BUDGETS AND EXPENDITURES (BUDGETARY BASIS) AND ENCUMBRANCES BY APPROPRIATION UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 4 OF 4)

APPROPRIATION UNIT	BUDGET				ACTUAL		
	ORIGINAL	ADJUSTMENTS	FINAL	VARIANCE	TOTAL	2007 YEAR-END ENCUMBRANCES	EXPENDITURES
Special Revenue Funds—continued							
River Improvement	\$ 5,464	\$ 569	\$ 6,033	\$ 131	\$ 5,902	\$ 392	\$ 5,510
Surface Water Management							
Water and Land Resources Shared Services	30,247	437	30,684	1,568	29,116	1,254	27,862
Surface Water Management							
Local Drainage Services	24,277	36	24,313	766	23,547	183	23,364
Total Surface Water Management	54,524	473	54,997	2,334	52,663	1,437	51,226
Veterans and Human Services							
Human Services Levy	12,691	-	12,691	10,051	2,640	377	2,263
Veterans and Family Levy	13,587	-	13,587	12,825	762	150	612
Total Veterans and Human Services	26,278	-	26,278	22,876	3,402	527	2,875
Veterans' Relief	2,712	-	2,712	166	2,546	5	2,541
Youth Employment Programs							
Youth Employment	6,763	-	6,763	1,578	5,185	-	5,185
Dislocated Worker Program Administration	5,624	-	5,624	1,962	3,662	-	3,662
Total Youth Employment Programs	12,387	-	12,387	3,540	8,847	-	8,847
Youth Sports Facilities Grant	1,553	133	1,686	86	1,600	670	930
Total nonmajor special revenue funds with annual budgets	579,897	15,360	595,257	71,181	524,076	8,484	515,592
Debt Service Funds							
Limited GO Bond Redemption	154,058	-	154,058	13,562	140,496	-	140,496
Road Improvement Guaranty	-	1,032	1,032	-	1,032	-	1,032
Stadium GO Bond Redemption	2,215	-	2,215	-	2,215	-	2,215
Unlimited GO Bond Redemption	47,757	-	47,757	-	47,757	-	47,757
Total of debt service funds with annual budgets	204,030	1,032	205,062	13,562	191,500	-	191,500
Total of the nonmajor governmental funds	783,927	16,392	800,319	84,743	715,576	8,484	707,092
Total of governmental funds with annual budgets	\$ 1,630,374	\$ 46,915	\$ 1,677,289	\$ 114,255	\$ 1,563,034	\$ 18,904	\$ 1,544,130

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

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 1 OF 2)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 266,139	\$ 250,348	\$ (15,791)
Retail sales and use taxes	99,172	106,142	6,970
Business and other taxes	7,493	13,681	6,188
Penalties and interest - delinquent taxes	13,426	15,611	2,185
Total taxes	<u>386,230</u>	<u>385,782</u>	<u>(448)</u>
Licenses and permits			
Business licenses and permits	4,184	4,365	181
Non-business licenses and permits	3,173	2,768	(405)
Total licenses and permits	<u>7,357</u>	<u>7,133</u>	<u>(224)</u>
Intergovernmental revenues			
Federal grants	9,769	11,615	1,846
State grants	1,976	2,307	331
Entitlements and shared revenues	7,045	8,571	1,526
Intergovernmental services	62,754	63,975	1,221
Total intergovernmental revenues	<u>81,544</u>	<u>86,468</u>	<u>4,924</u>
Charges for services			
General government	24,881	28,570	3,689
Law, safety and justice	15,398	17,102	1,704
Physical environment	511	616	105
Economic environment	902	947	45
Mental and physical health	118	20	(98)
Interfund/department charges for services	61,909	63,158	1,249
Total charges for services	<u>103,719</u>	<u>110,413</u>	<u>6,694</u>
Fines and forfeits	<u>7,157</u>	<u>9,292</u>	<u>2,135</u>
Interest earnings	<u>24,436</u>	<u>20,601</u>	<u>(3,835)</u>
Miscellaneous revenues			
Rents and royalties	10,741	11,530	789
Other miscellaneous revenues	7,976	3,608	(4,368)
Total miscellaneous revenues	<u>18,717</u>	<u>15,138</u>	<u>(3,579)</u>
Sale of capital assets	<u>70</u>	<u>570</u>	<u>500</u>
Transfers in	<u>16,718</u>	<u>22,976</u>	<u>6,258</u>
TOTAL REVENUES	<u>645,948</u>	<u>658,373</u>	<u>12,425</u>
EXPENDITURES			
Current			
General government services			
Personal services		66,292	
Supplies		1,215	
Contract services and other charges		16,164	
Intergovernmental services		3,526	
Interfund payments for services		16,519	
Total general government services	<u>108,091</u>	<u>103,716</u>	<u>4,375</u>
Law, safety and justice			
Personal services		303,155	
Supplies		10,029	
Contract services and other charges		56,522	
Intergovernmental services		232	
Interfund payments for services		51,242	
Total law, safety and justice	<u>424,628</u>	<u>421,180</u>	<u>3,448</u>

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 2 OF 2)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
EXPENDITURES (continued)			
Physical environment			
Personal services	\$	\$ 2,587	\$
Supplies		240	
Contract services and other charges		302	
Interfund payments for services		975	
Total physical environment	<u>3,983</u>	<u>4,104</u>	<u>(121)</u>
Economic environment			
Personal services		2,756	
Supplies		37	
Contract services and other charges		19,462	
Intergovernmental services		3	
Interfund payments for services		501	
Total economic environment	<u>23,127</u>	<u>22,759</u>	<u>368</u>
Mental and physical health			
Personal services		15,655	
Supplies		2,267	
Contract services and other charges		2,324	
Interfund payments for services		3,763	
Total mental and physical health	<u>25,366</u>	<u>24,009</u>	<u>1,357</u>
Total current	<u>585,195</u>	<u>575,768</u>	<u>9,427</u>
Debt service			
Redemption of long-term debt	34	-	34
Interest and other debt service costs	3	-	3
Total debt service	<u>37</u>	<u>-</u>	<u>37</u>
Capital outlay			
Capitalized expenditures	<u>3,505</u>	<u>2,728</u>	<u>777</u>
Transfers out	<u>96,433</u>	<u>90,638</u>	<u>5,795</u>
TOTAL EXPENDITURES	<u>685,170</u>	<u>669,134</u>	<u>16,036</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (39,222)</u>	(10,761)	<u>\$ 28,461</u>
Adjustment from budgetary basis to GAAP basis		<u>7,645</u> ^(a)	
Deficiency of revenues under expenditures		(3,116)	
Fund balance - January 1, 2007		<u>143,764</u>	
Fund balance - December 31, 2007		<u>\$ 140,648</u>	

(a) See "General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual" on page 26.

PUBLIC HEALTH FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Licenses and permits			
Business licenses and permits	\$ 8,345	\$ 8,155	\$ (190)
Nonbusiness licenses and permits	3,969	3,922	(47)
Total licenses and permits	<u>12,314</u>	<u>12,077</u>	<u>(237)</u>
Intergovernmental revenues			
Federal grants	52,707	46,624	(6,083)
State grants	21,603	15,050	(6,553)
Entitlements and shared revenues	9,562	9,532	(30)
Intergovernmental services	47,299	48,141	842
Total intergovernmental revenues	<u>131,171</u>	<u>119,347</u>	<u>(11,824)</u>
Charges for services			
General government	20	88	68
Mental and physical health	9,421	8,201	(1,220)
Interfund/department charges for services	2,492	3,213	721
Total charges for services	<u>11,933</u>	<u>11,502</u>	<u>(431)</u>
Miscellaneous revenues			
Contributions from private sources	2,575	2,190	(385)
Other miscellaneous revenues	3,807	922	(2,885)
Total miscellaneous revenues	<u>6,382</u>	<u>3,112</u>	<u>(3,270)</u>
Transfers in	<u>29,534</u>	<u>29,534</u>	<u>-</u>
Sale of capital assets	-	1,221	1,221
TOTAL REVENUES	<u>191,334</u>	<u>176,793</u>	<u>(14,541)</u>
EXPENDITURES			
Current			
Mental and physical health			
Personal services		108,535	
Supplies		11,184	
Contract services and other charges		43,333	
Intergovernmental services		7	
Interfund payments for services		13,856	
Total mental and physical health	<u>190,040</u>	<u>176,915</u>	<u>13,125</u>
Debt service			
Redemption of long-term debt	-	155	(155)
Interest and other debt service costs	-	53	(53)
Total debt service	<u>-</u>	<u>208</u>	<u>(208)</u>
Capital outlay			
Capitalized expenditures	<u>1,568</u>	<u>1,009</u>	<u>559</u>
Transfers out	<u>192</u>	<u>192</u>	<u>-</u>
TOTAL EXPENDITURES	<u>191,800</u>	<u>178,324</u>	<u>13,476</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (466)</u>	<u>(1,531)</u>	<u>\$ (1,065)</u>
Adjustment from budgetary basis to GAAP basis		157 ^(a)	
Deficiency of revenues under expenditures		<u>(1,374)</u>	
Fund balance - January 1, 2007		<u>7,739</u>	
Fund balance - December 31, 2007		<u>\$ 6,365</u>	
 (a) Elements of adjustment from budgetary basis to GAAP basis:			
Nonbudgeted proceeds from Emergency Medical Services - donations		\$ (133)	
Encumbrances not included in GAAP basis expenditures		290	
Adjustment from budgetary basis to GAAP basis		<u>\$ 157</u>	

ALCOHOLISM AND SUBSTANCE ABUSE SERVICES FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Intergovernmental revenues			
Federal grants	\$ 6,932	\$ 5,276	\$ (1,656)
State grants	15,035	13,851	(1,184)
Intergovernmental services	165	1,172	1,007
Total intergovernmental revenues	<u>22,132</u>	<u>20,299</u>	<u>(1,833)</u>
Charges for services			
Interfund/department charges for services	<u>1,596</u>	<u>328</u>	<u>(1,268)</u>
Miscellaneous revenues	356	58	(298)
Transfers in	<u>3,468</u>	<u>3,408</u>	<u>(60)</u>
TOTAL REVENUES	<u>27,552</u>	<u>24,093</u>	<u>(3,459)</u>
EXPENDITURES			
Current			
Mental and physical health			
Personal services		3,690	
Supplies		36	
Contract services and other charges		18,681	
Interfund payments for services		1,875	
Total mental and physical health	<u>28,147</u>	<u>24,282</u>	<u>3,865</u>
Capital outlay			
Capitalized expenditures	<u>50</u>	<u>30</u>	<u>20</u>
Transfers out	<u>41</u>	<u>6</u>	<u>35</u>
TOTAL EXPENDITURES	<u>28,238</u>	<u>24,318</u>	<u>3,920</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (686)</u>	(225)	<u>\$ 461</u>
Adjustment from budgetary basis to GAAP basis - encumbrances		<u>108</u>	
Deficiency of revenues under expenditures		(117)	
Fund balance - January 1, 2007		2,537	
Fund balance - December 31, 2007		<u>\$ 2,420</u>	

**ARTS AND CULTURAL DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Retail sales and use taxes -			
Hotel/motel tax	\$ 10,426	\$ 10,499	\$ 73
Charges for services			
Interfund/department charges for services	-	800	800
Interest earnings	10	377	367
Transfers in	<u>3,871</u>	<u>3,530</u>	<u>(341)</u>
TOTAL REVENUES	<u>14,307</u>	<u>15,206</u>	<u>899</u>
EXPENDITURES			
Current			
Culture and recreation			
Contract services and other charges	<u>14,772</u>	<u>14,717</u>	<u>55</u>
TOTAL EXPENDITURES	<u>14,772</u>	<u>14,717</u>	<u>55</u>
Excess (deficiency) of revenues over			
(under) expenditures (budgetary basis)	<u>\$ (465)</u>	489	<u>\$ 954</u>
Adjustment from budgetary basis			
to GAAP basis		<u>(16)</u> ^(a)	
Excess of revenues over expenditures		473	
Fund balance - January 1, 2007		<u>2,265</u>	
Fund balance - December 31, 2007		<u>\$ 2,738</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Expenditures on budgetary basis not a GAAP basis			
2006 accrued expenditures paid in 2007		\$ 1,222	
Recognition of unrealized loss on investments, on a GAAP basis		(7)	
2007 CDA noncash GAAP basis expenditures		(62)	
2007 Transfers of one percent for Arts (Enterprise Funds)		<u>(1,169)</u>	
Adjustment from budgetary basis to GAAP basis		<u>\$ (16)</u>	

**AUTOMATED FINGERPRINT IDENTIFICATION SYSTEM FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 16,853	\$ 16,705	\$ (148)
Interest earnings	170	428	258
Sale of capital assets	-	18	18
TOTAL REVENUES	<u>17,023</u>	<u>17,151</u>	<u>128</u>
EXPENDITURES			
Current			
Law, safety and justice			
Personal services		6,830	
Supplies		197	
Contract services and other charges		5,739	
Interfund payments for services		1,165	
Total law, safety and justice	<u>14,684</u>	<u>13,931</u>	<u>753</u>
Capital outlay			
Capitalized expenditures	<u>6,918</u>	<u>976</u>	<u>5,942</u>
Transfers out	<u>23</u>	<u>10</u>	<u>13</u>
TOTAL EXPENDITURES	<u>21,625</u>	<u>14,917</u>	<u>6,708</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (4,602)</u>	2,234	<u>\$ 6,836</u>
Adjustment from budgetary basis to GAAP basis		<u>2,321</u> ^(a)	
Excess of revenues over expenditures		4,555	
Fund balance - January 1, 2007		7,015	
Fund balance - December 31, 2007		<u>\$ 11,570</u>	
 (a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (143)	
Encumbrances not included in GAAP basis expenditures		2,464	
Adjustment from budgetary basis to GAAP basis		<u>\$ 2,321</u>	

**CITIZEN COUNCILOR REVOLVING FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Miscellaneous Revenues			
Contributions from private sources	\$ -	\$ 20	\$ 20
TOTAL REVENUES	<u>-</u>	<u>20</u>	<u>20</u>
 Excess of revenue over expenditures	 <u>\$ -</u>	 20	 <u>\$ 20</u>
 Fund balance - January 1, 2007		 -	
Fund balance - December 31, 2007		<u>\$ 20</u>	

COUNTY ROAD FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 77,686	\$ 77,335	\$ (351)
Business and other taxes	225	299	74
Total taxes	<u>77,911</u>	<u>77,634</u>	<u>(277)</u>
Intergovernmental revenues			
Federal grants	7,299	2,506	(4,793)
State grants	16,442	15,594	(848)
Intergovernmental services	11,323	7,879	(3,444)
Total intergovernmental revenues	<u>35,064</u>	<u>25,979</u>	<u>(9,085)</u>
Charges for services			
General government	6	4	(2)
Transportation	2,300	2,398	98
Economic environment	39	30	(9)
Mental and physical health	606	-	(606)
Interfund/department charges for services	115	2,044	1,929
Total charges for services	<u>3,066</u>	<u>4,476</u>	<u>1,410</u>
Fines and forfeits	<u>-</u>	<u>6</u>	<u>6</u>
Interest earnings	<u>213</u>	<u>299</u>	<u>86</u>
Miscellaneous revenues			
Rents and royalties	144	111	(33)
Other miscellaneous revenues	64	9	(55)
Total miscellaneous revenues	<u>208</u>	<u>120</u>	<u>(88)</u>
Transfers in	<u>1,040</u>	<u>1,045</u>	<u>5</u>
Sale of capital assets	<u>3,253</u>	<u>771</u>	<u>(2,482)</u>
TOTAL REVENUES	<u>120,755</u>	<u>110,330</u>	<u>(10,425)</u>
EXPENDITURES			
Current			
Transportation			
Personal services		36,842	
Supplies		7,011	
Contract services and other charges		6,836	
Intergovernmental services		6,073	
Interfund payments for services		22,086	
Total transportation	<u>81,110</u>	<u>78,848</u>	<u>2,262</u>
Capital outlay			
Capital projects			
Road and street construction	49	49	-
Capitalized expenditures	684	668	16
Total capital outlay	<u>733</u>	<u>717</u>	<u>16</u>
Transfers out	<u>39,264</u>	<u>39,264</u>	<u>-</u>
TOTAL EXPENDITURES	<u>121,107</u>	<u>118,829</u>	<u>2,278</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (352)</u>	(8,499)	<u>\$ (8,147)</u>
Adjustment from budgetary basis to GAAP basis			
to GAAP basis		1,181 ^(a)	
Deficiency of revenues under expenditures		(7,318)	
Fund balance (deficit) - January 1, 2007		(1,192)	
Fund balance (deficit) - December 31, 2007		<u>\$ (8,510)</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (28)	
Encumbrances not included in GAAP basis expenditures		1,209	
Adjustment from budgetary basis to GAAP basis		<u>\$ 1,181</u>	

DEVELOPMENT AND ENVIRONMENTAL SERVICES FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Licenses and permits	\$ 6,966	\$ 11,289	\$ 4,323
Intergovernmental revenues			
State grants	-	10	10
Intergovernmental services	201	193	(8)
Total intergovernmental revenues	<u>201</u>	<u>203</u>	<u>2</u>
Charges for services			
General government	-	78	78
Law, safety and justice	-	179	179
Physical environment	-	5	5
Economic environment	19,482	22,465	2,983
Interfund/department charges for services	330	327	(3)
Total charges for services	<u>19,812</u>	<u>23,054</u>	<u>3,242</u>
Fines and forfeits	-	314	314
Interest earnings	400	2,398	1,998
Miscellaneous revenues	595	31	(564)
Transfers in	3,633	3,886	253
TOTAL REVENUES	<u>31,607</u>	<u>41,175</u>	<u>9,568</u>
EXPENDITURES			
Current			
Law, safety and justice			
Personal services		1,113	
Supplies		7	
Contract services and other charges		75	
Interfund payments for services		69	
Total law, safety and justice	<u>1,736</u>	<u>1,264</u>	<u>472</u>
Economic environment			
Personal services		21,928	
Supplies		206	
Contract services and other charges		2,507	
Interfund payments for services		5,324	
Total economic environment	<u>33,694</u>	<u>29,965</u>	<u>3,729</u>
Capital outlay			
Capitalized expenditures	352	323	29
Transfers out	169	38	131
TOTAL EXPENDITURES	<u>35,951</u>	<u>31,590</u>	<u>4,361</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (4,344)</u>	9,585	<u>\$ 13,929</u>
Adjustment from budgetary basis to GAAP basis		(506) ^(a)	
Excess of revenues over expenditures		9,079	
Fund balance - January 1, 2007		18,481	
Fund balance - December 31, 2007		<u>\$ 27,560</u>	
a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis	\$ (704)		
Encumbrances not included in GAAP basis expenditures	198		
Adjustment from budgetary basis to GAAP basis	<u>\$ (506)</u>		

**DEVELOPMENTAL DISABILITIES FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 2,566	\$ 2,564	\$ (2)
Business and other taxes	16	20	4
Total taxes	<u>2,582</u>	<u>2,584</u>	<u>2</u>
Intergovernmental revenues			
Intergovernmental services	<u>1,797</u>	<u>1,084</u>	<u>(713)</u>
Charges for services			
Mental and physical health	19,979	19,185	(794)
Interfund/department charges for services	1,494	1,670	176
Total charges for services	<u>21,473</u>	<u>20,855</u>	<u>(618)</u>
Miscellaneous revenues			
Other miscellaneous revenues	60	73	13
Sale of capital assets	2	3	1
Transfers in	<u>703</u>	<u>703</u>	<u>-</u>
TOTAL REVENUES	<u>26,617</u>	<u>25,302</u>	<u>(1,315)</u>
EXPENDITURES			
Current			
Economic environment			
Personal services		1,618	
Supplies		28	
Contract services and other charges		136	
Interfund payments for services		408	
Total economic environment	<u>2,401</u>	<u>2,190</u>	<u>211</u>
Mental and physical health			
Personal services		1,698	
Supplies		19	
Contract services and other charges		20,582	
Interfund payments for services		931	
Total mental and physical health	<u>25,068</u>	<u>23,230</u>	<u>1,838</u>
Capital outlay			
Capitalized expenditures	45	15	30
Transfers out	<u>27</u>	<u>43</u>	<u>(16)</u>
TOTAL EXPENDITURES	<u>27,541</u>	<u>25,478</u>	<u>2,063</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (924)</u>	(176)	<u>\$ 748</u>
Adjustment from budgetary basis to GAAP basis - encumbrances		<u>11</u>	
Deficiency of revenues under expenditures		(165)	
Fund balance - January 1, 2007		5,983	
Fund balance - December 31, 2007		<u>\$ 5,818</u>	

**EMERGENCY MEDICAL SERVICES FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 38,594	\$ 39,374	\$ 780
Business and other taxes	133	131	(2)
Total taxes	<u>38,727</u>	<u>39,505</u>	<u>778</u>
Intergovernmental revenues			
State grants	<u>-</u>	<u>2</u>	<u>2</u>
Charges for services			
Mental and physical health	3	3	-
Interfund/department charges for services	<u>48</u>	<u>-</u>	<u>(48)</u>
Total charges for services	<u>51</u>	<u>3</u>	<u>(48)</u>
Interest earnings	380	541	161
Miscellaneous revenues	83	132	49
Transfers in	375	375	-
Sale of capital assets	<u>50</u>	<u>65</u>	<u>15</u>
TOTAL REVENUES	<u>39,666</u>	<u>40,623</u>	<u>957</u>
EXPENDITURES			
Current			
Law, safety and justice			
Personal services		12,609	
Supplies		535	
Contract services and other charges		27,628	
Interfund payments for services		<u>2,653</u>	
Total law, safety and justice	<u>44,489</u>	<u>43,425</u>	<u>1,064</u>
Capital outlay			
Capitalized expenditures	65	40	25
Transfers out	<u>176</u>	<u>150</u>	<u>26</u>
TOTAL EXPENDITURES	<u>44,730</u>	<u>43,615</u>	<u>1,115</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (5,064)</u>	(2,992)	<u>\$ 2,072</u>
Adjustment from budgetary basis to GAAP basis			
to GAAP basis		(169) ^(a)	
Deficiency of revenues under expenditures		<u>(3,161)</u>	
Fund balance - January 1, 2007		9,404	
Fund balance - December 31, 2007		<u>\$ 6,243</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (171)	
Encumbrances not included in GAAP basis expenditures		<u>2</u>	
Adjustment from budgetary basis to GAAP basis		<u>\$ (169)</u>	

**ENHANCED 911 EMERGENCY TELEPHONE SYSTEM FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Business and other taxes	\$ 14,912	\$ 15,503	\$ 591
Intergovernmental revenues			
State grants	-	65	65
Charges for services			
Interfund/departmental charges for services	317	528	211
Interest earnings	747	805	58
Miscellaneous revenue	-	1,568	1,568
	<u>15,976</u>	<u>18,469</u>	<u>2,493</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Law, safety and justice			
Personal services		939	
Supplies		22	
Contract services and other charges		11,599	
Interfund payments for services		1,690	
Total law, safety and justice	<u>18,237</u>	<u>14,250</u>	<u>3,987</u>
Capital outlay			
Capitalized expenditures	3,207	3,237	(30)
Transfers out	<u>2</u>	<u>2</u>	<u>-</u>
	<u>21,446</u>	<u>17,489</u>	<u>3,957</u>
TOTAL EXPENDITURES			
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (5,470)</u>	980	<u>\$ 6,450</u>
Adjustment from budgetary basis to GAAP basis		<u>835</u> ^(a)	
Excess of revenues over expenditures		1,815	
Fund balance - January 1, 2007		15,171	
Fund balance - December 31, 2007		<u>\$ 16,986</u>	
(a) Elements of adjustment from a budgetary basis to a GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis	\$	(298)	
Encumbrances not included on a GAAP basis		1,133	
Adjustment from a budgetary basis to GAAP basis	\$	<u>835</u>	

**INTERCOUNTY RIVER IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 52	\$ 51	\$ (1)
Interest earnings	<u>1</u>	<u>3</u>	<u>2</u>
TOTAL REVENUES	<u>53</u>	<u>54</u>	<u>1</u>
EXPENDITURES			
Current			
Physical environment			
Personal services		15	
Contract services and other services		95	
Interfund payments for services		18	
Total physical environment	<u>128</u>	<u>128</u>	<u>-</u>
TOTAL EXPENDITURES	<u>128</u>	<u>128</u>	<u>-</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (75)</u>	(74)	<u>\$ 1</u>
Fund balance - January 1, 2007		<u>100</u>	
Fund balance - December 31, 2007		<u>\$ 26</u>	

LOCAL HAZARDOUS WASTE FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Intergovernmental revenues			
State grants	\$ 558	\$ 561	\$ 3
Intergovernmental services	7,092	7,280	188
Total intergovernmental revenues	<u>7,650</u>	<u>7,841</u>	<u>191</u>
Charges for services			
Mental and physical health	4,814	5,013	199
Interest earnings	59	111	52
Miscellaneous revenues	-	6	6
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>12,523</u>	<u>12,971</u>	<u>448</u>
EXPENDITURES			
Current			
Mental and physical health			
Contract services and other charges		2,709	
Interfund payments for services		9,697	
Total mental and physical health	<u>13,414</u>	<u>12,406</u>	<u>1,008</u>
TOTAL EXPENDITURES	<u>13,414</u>	<u>12,406</u>	<u>1,008</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (891)</u>	565	<u>\$ 1,456</u>
Adjustment from budgetary basis			
to GAAP basis - unrealized loss on investments		<u>(48)</u>	
Excess of revenues over expenditures		517	
Fund balance - January 1, 2007		3,866	
Fund balance - December 31, 2007		<u>\$ 4,383</u>	

MENTAL HEALTH FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 2,566	\$ 2,564	\$ (2)
Business and other taxes	13	20	7
Total taxes	<u>2,579</u>	<u>2,584</u>	<u>5</u>
Intergovernmental revenues			
Federal grants	2,085	2,355	270
State grants	1,565	1,488	(77)
Intergovernmental services	122,989	113,273	(9,716)
Total intergovernmental revenues	<u>126,639</u>	<u>117,116</u>	<u>(9,523)</u>
Charges for services			
Interfund/department charges for services	1,780	1,627	(153)
Interest earnings	440	1,451	1,011
Miscellaneous revenues			
Rents and royalties	-	218	218
Transfers in	1,884	1,884	-
Sale of capital assets	-	3	3
TOTAL REVENUES	<u>133,322</u>	<u>124,883</u>	<u>(8,439)</u>
EXPENDITURES			
Current			
Mental and physical health			
Personal services		7,772	
Supplies		114	
Contract services and other charges		107,206	
Interfund payments for services		4,273	
Total mental and physical health	<u>132,486</u>	<u>119,365</u>	<u>13,121</u>
Capital outlay			
Capitalized expenditures	346	91	255
Transfers out	<u>243</u>	<u>183</u>	<u>60</u>
TOTAL EXPENDITURES	<u>133,075</u>	<u>119,639</u>	<u>13,436</u>
Excess of revenues over expenditures (budgetary basis)	<u>\$ 247</u>	5,244	<u>\$ 4,997</u>
Adjustment from budgetary basis			
to GAAP basis		(405) ^(a)	
Excess of revenues over expenditures		4,839	
Fund balance - January 1, 2007		19,007	
Fund balance - December 31, 2007		<u>\$ 23,846</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (437)	
Encumbrances, not included in GAAP basis expenditures		32	
Adjustment from budgetary basis to GAAP basis		<u>\$ (405)</u>	

NOXIOUS WEED CONTROL FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Excise taxes	\$ 1,202	\$ 1,259	\$ 57
Intergovernmental revenues			
Federal grants	25	29	4
State grants	-	57	57
Interfund/department charges for services	-	15	15
Total intergovernmental revenues	<u>25</u>	<u>101</u>	<u>76</u>
Interest earnings	<u>9</u>	<u>16</u>	<u>7</u>
TOTAL REVENUES	<u>1,236</u>	<u>1,376</u>	<u>140</u>
EXPENDITURES			
Current			
Physical environment			
Personal services		809	
Supplies		13	
Contract services and other charges		153	
Interfund payments for services		136	
Total physical environment	<u>1,169</u>	<u>1,111</u>	<u>58</u>
Capital outlay			
Capitalized expenditures	14	10	4
Transfers out	<u>171</u>	<u>171</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,354</u>	<u>1,292</u>	<u>62</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (118)</u>	84	<u>\$ 202</u>
Adjustment from budgetary basis to GAAP basis		32 ^(a)	
Excess of revenues over expenditures		<u>116</u>	
Fund balance - January 1, 2007		253	
Fund balance - December 31, 2007		<u>\$ 369</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (6)	
Encumbrances not included in GAAP basis expenditures		38	
Adjustment from budgetary basis to GAAP basis		<u>\$ 32</u>	

PARKS AND RECREATION FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 12,616	\$ 12,559	\$ (57)
Excise taxes	-	97	97
Total taxes	<u>12,616</u>	<u>12,656</u>	<u>40</u>
Licenses and permits	<u>120</u>	<u>266</u>	<u>146</u>
Intergovernmental revenues			
State grants	<u>41</u>	<u>42</u>	<u>1</u>
Charges for services			
General government	-	104	104
Culture and recreation	2,182	2,357	175
Interfund/department charges for services	1,497	1,991	494
Total charges for services	<u>3,679</u>	<u>4,452</u>	<u>773</u>
Interest earnings	<u>62</u>	<u>188</u>	<u>126</u>
Miscellaneous revenues			
Rents and royalties	2,539	1,595	(944)
Contributions from private sources	35	562	527
Other miscellaneous revenues	42	72	30
Total miscellaneous revenues	<u>2,616</u>	<u>2,229</u>	<u>(387)</u>
Transfers in	<u>3,036</u>	<u>3,036</u>	<u>-</u>
Sale of capital assets	<u>-</u>	<u>31</u>	<u>31</u>
TOTAL REVENUES	<u>22,170</u>	<u>22,900</u>	<u>730</u>
EXPENDITURES			
Current			
Culture and recreation			
Personal services		14,601	
Supplies		853	
Contract services and other charges		3,157	
Intergovernmental services		148	
Interfund payments for services		3,534	
Total culture and recreation	<u>23,711</u>	<u>22,293</u>	<u>1,418</u>
Capital outlay			
Capitalized expenditures	97	144	(47)
Transfers out	<u>40</u>	<u>-</u>	<u>40</u>
TOTAL EXPENDITURES	<u>23,848</u>	<u>22,437</u>	<u>1,411</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (1,678)</u>	463	<u>\$ 2,141</u>
Adjustment from budgetary basis to GAAP basis		<u>46</u> ^(a)	
Excess of revenues over expenditures		509	
Fund balance - January 1, 2007		3,697	
Fund balance - December 31, 2007		<u>\$ 4,206</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (65)	
Encumbrances not included in GAAP basis expenditures		111	
Adjustment from budgetary basis to GAAP basis		<u>\$ 46</u>	

**RECORDER'S OPERATION AND MAINTENANCE FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Intergovernmental revenues			
Entitlements and shared revenues	\$ 756	\$ 815	\$ 59
Charges for services			
General government	1,279	1,352	73
Interest earnings	111	189	78
	<u>2,146</u>	<u>2,356</u>	<u>210</u>
TOTAL REVENUES			
	<u>2,146</u>	<u>2,356</u>	<u>210</u>
EXPENDITURES			
Current			
General government services			
Personal services		600	
Supplies		69	
Contract services and other charges		367	
Interfund payments for services		57	
Total general government services	<u>2,516</u>	<u>1,093</u>	<u>1,423</u>
Capital outlay			
Capitalized expenditures	264	132	132
Transfers out	4	821	(817)
	<u>2,784</u>	<u>2,046</u>	<u>738</u>
TOTAL EXPENDITURES			
	<u>2,784</u>	<u>2,046</u>	<u>738</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (638)</u>	310	<u>\$ 948</u>
Adjustment from budgetary basis to GAAP basis		77 ^(a)	
Excess of revenue over expenditures		<u>387</u>	
Fund balance - January 1, 2007		3,661	
Fund balance - December 31, 2007		<u>\$ 4,048</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (70)	
Encumbrances not included in GAAP basis expenditures		147	
Adjustment from budgetary basis to GAAP basis		<u>\$ 77</u>	

**RISK ABATEMENT FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services			
Interfund/department charges for services	\$ -	\$ 143	\$ 143
Interest earnings	-	217	217
Miscellaneous revenues	-	2	2
Transfers in	650	650	-
TOTAL REVENUES	650	1,012	362
EXPENDITURES			
Current			
General government services			
Personal services		7	
Supplies		3	
Contract services and other services		173	
Interfund payments for services		29	
Total general government services	1,151	212	939
Capital outlay			
Capitalized expenditures	-	3	(3)
TOTAL EXPENDITURES	1,151	215	936
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	\$ (501)	797	\$ 1,298
Adjustment from budgetary basis			
to GAAP basis		(10) ^(a)	
Excess of revenues over expenditures		787	
Fund balance - January 1, 2007 (Restated)		7,728 ^(b)	
Fund balance - December 31, 2007		\$ 8,515	
 (a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized gain on investments, on a GAAP basis		\$ 40	
Operating transfers out not included in GAAP basis expenditures		(50)	
Adjustment from budgetary basis to GAAP basis		\$ (10)	

(b) See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" - Restatements of Beginning Balances.

RIVER IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 2,690	\$ 2,730	\$ 40
Business and other taxes	-	20	20
Total taxes	<u>2,690</u>	<u>2,750</u>	<u>60</u>
Intergovernmental revenues			
Federal grants	349	221	(128)
State grants	691	759	68
Total intergovernmental revenues	<u>1,040</u>	<u>980</u>	<u>(60)</u>
Miscellaneous revenues	1	1	-
Transfers in	1,728	1,665	(63)
Sale of capital assets	-	3	3
TOTAL REVENUES	<u>5,459</u>	<u>5,399</u>	<u>(60)</u>
EXPENDITURES			
Current			
Physical environment			
Personal services		1,614	
Supplies		318	
Contract services and other charges		1,426	
Intergovernmental services		217	
Interfund payments for services		873	
Total physical environment	<u>4,562</u>	<u>4,448</u>	<u>114</u>
Transfers out	<u>1,471</u>	<u>1,454</u>	<u>17</u>
TOTAL EXPENDITURES	<u>6,033</u>	<u>5,902</u>	<u>131</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (574)</u>	(503)	<u>\$ 71</u>
Adjustment from budgetary basis to GAAP basis - encumbrances		<u>392</u>	
Deficiency of revenues under expenditures		(111)	
Fund balance - January 1, 2007		765	
Fund balance - December 31, 2007		<u>\$ 654</u>	

**SURFACE WATER MANAGEMENT FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Intergovernmental revenues			
Federal grants	\$ 235	\$ 138	\$ (97)
State grants	862	612	(250)
Entitlements and shared revenues	724	867	143
Intergovernmental services	215	116	(99)
Total intergovernmental revenues	<u>2,036</u>	<u>1,733</u>	<u>(303)</u>
Charges for services			
General government	30	28	(2)
Physical environment	23,507	19,092	(4,415)
Economic environment	-	7	7
Interfund/department charges for services	19,602	21,775	2,173
Total charges for services	<u>43,139</u>	<u>40,902</u>	<u>(2,237)</u>
Fines and forfeits	3	-	(3)
Interest earnings	57	184	127
Miscellaneous revenues	56	66	10
Transfers in	<u>8,766</u>	<u>8,286</u>	<u>(480)</u>
TOTAL REVENUES	<u>54,057</u>	<u>51,171</u>	<u>(2,886)</u>
EXPENDITURES			
Current			
Physical environment			
Personal services		27,640	
Supplies		1,071	
Contract services and other charges		1,603	
Intergovernmental services		1,133	
Interfund payment for services		7,559	
Total physical environment	<u>41,229</u>	<u>39,006</u>	<u>2,223</u>
Debt service			
Interest and other debt service costs	<u>45</u>	<u>48</u>	<u>(3)</u>
Capital outlay			
Capitalized expenditures	134	148	(14)
Transfers out	<u>13,589</u>	<u>13,461</u>	<u>128</u>
TOTAL EXPENDITURES	<u>54,997</u>	<u>52,663</u>	<u>2,334</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (940)</u>	(1,492)	<u>\$ (552)</u>
Adjustment from budgetary basis			
to GAAP basis		1,375 ^(a)	
Deficiency of revenues under expenditures		(117)	
Fund balance - January 1, 2007		2,049	
Fund balance - December 31, 2007		<u>\$ 1,932</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (62)	
Encumbrances not included in GAAP basis expenditures		1,437	
Adjustment from budgetary basis to GAAP basis		<u>\$ 1,375</u>	

**VETERANS AND HUMAN SERVICES FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes			
Property taxes	\$ 13,700	\$ 13,782	\$ 82
Business and other taxes	-	106	106
Total taxes	13,700	13,888	188
Interest earnings	-	932	932
Sale of capital assets	-	15	15
TOTAL REVENUES	13,700	14,835	1,135
EXPENDITURES			
Current			
Economic environment			
Personal services		642	
Supplies		45	
Contract services and other charges		1,681	
Interfund payments for services		533	
Total economic environment	25,655	2,901	22,754
Capital Outlay			
Capitalized expenditures	123	1	122
Transfers out	500	500	-
TOTAL EXPENDITURES	26,278	3,402	22,876
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	\$ (12,578)	11,433	\$ 24,011
Adjustment from budgetary basis to GAAP basis		180 ^(a)	
Excess of revenues over expenditures		11,613	
Fund balance - January 1, 2007		13,012	
Fund balance - December 31, 2007		\$ 24,625	
 (a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (347)	
Encumbrances not included in GAAP basis expenditures		527	
Adjustment from budgetary basis to GAAP basis		\$ 180	

VETERANS' RELIEF FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 2,310	\$ 2,308	\$ (2)
Business and other taxes	-	18	18
Total taxes	<u>2,310</u>	<u>2,326</u>	<u>16</u>
Miscellaneous revenues	-	2	2
Sale of capital assets	-	2	2
TOTAL REVENUES	<u>2,310</u>	<u>2,330</u>	<u>20</u>
EXPENDITURES			
Current			
Economic environment			
Personal services		480	
Supplies		75	
Contract services and other charges		1,322	
Interfund payments for services		368	
Total economic environment	<u>2,404</u>	<u>2,245</u>	<u>159</u>
Transfers out	<u>308</u>	<u>301</u>	<u>7</u>
TOTAL EXPENDITURES	<u>2,712</u>	<u>2,546</u>	<u>166</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (402)</u>	(216)	<u>\$ 186</u>
Adjustment from budgetary basis to GAAP basis - encumbrances		5	
Deficiency of revenues under expenditures		<u>(211)</u>	
Fund balance - January 1, 2007		671	
Fund balance - December 31, 2007		<u>\$ 460</u>	

**YOUTH EMPLOYMENT PROGRAMS FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Intergovernmental revenues			
Federal grants	\$ 8,366	\$ 6,145	\$ (2,221)
Intergovernmental services	500	352	(148)
Total intergovernmental revenues	<u>8,866</u>	<u>6,497</u>	<u>(2,369)</u>
Charges for services			
Interfund/department charges for services	-	329	329
Miscellaneous revenues			
Rents and royalties	500	342	(158)
Contributions from private sources	205	-	(205)
Other miscellaneous revenues	412	(15)	(427)
Total miscellaneous revenues	<u>1,117</u>	<u>327</u>	<u>(790)</u>
Transfers in	<u>2,311</u>	<u>1,731</u>	<u>(580)</u>
TOTAL REVENUES	<u>12,294</u>	<u>8,884</u>	<u>(3,410)</u>
EXPENDITURES			
Current			
Economic environment			
Personal services		5,530	
Supplies		145	
Contract services and other charges		1,322	
Interfund payments for services		1,809	
Total economic environment	<u>12,375</u>	<u>8,806</u>	<u>3,569</u>
Capital outlay			
Capitalized expenditures	-	29	(29)
Transfers out	<u>12</u>	<u>12</u>	<u>-</u>
TOTAL EXPENDITURES	<u>12,387</u>	<u>8,847</u>	<u>3,540</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (93)</u>	37	<u>\$ 130</u>
Fund balance - January 1, 2007		<u>3</u>	
Fund balance - December 31, 2007		<u>\$ 40</u>	

**YOUTH SPORTS FACILITIES GRANT FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Retail sales and use taxes	\$ 653	\$ 709	\$ 56
Interest earnings	46	79	33
	<u>699</u>	<u>788</u>	<u>89</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Culture and recreation			
Personal services		100	
Contract services and other charges		1,485	
Interfund payments for services		15	
Total culture and recreation	<u>1,686</u>	<u>1,600</u>	<u>86</u>
TOTAL EXPENDITURES	<u>1,686</u>	<u>1,600</u>	<u>86</u>
Deficiency of revenues under expenditures (budgetary basis)	<u>\$ (987)</u>	(812)	<u>\$ 175</u>
Adjustment from budgetary basis to GAAP basis			
		642 ^(a)	
Deficiency of revenues under expenditures		(170)	
Fund balance - January 1, 2007		1,714	
Fund balance - December 31, 2007		<u>\$ 1,544</u>	
(a) Elements of adjustment from budgetary basis to GAAP basis:			
Recognition of unrealized loss on investments, on a GAAP basis		\$ (28)	
Encumbrances not included in GAAP basis expenditures		670	
Adjustment from budgetary basis to GAAP basis		<u>\$ 642</u>	

**LIMITED GENERAL OBLIGATION BOND REDEMPTION FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Property taxes	\$ 22,612	\$ 22,785	\$ 173
Retail sales and use taxes	39,916	45,012	5,096
Business and other taxes	4,294	3,971	(323)
Total taxes	<u>66,822</u>	<u>71,768</u>	<u>4,946</u>
Intergovernmental revenues			
Entitlements and shared revenues	4,763	4,734	(29)
Intergovernmental services	1,609	1,555	(54)
Total intergovernmental revenues	<u>6,372</u>	<u>6,289</u>	<u>(83)</u>
Charges for services			
General government	6,561	3,280	(3,281)
Interest earnings	677	1,255	578
Miscellaneous revenues	-	24	24
Sale of capital assets	8	24	16
Transfers in	65,943	61,050	(4,893)
TOTAL REVENUES	<u>146,383</u>	<u>143,690</u>	<u>(2,693)</u>
EXPENDITURES			
Debt service			
Principal	71,863	70,891	972
Interest and other debt service costs	62,195	57,605	4,590
Payment to escrow agent	20,000	12,000	8,000
TOTAL EXPENDITURES	<u>154,058</u>	<u>140,496</u>	<u>13,562</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (7,675)</u>	3,194	<u>\$ 10,869</u>
Adjustment from budgetary basis to GAAP basis		<u>(606)</u> ^(a)	
Excess of revenues over expenditures		2,588	
Fund balance - January 1, 2007		<u>31,124</u>	
Fund balance - December 31, 2007		<u>\$ 33,712</u>	

(a) Adjustment from budgetary basis to GAAP basis:

Elements which are budgeted, but are not reported on GAAP basis statements:	
Revenues related to proprietary limited general obligation bonds	\$ (51,575)
Expenditures related to proprietary limited general obligation bonds	51,575
Elements which are not budgeted, but are reported on GAAP basis statements:	
Proceeds of advance refunding limited general obligation bonds	57,538
Payment to escrow agent and issuance cost on related refunded bonds	(57,538)
Recognition of unrealized losses on investments, on a GAAP basis	(606)
Total adjustment from budgetary basis to GAAP basis	<u>\$ (606)</u>

**ROAD IMPROVEMENT GUARANTY FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Interest earnings	\$ -	\$ 23	\$ 23
Transfers in	-	2,402	2,402
TOTAL REVENUES	<u>-</u>	<u>2,425</u>	<u>2,425</u>
EXPENDITURES			
Transfers out	1,032	1,032	-
TOTAL EXPENDITURES	<u>1,032</u>	<u>1,032</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>\$ (1,032)</u>	1,393	<u>\$ 2,425</u>
Fund balance - January 1, 2007		<u>192</u>	
Fund balance - December 31, 2007		<u>\$ 1,585</u>	

STADIUM GENERAL OBLIGATION BOND REDEMPTION FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes			
Retail sales and use taxes - hotel/motel tax	\$ 2,310	\$ 2,441	\$ 131
TOTAL REVENUES	<u>2,310</u>	<u>2,441</u>	<u>131</u>
EXPENDITURES			
Debt Service			
Principal	1,665	1,665	-
Interest and other debt service costs	550	550	-
TOTAL EXPENDITURES	<u>2,215</u>	<u>2,215</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ 95</u>	226	<u>\$ 131</u>
Fund balance - January 1, 2007		<u>5,326</u>	
Fund balance - December 31, 2007		<u>\$ 5,552</u>	

**UNLIMITED GENERAL OBLIGATION BOND REDEMPTION FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

	BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes			
Property taxes	\$ 44,200	\$ 44,152	\$ (48)
Business and other taxes	65	65	-
Total taxes	44,265	44,217	(48)
Miscellaneous revenues			
Other miscellaneous revenues	-	5	5
Sale of capital assets	20	47	27
TOTAL REVENUES	44,285	44,269	(16)
EXPENDITURES			
Debt Service			
Principal	34,180	34,180	-
Interest and other debt service costs	13,577	13,577	-
TOTAL EXPENDITURES	47,757	47,757	-
Deficiency of revenues under expenditures	\$ (3,472)	(3,488)	\$ (16)
Fund balance - January 1, 2007		7,528	
Fund balance - December 31, 2007		\$ 4,040	

**GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(IN THOUSANDS)**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 86,877	\$ 122,561
Taxes receivable – delinquent	5,789	5,949
Accounts receivable	75,941	71,717
Estimated uncollectible accounts receivable	(67,510)	(63,944)
Interest receivable	26,150	10,415
Due from other funds	9,921	9,907
Interfund short-term loans receivable	4,475	7,612
Due from other governments	43,230	35,549
Estimated uncollectible due from other governments	(264)	(738)
Advances to other funds	3,800	3,800
	<u>3,800</u>	<u>3,800</u>
TOTAL ASSETS	<u>\$ 188,409</u>	<u>\$ 202,828</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 8,400	\$ 10,138
Due to other funds	8,079	7,222
Due to other governments	3,086	1,351
Wages payable	14,388	13,149
Taxes payable	200	152
Deferred revenues	11,706	11,402
Obligations under reverse repurchase agreements	-	13,228
Custodial accounts	1,002	1,222
Advances from other funds	900	1,200
Total liabilities	<u>47,761</u>	<u>59,064</u>
Fund balance		
Reserved for encumbrances	10,130	11,193
Reserved for advances to other funds	3,800	3,800
Reserved for animal services	562	503
Reserved for crime victim compensation program	65	66
Reserved for criminal justice	10,538	7,439
Reserved for drug enforcement program	780	147
Reserved for antiprofitteering program	95	195
Reserved for dispute resolution centers	105	93
Reserved for inmate welfare	954	466
Reserved for laptop replacement	292	292
Reserved for real property title assurance	25	25
Unreserved		
Designated for capital projects	4,534	3,636
Designated for reappropriation	588	-
Designated for contingencies	15,903	15,704
Designated for children and family services programs	2,294	3,890
Undesignated	89,983	96,315
Total fund balance	<u>140,648</u>	<u>143,764</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 188,409</u>	<u>\$ 202,828</u>

**OFFICE OF INFORMATION RESOURCE MANAGEMENT CAPITAL FUND
BALANCE SHEET (LEGAL BASIS)
DECEMBER 31, 2007
(IN THOUSANDS)**

ASSETS	
Cash and cash equivalents	\$ 19,480
Due from other funds	583
TOTAL ASSETS	<u>\$ 20,063</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 417
Due to other funds	633
Wages payable	152
Taxes payable	2
Total liabilities	<u>1,204</u>
Fund balance	
Reserved for encumbrances	898
Unreserved	
Undesignated	17,961
Total fund balance	<u>18,859</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 20,063</u>

**OFFICE OF INFORMATION RESOURCE MANAGEMENT CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (LEGAL BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

REVENUES	
Intergovernmental revenues	\$ 382
Interest earnings	584
Miscellaneous revenues	1
TOTAL REVENUES	<u>967</u>
EXPENDITURES	
Current	
General government services	6,710
Debt service	
Interest and other debt service costs	18
Capital outlay	
Capital projects	4,332
Capitalized expenditures	2,301
Total capital outlay	<u>6,633</u>
TOTAL EXPENDITURES	<u>13,361</u>
Deficiency of revenues over (under) expenditures	(12,394)
OTHER FINANCING SOURCES	
Transfers in	8,765
General government debt issued	3,070
Premium on bonds sold	163
TOTAL OTHER FINANCING SOURCES	<u>11,998</u>
Deficiency of revenues and other sources under expenditures and other uses	(396)
Fund balance - January 1, 2007	19,255
Fund balance - December 31, 2007	<u>\$ 18,859</u>

Under the GAAP basis of reporting bond-funded projects accounted for in governmental capital projects funds that will directly benefit internal service funds are removed from the CIP funds and reported instead with the internal service funds. The above schedule shows *pro forma* CIP fund statements under the legal basis where the bond proceeds and project activity are reported in the original capital projects fund.

CAFR

**PROPRIETARY
FUNDS**

**NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2007**

King County has established Enterprise Funds to account for organizations which are 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 operations of a fiberoptic network which connects 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 operations, maintenance, capital improvements, and expansion of the 800 MHz trunked radio system that provides communications for virtually all 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 operations, 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 – Originally established to account for the operations, maintenance, and capital improvements to the King County Stadium (the Kingdome). Although the implosion and subsequent demolition of the Kingdome took place in 2000, the enterprise fund remains open pending final disposition of the fund's remaining assets.

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2007
(IN THOUSANDS)

	RADIO KING COUNTY COMMUNI- INTERNATIONAL CATIONS					STADIUM
	TOTAL	I-NET	AIRPORT	SERVICES	SOLID WASTE	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 75,050	\$ 1,508	\$ 9,326	\$ 5,317	\$ 58,796	\$ 103
Restricted cash and cash equivalents	993	-	986	7	-	-
Accounts receivable	7,381	207	561	181	6,432	-
Estimated uncollectible accounts receivable	(59)	-	(10)	-	(49)	-
Due from other funds	729	59	10	7	653	-
Due from other governments	803	189	-	-	614	-
Inventory of supplies	1,259	-	158	85	1,016	-
Total current assets	<u>86,156</u>	<u>1,963</u>	<u>11,031</u>	<u>5,597</u>	<u>67,462</u>	<u>103</u>
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	81,005	-	10,410	3,215	67,380	-
Accounts receivable	25	-	-	25	-	-
Due from other governments	508	-	508	-	-	-
Total restricted assets	<u>81,538</u>	<u>-</u>	<u>10,918</u>	<u>3,240</u>	<u>67,380</u>	<u>-</u>
Capital assets						
Land	41,977	-	14,960	-	25,594	1,423
Buildings	61,082	-	34,245	-	26,104	733
Improvements other than buildings	162,252	13,354	26,953	4,650	117,295	-
Furniture, machinery and equipment	82,764	6,572	4,198	18,945	53,049	-
Accumulated depreciation	(189,700)	(11,020)	(33,045)	(16,536)	(128,366)	(733)
Work in progress	76,989	-	35,947	-	41,042	-
Total capital assets	<u>235,364</u>	<u>8,906</u>	<u>83,258</u>	<u>7,059</u>	<u>134,718</u>	<u>1,423</u>
Other noncurrent						
Deferred charges	427	-	-	-	427	-
Total noncurrent assets	<u>317,329</u>	<u>8,906</u>	<u>94,176</u>	<u>10,299</u>	<u>202,525</u>	<u>1,423</u>
TOTAL ASSETS	<u>403,485</u>	<u>10,869</u>	<u>105,207</u>	<u>15,896</u>	<u>269,987</u>	<u>1,526</u>
LIABILITIES						
Current liabilities						
Accounts payable	8,759	250	1,130	118	7,261	-
Due to other funds	3,757	-	2,458	51	1,248	-
Interest payable	407	86	27	-	294	-
Wages payable	1,587	29	132	48	1,378	-
Compensated absences payable	194	3	11	3	177	-
Taxes payable	193	-	155	16	22	-
Unearned revenue	2,053	108	1,944	-	1	-
Customer deposits	361	-	312	49	-	-
General obligation bonds payable	4,360	495	345	-	3,520	-
Landfill closure and closure care liability	6,000	-	-	-	6,000	-
Total current liabilities	<u>27,671</u>	<u>971</u>	<u>6,514</u>	<u>285</u>	<u>19,901</u>	<u>-</u>
Noncurrent liabilities						
Compensated absences payable	3,902	79	341	88	3,394	-
Other postemployment benefits	109	2	10	3	94	-
General obligation bonds payable	57,121	4,170	6,475	-	46,476	-
Deferred bond discount/refunding losses	2,116	-	-	-	2,116	-
Environmental remediation	2,624	-	2,624	-	-	-
Landfill closure and closure care liability	100,816	-	-	-	100,816	-
Total noncurrent liabilities	<u>166,688</u>	<u>4,251</u>	<u>9,450</u>	<u>91</u>	<u>152,896</u>	<u>-</u>
TOTAL LIABILITIES	<u>194,359</u>	<u>5,222</u>	<u>15,964</u>	<u>376</u>	<u>172,797</u>	<u>-</u>
NET ASSETS						
Invested in capital assets, net of related debt	171,767	4,241	76,438	7,059	82,606	1,423
Restricted for capital projects	12,345	-	9,105	3,240	-	-
Unrestricted	25,014	1,406	3,700	5,221	14,584	103
TOTAL NET ASSETS	<u>\$ 209,126</u>	<u>\$ 5,647</u>	<u>\$ 89,243</u>	<u>\$ 15,520</u>	<u>\$ 97,190</u>	<u>\$ 1,526</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

	RADIO KING COUNTY COMMUNI- INTERNATIONAL CATIONS					STADIUM
	TOTAL	I-NET	AIRPORT	SERVICES	SOLID WASTE	
OPERATING REVENUES						
I-Net fees	\$ 3,060	\$ 3,060	\$ -	\$ -	\$ -	\$ -
Radio services	3,763	-	-	3,763	-	-
Solid waste disposal charges	89,265	-	-	-	89,265	-
Airfield fees	3,094	-	3,094	-	-	-
Hangar, building, and site rentals and leases	9,367	-	9,367	-	-	-
Reimbursement for services to tenants	1,442	-	1,442	-	-	-
Miscellaneous	13	-	13	-	-	-
Total operating revenues	<u>110,004</u>	<u>3,060</u>	<u>13,916</u>	<u>3,763</u>	<u>89,265</u>	<u>-</u>
OPERATING EXPENSES						
Personal services	43,927	904	4,087	1,354	37,582	-
Materials and supplies	8,423	34	420	261	7,708	-
Contract services and other charges	26,446	792	1,537	450	23,667	-
Utilities	3,445	2	1,158	92	2,193	-
Internal services	12,985	425	4,584	530	7,446	-
Landfill closure and post-closure care	18,918	-	-	-	18,918	-
Depreciation	17,874	1,649	1,521	1,138	13,566	-
Total operating expenses	<u>132,018</u>	<u>3,806</u>	<u>13,307</u>	<u>3,825</u>	<u>111,080</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>(22,014)</u>	<u>(746)</u>	<u>609</u>	<u>(62)</u>	<u>(21,815)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)						
Interest earnings	5,085	55	646	242	4,139	3
Interest expense	(1,983)	(238)	(340)	-	(1,405)	-
Rental income	564	-	-	-	564	-
DNR administration revenue	2,894	-	-	-	2,894	-
DNR administration expense	(3,396)	-	-	-	(3,396)	-
Gain (loss) on disposal of capital assets	54	(191)	5	(13)	253	-
Remediation expense	(809)	-	(809)	-	-	-
Miscellaneous revenue	400	-	-	-	400	-
Miscellaneous expense	(1,329)	-	-	-	(1,329)	-
Total nonoperating revenues (expenses)	<u>1,480</u>	<u>(374)</u>	<u>(498)</u>	<u>229</u>	<u>2,120</u>	<u>3</u>
Income (loss) before contributions and transfers	(20,534)	(1,120)	111	167	(19,695)	3
Capital grants and contributions	3,430	17	2,533	190	690	-
Transfers in	-	-	-	-	-	-
Transfers out	(416)	(12)	(8)	(36)	(360)	-
CHANGE IN NET ASSETS	<u>(17,520)</u>	<u>(1,115)</u>	<u>2,636</u>	<u>321</u>	<u>(19,365)</u>	<u>3</u>
NET ASSETS - JANUARY 1, 2007	<u>226,646</u>	<u>6,762</u>	<u>86,607</u>	<u>15,199</u>	<u>116,555</u>	<u>1,523</u>
NET ASSETS - DECEMBER 31, 2007	<u>\$ 209,126</u>	<u>\$ 5,647</u>	<u>\$ 89,243</u>	<u>\$ 15,520</u>	<u>\$ 97,190</u>	<u>\$ 1,526</u>

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 1 OF 2)

	TOTAL	I-NET	KING COUNTY INTERNATIONAL AIRPORT	RADIO COMMUNI- CATIONS SERVICES	SOLID WASTE	STADIUM
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 109,152	\$ 2,903	\$ 13,566	\$ 3,768	\$ 88,915	\$ -
Cash payments to suppliers for goods and services	(51,864)	(1,399)	(8,853)	(1,339)	(40,273)	-
Cash payments for employee services	(43,529)	(890)	(4,130)	(1,342)	(37,167)	-
Other receipts	3,858	-	-	-	3,858	-
Other payments	(4,717)	-	-	-	(4,717)	-
Net cash provided by operating activities	<u>12,900</u>	<u>614</u>	<u>583</u>	<u>1,087</u>	<u>10,616</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers out	(416)	(12)	(8)	(36)	(360)	-
Net cash used by noncapital financing activities	<u>(416)</u>	<u>(12)</u>	<u>(8)</u>	<u>(36)</u>	<u>(360)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(43,776)	(21)	(4,318)	(250)	(39,187)	-
Principal paid on general obligation bonds	(6,497)	(540)	(325)	-	(5,632)	-
Interest paid on general obligation bonds	(1,676)	(158)	(341)	-	(1,177)	-
Proceeds from general obligation bond issue	40,635	-	-	-	40,635	-
Capital grants received	3,223	-	2,533	-	690	-
Proceeds from disposal of capital assets	262	-	10	-	252	-
Landfill closure and post-closure care	(2,741)	-	-	-	(2,741)	-
Net cash used by capital and related financing activities	<u>(10,570)</u>	<u>(719)</u>	<u>(2,441)</u>	<u>(250)</u>	<u>(7,160)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease in allocation of pooled reverse repurchase agreements	(5,831)	-	(880)	-	(4,951)	-
Interest on investments (including unrealized gains and losses reported as cash and cash equivalents)	5,085	55	646	242	4,139	3
Net cash provided (used) by investing activities	<u>(746)</u>	<u>55</u>	<u>(234)</u>	<u>242</u>	<u>(812)</u>	<u>3</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,168	(62)	(2,100)	1,043	2,284	3
CASH AND CASH EQUIVALENTS - JANUARY 1, 2007	<u>155,880</u>	<u>1,570</u>	<u>22,822</u>	<u>7,496</u>	<u>123,892</u>	<u>100</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2007	<u>\$ 157,048</u>	<u>\$ 1,508</u>	<u>\$ 20,722</u>	<u>\$ 8,539</u>	<u>\$ 126,176</u>	<u>\$ 103</u>

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 2 OF 2)**

	<u>TOTAL</u>	<u>I-NET</u>	<u>KING COUNTY INTERNATIONAL AIRPORT</u>	<u>RADIO COMMUNI- CATIONS SERVICES</u>	<u>SOLID WASTE</u>	<u>STADIUM</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (22,014)	\$ (746)	\$ 609	\$ (62)	\$ (21,815)	\$ -
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Depreciation	17,874	1,649	1,521	1,138	13,566	-
Landfill closure and post-closure care	18,918	-	-	-	18,918	-
Other nonoperating revenue/expense	(1,668)	-	(809)	-	(859)	-
Changes in assets - (increase) decrease						
Accounts receivable, net	(798)	72	(69)	(75)	(726)	-
Due from other funds	358	(46)	119	67	218	-
Due from other governments	(361)	(110)	(363)	-	112	-
Inventory of supplies	(137)	-	(27)	48	(158)	-
Prepayments	2	-	2	-	-	-
Changes in liabilities - increase (decrease)						
Accounts payable	482	27	(395)	(36)	886	-
Due to other funds	(69)	(172)	74	(18)	47	-
Wages payable	176	4	(1)	5	168	-
Taxes payable	16	-	3	1	12	-
Unearned revenues	(50)	(74)	24	-	-	-
Compensated absences	113	8	(52)	4	153	-
Other postemployment benefits	109	2	10	3	94	-
Customer deposits	(51)	-	(63)	12	-	-
Total Adjustments	<u>34,914</u>	<u>1,360</u>	<u>(26)</u>	<u>1,149</u>	<u>32,431</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 12,900</u>	<u>\$ 614</u>	<u>\$ 583</u>	<u>\$ 1,087</u>	<u>\$ 10,616</u>	<u>\$ -</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Contributions of capital assets from government	\$ 207	\$ 17	\$ -	\$ 190	\$ -	\$ -



**INTERNAL SERVICE FUNDS
DECEMBER 31, 2007**

Building Development and Management Corporations Fund – Accounts for the development, construction, management and financing of County buildings.

Construction and Facilities Management Fund – Accounts for custodial services, building maintenance, and CIP project management. The fund earns revenue by charging tenants of County buildings for facilities maintenance, renovation, and architectural 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, life insurance, 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, treasury, contracts, and procurement services provided to King County and other contracting agencies.

Office of Information Resource Management Operating Fund – Accounts for the activities relating to the operations of the Office of Information Resource Management, including 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 – Accounts for printing, graphic arts, and duplicating services.

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 healthful workplace, as required by the Washington Industrial Safety and Health Act of 1973, and accounts for King County's self-insured worker 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 a fleet of equipment and vehicles for use by the Wastewater Treatment Division and Water and Land Resources.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 1 OF 3)

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM
ASSETS					
Current assets					
Cash and cash equivalents	\$ 188,834	\$ 2	\$ 2,067	\$ 604	\$ 33,417
Restricted cash and cash equivalents	126,127	126,127	-	-	-
Investments	3,141	-	-	-	-
Interest receivable	517	447	-	-	-
Accounts receivable	790	673	1	-	50
Estimated uncollectible accounts receivable	(5)	-	-	-	-
Due from other funds	4,412	-	1,676	667	46
Due from other governments, net	422	-	-	-	-
Inventory of supplies	1,436	-	201	-	-
Prepayments	8,556	27	-	-	-
Total current assets	<u>334,230</u>	<u>127,276</u>	<u>3,945</u>	<u>1,271</u>	<u>33,513</u>
Noncurrent Assets					
Cash and cash equivalents	47,839	47,839	-	-	-
Deferred charges	5,770	5,770	-	-	-
Capital assets					
Land	20,395	20,395	-	-	-
Buildings	195,788	195,788	-	-	-
Improvements other than buildings	2,509	-	525	-	-
Accumulated depreciation	(17,360)	(16,775)	(332)	-	-
Furniture, machinery and equipment	96,164	-	4,995	2,064	3,505
Accumulated depreciation	(63,238)	-	(1,690)	(1,312)	(43)
Work in progress	45,618	45,618	-	-	-
Total capital assets	<u>279,876</u>	<u>245,026</u>	<u>3,498</u>	<u>752</u>	<u>3,462</u>
Total noncurrent assets	<u>333,485</u>	<u>298,635</u>	<u>3,498</u>	<u>752</u>	<u>3,462</u>
TOTAL ASSETS	<u>667,715</u>	<u>425,911</u>	<u>7,443</u>	<u>2,023</u>	<u>36,975</u>
LIABILITIES					
Current liabilities					
Accounts payable	8,543	324	1,153	120	1,697
Contracts payable	12,049	12,049	-	-	-
Retainage payable	2,448	2,446	2	-	-
Estimated claim settlements	87,185	-	-	-	13,872
Due to other funds	3,732	-	233	-	43
Due to other governments	9	9	-	-	-
Interest payable	1,699	1,693	6	-	-
Interfund short-term loans payable	1,629	-	-	-	-
Wages payable	2,890	-	877	-	69
Compensated absences payable	553	-	141	-	11
Taxes payable	43	20	7	-	-
Unearned revenues	836	2	-	-	598
General obligation bonds payable	170	-	170	-	-
Revenue bonds payable	5,895	5,895	-	-	-
Assessments payable	15	-	15	-	-
Custodial accounts	165	-	-	-	165
Total current liabilities	<u>127,861</u>	<u>22,438</u>	<u>2,604</u>	<u>120</u>	<u>16,455</u>
Long-term liabilities					
Compensated absences payable	9,599	-	2,448	-	194
Other postemployment benefits	202	-	74	-	2
General obligation bonds payable	420	-	420	-	-
Revenue bonds payable	408,640	408,640	-	-	-
Assessments payable	44	-	44	-	-
Estimated claim settlements	49,360	-	-	-	-
Total long-term liabilities	<u>468,265</u>	<u>408,640</u>	<u>2,986</u>	<u>-</u>	<u>196</u>
TOTAL LIABILITIES	<u>596,126</u>	<u>431,078</u>	<u>5,590</u>	<u>120</u>	<u>16,651</u>
NET ASSETS					
Invested in capital assets, net of related debt	14,623	(19,637)	2,908	752	3,462
Restricted for:					
Capital projects	5,865	5,865	-	-	-
Debt Service	26,817	26,817	-	-	-
Unrestricted	24,284	(18,212)	(1,055)	1,151	16,862
TOTAL NET ASSETS	<u>\$ 71,589</u>	<u>\$ (5,167)</u>	<u>\$ 1,853</u>	<u>\$ 1,903</u>	<u>\$ 20,324</u>

KING COUNTY, WASHINGTON

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2007
(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	MOTOR POOL EQUIPMENT RENTAL
\$ 5,042	\$ 1,704	\$ 8,313	\$ 81,732	\$ 972	\$ 5,350
-	-	-	-	-	-
-	-	-	-	-	-
-	-	64	-	2	-
-	-	(5)	-	-	-
386	45	863	54	39	42
390	-	30	-	-	-
-	-	-	-	-	84
-	-	-	8,529	-	-
<u>5,818</u>	<u>1,749</u>	<u>9,265</u>	<u>90,315</u>	<u>1,013</u>	<u>5,476</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,984
-	-	-	-	-	(253)
3,798	48	10,785	45	735	30,545
(2,977)	(36)	(9,257)	(36)	(566)	(20,634)
-	-	-	-	-	-
<u>821</u>	<u>12</u>	<u>1,528</u>	<u>9</u>	<u>169</u>	<u>11,642</u>
<u>821</u>	<u>12</u>	<u>1,528</u>	<u>9</u>	<u>169</u>	<u>11,642</u>
<u>6,639</u>	<u>1,761</u>	<u>10,793</u>	<u>90,324</u>	<u>1,182</u>	<u>17,118</u>
-	-	-	-	-	-
775	8	2,066	161	210	195
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	58,192	-	-
569	22	1,665	372	26	185
-	-	-	-	-	-
-	-	-	-	-	-
702	50	649	71	112	53
155	13	130	14	16	11
-	-	14	-	1	-
211	-	25	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,412</u>	<u>93</u>	<u>4,549</u>	<u>58,810</u>	<u>365</u>	<u>444</u>
-	-	-	-	-	-
2,695	223	2,242	240	288	182
48	2	36	5	7	5
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,743</u>	<u>225</u>	<u>2,278</u>	<u>245</u>	<u>295</u>	<u>187</u>
<u>5,155</u>	<u>318</u>	<u>6,827</u>	<u>59,055</u>	<u>660</u>	<u>631</u>
-	-	-	-	-	-
821	12	1,528	9	169	11,642
-	-	-	-	-	-
-	-	-	-	-	-
<u>663</u>	<u>1,431</u>	<u>2,438</u>	<u>31,260</u>	<u>353</u>	<u>4,845</u>
<u>\$ 1,484</u>	<u>\$ 1,443</u>	<u>\$ 3,966</u>	<u>\$ 31,269</u>	<u>\$ 522</u>	<u>\$ 16,487</u>

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2007
(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	\$ -	\$ 8,201	\$ 35,854	\$ 5,576
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	3,141	-
Interest receivable	-	-	70	-
Accounts receivable	-	-	-	-
Estimated uncollectible accounts receivable	-	-	-	-
Due from other funds	278	232	84	-
Due from other governments, net	2	-	-	-
Inventory of supplies	-	1,144	-	7
Prepayments	-	-	-	-
Total current assets	<u>280</u>	<u>9,577</u>	<u>39,149</u>	<u>5,583</u>
Noncurrent Assets				
Cash and cash equivalents	-	-	-	-
Deferred charges	-	-	-	-
Capital assets				
Land	-	-	-	-
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Accumulated depreciation	-	-	-	-
Furniture, machinery and equipment	618	26,457	177	12,392
Accumulated depreciation	(418)	(16,985)	(151)	(9,133)
Work in progress	-	-	-	-
Total capital assets	<u>200</u>	<u>9,472</u>	<u>26</u>	<u>3,259</u>
Total noncurrent assets	<u>200</u>	<u>9,472</u>	<u>26</u>	<u>3,259</u>
TOTAL ASSETS	<u>480</u>	<u>19,049</u>	<u>39,175</u>	<u>8,842</u>
LIABILITIES				
Current liabilities				
Accounts payable	256	497	1,040	41
Contracts payable	-	-	-	-
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	15,121	-
Due to other funds	527	28	34	28
Due to other governments	-	-	-	-
Interest payable	-	-	-	-
Interfund short-term loans payable	1,629	-	-	-
Wages payable	37	173	97	-
Compensated absences payable	1	47	14	-
Taxes payable	1	-	-	-
Unearned revenues	-	-	-	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Assessments payable	-	-	-	-
Custodial accounts	-	-	-	-
Total current liabilities	<u>2,451</u>	<u>745</u>	<u>16,306</u>	<u>69</u>
Long-term liabilities				
Compensated absences payable	21	817	249	-
Other postemployment benefits	4	13	6	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	-	-	-
Assessments payable	-	-	-	-
Estimated claim settlements	-	-	49,360	-
Total long-term liabilities	<u>25</u>	<u>830</u>	<u>49,615</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,476</u>	<u>1,575</u>	<u>65,921</u>	<u>69</u>
NET ASSETS				
Invested in capital assets, net of related debt	200	9,472	26	3,259
Restricted for:				
Capital projects	-	-	-	-
Debt Service	-	-	-	-
Unrestricted	(2,196)	8,002	(26,772)	5,514
TOTAL NET ASSETS	<u>\$ (1,996)</u>	<u>\$ 17,474</u>	<u>\$ (26,746)</u>	<u>\$ 8,773</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 1 OF 3)**

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM
OPERATING REVENUES					
Profit on inventory sales					
Sales of inventory	\$ 8,052	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	<u>(7,028)</u>	-	-	-	-
Gross profit on inventory	1,024	-	-	-	-
Data processing services - intracounty	26,816	-	-	-	-
Data processing services - other	483	-	-	-	-
Telecommunication services	2,923	-	-	-	-
Information resources management fees	1,865	-	-	-	-
Geographic information systems fees	4,334	-	-	-	-
Building management fees	12,682	12,682	-	-	-
Building operation and maintenance service fees	31,126	-	31,126	-	-
Architect/engineering/renovation service fees	8,747	-	8,747	-	-
Benefit program employer contributions	175,423	-	-	-	175,423
Benefit program employee fees	7,784	-	-	-	7,784
Financial services	29,365	-	-	-	-
Insurance services	22,827	-	-	-	-
Equipment rental fees	17,283	-	-	-	-
Fixed asset data management services	157	-	-	-	-
Garage shop services	405	-	-	-	-
Printing and duplication	3,072	-	-	-	-
Workers' compensation employer contributions	37,903	-	-	-	-
Miscellaneous	<u>2,839</u>	<u>16</u>	<u>106</u>	<u>667</u>	<u>-</u>
Total operating revenues	<u>387,058</u>	<u>12,698</u>	<u>39,979</u>	<u>667</u>	<u>183,207</u>
OPERATING EXPENSES					
Personal services	79,611	-	25,567	-	1,884
Materials and supplies	10,648	-	1,635	-	34
Contract services and other charges	247,180	2,931	9,804	-	170,917
Lease and maintenance of equipment	6,427	-	474	-	10
Internal services	21,036	-	3,378	24	273
Depreciation	<u>11,672</u>	<u>3,150</u>	<u>385</u>	<u>370</u>	<u>9</u>
Total operating expenses	<u>376,574</u>	<u>6,081</u>	<u>41,243</u>	<u>394</u>	<u>173,127</u>
OPERATING INCOME (LOSS)	<u>10,484</u>	<u>6,617</u>	<u>(1,264)</u>	<u>273</u>	<u>10,080</u>
NONOPERATING REVENUES					
Interest	<u>7,436</u>	<u>1,580</u>	<u>173</u>	<u>23</u>	<u>876</u>
Total nonoperating revenues	<u>7,436</u>	<u>1,580</u>	<u>173</u>	<u>23</u>	<u>876</u>
NONOPERATING EXPENSES					
Interest	10,377	10,260	35	-	-
(Gain) loss on disposal of capital assets	<u>(1,016)</u>	-	<u>(588)</u>	1	-
Total nonoperating expenses	<u>9,361</u>	<u>10,260</u>	<u>(553)</u>	<u>1</u>	<u>-</u>
Income (loss) before contributions and transfers	8,559	(2,063)	(538)	295	10,956
Capital contributions	1,904	-	1,672	17	-
Transfers in	1,620	-	383	-	-
Transfers out	<u>(5,802)</u>	-	<u>(233)</u>	<u>(39)</u>	<u>(69)</u>
CHANGE IN NET ASSETS	<u>6,281</u>	<u>(2,063)</u>	<u>1,284</u>	<u>273</u>	<u>10,887</u>
NET ASSETS - JANUARY 1, 2007 (RESTATED) ^(a)	<u>65,308</u>	<u>(3,104)</u>	<u>569</u>	<u>1,630</u>	<u>9,437</u>
NET ASSETS - DECEMBER 31, 2007	<u>\$ 71,589</u>	<u>\$ (5,167)</u>	<u>\$ 1,853</u>	<u>\$ 1,903</u>	<u>\$ 20,324</u>

(a) See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 2 OF 3)**

	FINANCIAL MANAGEMENT SERVICES	OFFICE OF INFORMATION RESOURCE MANAGEMENT OPERATING	INFORMATION & TELECOM- MUNICATIONS SERVICES	INSURANCE
OPERATING REVENUES				
Profit on inventory sales				
Sales of inventory	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-
Gross profit on inventory	-	-	-	-
Data processing services - intracounty	-	-	26,816	-
Data processing services - other	-	-	483	-
Telecommunication services	-	-	2,923	-
Information resources management fees	-	1,865	-	-
Geographic information systems fees	-	-	-	-
Building management fees	-	-	-	-
Building operation and maintenance service fees	-	-	-	-
Architect/engineering/renovation service fees	-	-	-	-
Benefit program employer contributions	-	-	-	-
Benefit program employee fees	-	-	-	-
Financial services	29,365	-	-	-
Insurance services	-	-	-	22,827
Equipment rental fees	-	-	-	-
Fixed asset data management services	-	-	-	-
Garage shop services	-	-	-	-
Printing and duplication	-	-	-	-
Workers' compensation employer contributions	-	-	-	-
Miscellaneous	15	-	32	1,760
Total operating revenues	<u>29,380</u>	<u>1,865</u>	<u>30,254</u>	<u>24,587</u>
OPERATING EXPENSES				
Personal services	19,530	1,181	17,007	2,071
Materials and supplies	297	5	1,310	52
Contract services and other charges	2,012	71	2,449	30,834
Lease and maintenance of equipment	1,281	12	3,066	33
Internal services	7,514	277	3,096	1,433
Depreciation	371	8	796	1
Total operating expenses	<u>31,005</u>	<u>1,554</u>	<u>27,724</u>	<u>34,424</u>
OPERATING INCOME (LOSS)	<u>(1,625)</u>	<u>311</u>	<u>2,530</u>	<u>(9,837)</u>
NONOPERATING REVENUES				
Interest	441	49	-	2,704
Total nonoperating revenues	<u>441</u>	<u>49</u>	<u>-</u>	<u>2,704</u>
NONOPERATING EXPENSES				
Interest	-	-	7	-
(Gain) loss on disposal of capital assets	3	-	23	-
Total nonoperating expenses	<u>3</u>	<u>-</u>	<u>30</u>	<u>-</u>
Income (loss) before contributions and transfers	(1,187)	360	2,500	(7,133)
Capital contributions	-	5	-	-
Transfers in	-	-	1,169	-
Transfers out	(211)	(29)	(5,041)	(2)
CHANGE IN NET ASSETS	<u>(1,398)</u>	<u>336</u>	<u>(1,372)</u>	<u>(7,135)</u>
NET ASSETS - JANUARY 1, 2007 (RESTATED) ^(a)	<u>2,882</u>	<u>1,107</u>	<u>5,338</u>	<u>38,404</u>
NET ASSETS - DECEMBER 31, 2007	<u>\$ 1,484</u>	<u>\$ 1,443</u>	<u>\$ 3,966</u>	<u>\$ 31,269</u>

(a) See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 3 OF 3)

KING COUNTY GEOGRAPHIC INFORMATION SYSTEMS	MOTOR POOL EQUIPMENT RENTAL	PRINTING/ GRAPHIC ARTS SERVICES	PUBLIC WORKS EQUIPMENT RENTAL	SAFETY & WORKERS' COMPENSATION	WASTEWATER EQUIPMENT RENTAL
\$ -	\$ 2,493	\$ -	\$ 5,249	\$ -	\$ 310
-	(2,328)	-	(4,424)	-	(276)
-	165	-	825	-	34
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,334	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,600	-	6,752	-	1,931
-	-	-	157	-	-
-	78	-	327	-	-
-	-	3,072	-	-	-
-	-	-	-	37,903	-
-	167	11	62	-	3
4,334	9,010	3,083	8,123	37,903	1,968
3,150	1,749	1,056	3,582	2,592	242
56	3,695	465	2,741	51	307
18	187	946	251	26,751	9
343	383	469	223	101	32
334	1,082	675	803	1,874	273
51	3,321	15	2,358	3	834
3,952	10,417	3,626	9,958	31,372	1,697
382	(1,407)	(543)	(1,835)	6,531	271
-	138	-	285	1,014	153
-	138	-	285	1,014	153
-	-	75	-	-	-
-	(61)	-	(275)	-	(119)
-	(61)	75	(275)	-	(119)
382	(1,208)	(618)	(1,275)	7,545	543
29	105	2	74	-	-
-	68	-	-	-	-
(90)	(2)	(2)	(23)	(10)	(51)
321	(1,037)	(618)	(1,224)	7,535	492
201	17,524	(1,378)	18,698	(34,281)	8,281
\$ 522	\$ 16,487	\$ (1,996)	\$ 17,474	\$ (26,746)	\$ 8,773

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 1 OF 3)**

	TOTAL	BUILDING DEVELOPMENT & MANAGEMENT CORPORATIONS	CONSTRUCTION & FACILITIES MANAGEMENT	DES EQUIPMENT REPLACEMENT	EMPLOYEE BENEFITS PROGRAM
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from users	\$ 394,210	\$ 12,125	\$ 39,243	\$ (354)	\$ 183,341
Cash payments to suppliers for goods and services	(276,843)	(2,845)	(15,433)	28	(171,214)
Cash payments for employee services	(78,972)	-	(25,318)	-	(1,946)
Other operating revenues	2,839	16	106	667	-
Net cash provided (used) by operating activities	<u>41,234</u>	<u>9,296</u>	<u>(1,402)</u>	<u>341</u>	<u>10,181</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest paid on short-term loans	(75)	-	-	-	-
Interfund loan principal	642	-	-	-	-
Transfers in	1,620	-	383	-	-
Transfers out	(4,866)	-	(192)	-	(30)
Net cash provided (used) by noncapital financing activities	<u>(2,679)</u>	<u>-</u>	<u>191</u>	<u>-</u>	<u>(30)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(84,152)	(78,043)	(71)	(372)	(621)
Principal paid on general obligation bonds	(315)	-	(160)	-	-
Interest paid on general obligation bonds	(39)	-	(31)	-	-
Principal paid on revenue bonds	(70,370)	(70,370)	-	-	-
Interest paid on revenue bonds	(9,987)	(9,987)	-	-	-
Proceeds from new revenue bond issue	252,120	252,120	-	-	-
Principal paid on assessment	(15)	-	(15)	-	-
Interest paid on assessment	(6)	-	(6)	-	-
Deferred costs	(1,717)	(1,717)	-	-	-
Proceeds from disposal of capital assets	757	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>86,276</u>	<u>92,003</u>	<u>(283)</u>	<u>(372)</u>	<u>(621)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease in allocation of pooled reverse repurchase agreement	(5,537)	-	-	-	(1,028)
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	7,491	1,705	173	23	876
Purchase of investments	(3,141)	-	-	-	-
Net cash provided (used) by investing activities	<u>(1,187)</u>	<u>1,705</u>	<u>173</u>	<u>23</u>	<u>(152)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	123,644	103,004	(1,321)	(8)	9,378
CASH AND CASH EQUIVALENTS - JANUARY 1, 2007	<u>239,156</u>	<u>70,964</u>	<u>3,388</u>	<u>612</u>	<u>24,039</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2007	<u>\$ 362,800</u>	<u>\$ 173,968</u>	<u>\$ 2,067</u>	<u>\$ 604</u>	<u>\$ 33,417</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 10,484	\$ 6,617	\$ (1,264)	\$ 273	\$ 10,080
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation	11,672	3,150	385	370	9
Change in assets - (increase) decrease					
Accounts receivable, net	(193)	(559)	409	-	(50)
Due from other funds	2,987	-	(1,039)	(354)	(46)
Due from other governments, net	(96)	-	-	-	-
Inventory of supplies	(152)	-	14	-	-
Prepayments	541	(4)	-	-	-
Change in liabilities - increase (decrease)					
Accounts payable	(4,780)	157	200	52	35
Retainage payable	2	-	2	-	-
Estimated claim settlements	19,796	-	-	-	(21)
Due to other funds	88	(77)	(358)	-	6
Due to other governments	9	9	-	-	-
Wages payable	247	-	80	-	(58)
Taxes payable	6	1	-	-	-
Custodial accounts	45	-	-	-	45
Unearned revenues	186	2	-	-	185
Compensated absences	190	-	95	-	(6)
Other postemployment benefits	202	-	74	-	2
Total adjustments	<u>30,750</u>	<u>2,679</u>	<u>(138)</u>	<u>68</u>	<u>101</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 41,234</u>	<u>\$ 9,296</u>	<u>\$ (1,402)</u>	<u>\$ 341</u>	<u>\$ 10,181</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contributions of capital assets from government	\$ 1,904	\$ -	\$ 1,672	\$ 17	\$ -

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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	MOTOR POOL EQUIPMENT RENTAL
\$ 29,641	\$ 1,980	\$ 30,318	\$ 22,773	\$ 4,360	\$ 13,015
(10,204)	(400)	(9,174)	(23,523)	(578)	(7,858)
(19,272)	(1,245)	(16,764)	(2,026)	(3,107)	(1,720)
15	-	32	1,760	-	167
<u>180</u>	<u>335</u>	<u>4,412</u>	<u>(1,016)</u>	<u>675</u>	<u>3,604</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,169	-	-	68
<u>(211)</u>	<u>(19)</u>	<u>(4,234)</u>	<u>(2)</u>	<u>(90)</u>	<u>(2)</u>
<u>(211)</u>	<u>(19)</u>	<u>(3,065)</u>	<u>(2)</u>	<u>(90)</u>	<u>66</u>
(162)	(10)	(653)	(8)	(95)	(2,154)
-	-	(155)	-	-	-
-	-	(8)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	288
<u>(162)</u>	<u>(10)</u>	<u>(816)</u>	<u>(8)</u>	<u>(95)</u>	<u>(1,866)</u>
-	-	-	(3,524)	-	-
441	49	-	2,704	-	138
-	-	-	-	-	-
<u>441</u>	<u>49</u>	<u>-</u>	<u>(820)</u>	<u>-</u>	<u>138</u>
248	355	531	(1,846)	490	1,942
4,794	1,349	7,782	83,578	482	3,408
<u>\$ 5,042</u>	<u>\$ 1,704</u>	<u>\$ 8,313</u>	<u>\$ 81,732</u>	<u>\$ 972</u>	<u>\$ 5,350</u>
<u>\$ (1,625)</u>	<u>\$ 311</u>	<u>\$ 2,530</u>	<u>\$ (9,837)</u>	<u>\$ 382</u>	<u>\$ (1,407)</u>
371	8	796	1	51	3,321
-	-	(1)	-	(1)	-
395	115	46	(54)	27	1,844
(93)	-	(8)	-	-	-
-	-	-	-	-	(5)
-	-	-	545	-	-
361	(57)	(831)	(4,559)	192	(230)
-	-	-	-	-	-
-	-	-	12,485	-	-
539	22	1,607	358	(19)	52
-	-	-	-	-	-
92	(5)	90	3	15	1
-	-	5	-	-	-
-	-	-	-	-	-
(26)	-	25	-	-	-
118	(61)	117	37	21	23
48	2	36	5	7	5
<u>1,805</u>	<u>24</u>	<u>1,882</u>	<u>8,821</u>	<u>293</u>	<u>5,011</u>
<u>\$ 180</u>	<u>\$ 335</u>	<u>\$ 4,412</u>	<u>\$ (1,016)</u>	<u>\$ 675</u>	<u>\$ 3,604</u>
\$ -	\$ 5	\$ -	\$ -	\$ 29	\$ 105

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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	\$ 2,843	\$ 12,654	\$ 39,386	\$ 2,885
Cash payments to suppliers for goods and services	(2,123)	(11,013)	(21,603)	(903)
Cash payments for employee services	(1,296)	(3,493)	(2,543)	(242)
Other operating revenues	11	62	-	3
Net cash provided (used) by operating activities	<u>(565)</u>	<u>(1,790)</u>	<u>15,240</u>	<u>1,743</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interest paid on short-term loans	(75)	-	-	-
Interfund loan principal	642	-	-	-
Transfers in	-	-	-	-
Transfers out	(2)	(23)	(10)	(51)
Net cash provided (used) by noncapital financing activities	<u>565</u>	<u>(23)</u>	<u>(10)</u>	<u>(51)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(1,340)	-	(623)
Principal paid on general obligation bonds	-	-	-	-
Interest paid on general obligation bonds	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Interest paid on revenue bonds	-	-	-	-
Proceeds from new revenue bond issue	-	-	-	-
Principal paid on assessment	-	-	-	-
Interest paid on assessment	-	-	-	-
Deferred costs	-	-	-	-
Proceeds from disposal of capital assets	-	350	-	119
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(990)</u>	<u>-</u>	<u>(504)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in allocation of pooled reverse repurchase agreement	-	-	(985)	-
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	-	285	944	153
Purchase of investments	-	-	(3,141)	-
Net cash provided (used) by investing activities	<u>-</u>	<u>285</u>	<u>(3,182)</u>	<u>153</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(2,518)	12,048	1,341
CASH AND CASH EQUIVALENTS - JANUARY 1, 2007	-	10,719	23,806	4,235
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2007	<u>\$ -</u>	<u>\$ 8,201</u>	<u>\$ 35,854</u>	<u>\$ 5,576</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (543)	\$ (1,835)	\$ 6,531	\$ 271
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation	15	2,358	3	834
Change in assets - (increase) decrease				
Accounts receivable, net	-	-	9	-
Due from other funds	(234)	169	1,474	644
Due from other governments, net	5	-	-	-
Inventory of supplies	-	(160)	-	(1)
Prepayments	-	-	-	-
Change in liabilities - increase (decrease)				
Accounts payable	(22)	48	(139)	13
Retainage payable	-	-	-	-
Estimated claim settlements	-	-	7,332	-
Due to other funds	454	(2,459)	(19)	(18)
Due to other governments	-	-	-	-
Wages payable	(3)	12	20	-
Taxes payable	-	-	-	-
Custodial accounts	-	-	-	-
Unearned revenues	-	-	-	-
Compensated absences	(241)	64	23	-
Other postemployment benefits	4	13	6	-
Total adjustments	<u>(22)</u>	<u>45</u>	<u>8,709</u>	<u>1,472</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (565)</u>	<u>\$ (1,790)</u>	<u>\$ 15,240</u>	<u>\$ 1,743</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets from government	\$ 2	\$ 74	\$ -	\$ -

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**FIDUCIARY
FUNDS**

**FIDUCIARY FUNDS
DECEMBER 31, 2007**

INVESTMENT TRUST FUNDS

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

External Investment Pool Trust Fund – Established to account 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.

Individual Investment Accounts Trust Fund – Established to report 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, 2007
(IN THOUSANDS)

ASSETS	TOTAL	EXTERNAL INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
Investments at fair value			
Certificates of deposit & saving accounts	\$ 486,362	\$ 486,250	\$ 112
Repurchase agreements	304,871	304,871	-
Commercial paper	99,761	99,761	-
Taxable municipal notes	27,134	27,134	-
Taxable municipal zero coupon notes	11,487	11,487	-
US Treasury notes	2,046	-	2,046
US Agency notes	573,400	524,581	48,819
US Agency discount notes	712,067	712,067	-
US Agency collateralized mortgage obligations	48,834	48,828	6
State Treasurer's investment pool	203,109	203,109	-
Total investments	<u>2,469,071</u>	<u>2,418,088</u>	<u>50,983</u>
Interest receivable	9,685	9,130	555
TOTAL ASSETS	<u><u>2,478,756</u></u>	<u><u>2,427,218</u></u>	<u><u>51,538</u></u>
NET ASSETS			
Held in trust for pool participants	2,427,218	2,427,218	-
Held in trust for individual investment account participants	51,538	-	51,538
TOTAL NET ASSETS	<u><u>\$ 2,478,756</u></u>	<u><u>\$ 2,427,218</u></u>	<u><u>\$ 51,538</u></u>

INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)

ADDITIONS	TOTAL	EXTERNAL INVESTMENT POOL	INDIVIDUAL INVESTMENT ACCOUNTS
Contributions	\$ 6,586,848	\$ 6,539,203	\$ 47,645
Net investment earnings (losses)			
Interest	110,433	109,820	613
Decrease in the fair value of investments	(34,777)	(36,009)	1,232
TOTAL ADDITIONS	<u>6,662,504</u>	<u>6,613,014</u>	<u>49,490</u>
DEDUCTIONS			
Distributions	6,160,611	6,159,417	1,194
Change in net assets	501,893	453,597	48,296
Net assets - January 1, 2007	1,976,863	1,973,621	3,242
Net assets - December 31, 2007	<u><u>\$ 2,478,756</u></u>	<u><u>\$ 2,427,218</u></u>	<u><u>\$ 51,538</u></u>

**FIDUCIARY FUNDS
DECEMBER 31, 2007**

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, certificates of redemption and purchase associated with delinquent assessments in local improvement districts, 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.

**FIDUCIARY FUNDS
DECEMBER 31, 2007**

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 673 active funds in 2007 to account for the resources of 207 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 – On May 31, 1996, Sound Transit adopted *Sound Move – The 10-year Regional Transit System Plan*, a proposal to build the first phase of a high-capacity transit system to provide the region with alternatives to meet its transportation needs. Citizens within Sound Transit's districts approved local taxes necessary to fund that plan on November 5, 1996. Sound Transit is governed by an eighteen-member board comprised of seventeen local elected officials and the State Transportation Department Secretary.

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

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

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

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

**FIDUCIARY FUNDS
DECEMBER 31, 2007**

King County Library System – This district serves the public through 43 community libraries, The Traveling Library Center, a mobile tech lab, two children's bookmobiles, and three institutional libraries in King County facilities. 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, improvement, and construction 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

**FIDUCIARY FUNDS
DECEMBER 31, 2007**

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 the 12th grade is provided by 19 school districts, each governed by an elected Board of Directors and administered by a superintendent. In 2007 enrollments showed approximately 241,000 students attending 496 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 16 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, 2007
 (IN THOUSANDS)
 (PAGE 1 OF 9)

	TOTAL AGENCY FUNDS			BALANCE 12/31/07
	BALANCE 01/01/07	INCREASES	DECREASES	
ASSETS				
Cash and cash equivalents	\$ 134,871	\$ 18,321,398	\$ 18,319,186	\$ 137,083
Assets held in trust - external investment pool	2,058,211	2,428,322	2,059,315	2,427,218
Investments	4,902	7,265	4,247	7,920
Assets held in trust - individual investment accounts	3,242	99,887	52,146	50,983
Taxes receivable - delinquent	57,947	57,520	58,247	57,220
Accounts receivable	3,247	1,607	1,251	3,603
Assessments receivable	9,202	4,973	5,000	9,175
Notes and contracts receivable	65	-	-	65
TOTAL ASSETS	<u>\$ 2,271,687</u>	<u>\$ 20,920,972</u>	<u>\$ 20,499,392</u>	<u>\$ 2,693,267</u>
LIABILITIES				
Warrants payable	\$ 86,634	\$ 3,917,919	\$ 3,921,018	\$ 83,535
Accounts payable	10,463	3,017,676	3,018,795	9,344
Obligations under reverse repurchase agreements	-	70,162	70,162	-
Liability allocated from external investment pool	84,590	-	84,590	-
Interfund loans payable	-	24,488	24,488	-
Wages payable	4,131	978,502	978,467	4,166
Custodial accounts - County agencies	65,361	5,146,476	5,136,048	75,789
Due to special districts/other governments	2,020,508	12,271,610	11,771,685	2,520,433
TOTAL LIABILITIES	<u>\$ 2,271,687</u>	<u>\$ 25,426,833</u>	<u>\$ 25,005,253</u>	<u>\$ 2,693,267</u>

ASSETS
 Cash and cash equivalents
 Assets held in trust - external 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
 Obligations under reverse repurchase agreements
 Liability allocated from external investment pool
 Interfund loans 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, 2007
(IN THOUSANDS)
(PAGE 2 OF 9)**

ENHANCED 911 PSAP ESCROW			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 8,016	\$ 7,463	\$ 4,238	\$ 11,241
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 8,016</u>	<u>\$ 7,463</u>	<u>\$ 4,238</u>	<u>\$ 11,241</u>
\$ -	\$ -	\$ -	\$ -
-	3,461	3,461	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
8,016	8,428	5,203	11,241
-	-	-	-
<u>\$ 8,016</u>	<u>\$ 11,889</u>	<u>\$ 8,664</u>	<u>\$ 11,241</u>

KING COUNTY FISCAL AGENT / DEBT SERVICE			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 17	\$ 717,137	\$ 717,137	\$ 17
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 17</u>	<u>\$ 717,137</u>	<u>\$ 717,137</u>	<u>\$ 17</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
17	719,077	719,077	17
-	-	-	-
<u>\$ 17</u>	<u>\$ 719,077</u>	<u>\$ 719,077</u>	<u>\$ 17</u>

JUDICIAL ADMINISTRATION AGENCY			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 16,152	\$ 352,841	\$ 344,684	\$ 24,309
-	-	-	-
4,902	7,158	4,140	7,920
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 21,054</u>	<u>\$ 359,999</u>	<u>\$ 348,824</u>	<u>\$ 32,229</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
21,054	115,892	104,717	32,229
-	-	-	-
<u>\$ 21,054</u>	<u>\$ 115,892</u>	<u>\$ 104,717</u>	<u>\$ 32,229</u>

MISCELLANEOUS AGENCY FUNDS			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 9,205	\$ 32,616	\$ 35,021	\$ 6,800
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
65	-	-	65
<u>\$ 9,270</u>	<u>\$ 32,616</u>	<u>\$ 35,021</u>	<u>\$ 6,865</u>
\$ -	\$ 13	\$ 13	\$ -
14	3,430	3,401	43
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,256	46,287	48,721	6,822
-	-	-	-
<u>\$ 9,270</u>	<u>\$ 49,730</u>	<u>\$ 52,135</u>	<u>\$ 6,865</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 3 OF 9)

	MISCELLANEOUS PROPERTY TAX FUNDS			
	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
ASSETS				
Cash and cash equivalents	\$ 14,881	\$ 3,108,019	\$ 3,106,996	\$ 15,904
Assets held in trust - external investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 14,881</u>	<u>\$ 3,108,019</u>	<u>\$ 3,106,996</u>	<u>\$ 15,904</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	56	17,337	16,868	525
Obligations under reverse repurchase agreements	-	-	-	-
Liability allocated from external investment pool	-	-	-	-
Interfund loans payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	14,825	3,106,790	3,106,236	15,379
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 14,881</u>	<u>\$ 3,124,127</u>	<u>\$ 3,123,104</u>	<u>\$ 15,904</u>

	MISCELLANEOUS TAX DISTRIBUTION			
	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
ASSETS				
Cash and cash equivalents	\$ 4,505	\$ 644,333	\$ 646,191	\$ 2,647
Assets held in trust - external investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 4,505</u>	<u>\$ 644,333</u>	<u>\$ 646,191</u>	<u>\$ 2,647</u>
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	436	436	-
Obligations under reverse repurchase agreements	-	-	-	-
Liability allocated from external investment pool	-	-	-	-
Interfund loans payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	4,505	644,333	646,191	2,647
Due to special districts/other governments	-	-	-	-
TOTAL LIABILITIES	<u>\$ 4,505</u>	<u>\$ 644,769</u>	<u>\$ 646,627</u>	<u>\$ 2,647</u>

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 4 OF 9)**

PAYROLL AND ACCOUNTS PAYABLE CLEARING			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 51,383	\$ 3,001,037	\$ 3,010,588	\$ 41,832
-	-	-	-
-	-	-	-
-	-	-	-
330	139	58	411
-	-	-	-
-	-	-	-
<u>\$ 51,713</u>	<u>\$ 3,001,176</u>	<u>\$ 3,010,646</u>	<u>\$ 42,243</u>
\$ 37,287	\$ 2,410,385	\$ 2,418,499	\$ 29,173
10,295	2,611,247	2,612,851	8,691
-	-	-	-
-	-	-	-
-	6	6	-
4,131	978,502	978,467	4,166
-	501,334	501,121	213
-	-	-	-
<u>\$ 51,713</u>	<u>\$ 6,501,474</u>	<u>\$ 6,510,944</u>	<u>\$ 42,243</u>

WARRANT REDEMPTION			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 7,018	\$ 5,398,277	\$ 5,390,960	\$ 14,335
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 7,018</u>	<u>\$ 5,398,277</u>	<u>\$ 5,390,960</u>	<u>\$ 14,335</u>
\$ 7,018	\$ 14,335	\$ 7,018	\$ 14,335
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 7,018</u>	<u>\$ 14,335</u>	<u>\$ 7,018</u>	<u>\$ 14,335</u>

SCHOOL DISTRICT IMPACT FEE			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 7,688	\$ 3,921	\$ 4,368	\$ 7,241
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 7,688</u>	<u>\$ 3,921</u>	<u>\$ 4,368</u>	<u>\$ 7,241</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
7,688	4,335	4,782	7,241
-	-	-	-
<u>\$ 7,688</u>	<u>\$ 4,335</u>	<u>\$ 4,782</u>	<u>\$ 7,241</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ -	\$ -	\$ -	\$ -
28,059	1,300	29,161	198
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 28,059</u>	<u>\$ 1,300</u>	<u>\$ 29,161</u>	<u>\$ 198</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
1,174	-	1,174	-
-	-	-	-
-	-	-	-
26,885	1,514	28,201	198
<u>\$ 28,059</u>	<u>\$ 1,514</u>	<u>\$ 29,375</u>	<u>\$ 198</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 5 OF 9)

	CITIES AND TOWNS			
	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
ASSETS				
Cash and cash equivalents	\$ 9,703	\$ 822,146	\$ 825,514	\$ 6,335
Assets held in trust - external investment pool	-	-	-	-
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	13,629	12,465	12,518	13,576
Accounts receivable	2,917	1,468	1,193	3,192
Assessments receivable	6	69	67	8
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 26,255	\$ 836,148	\$ 839,292	\$ 23,111
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	304	304	-
Obligations under reverse repurchase agreements	-	-	-	-
Liability allocated from external investment pool	-	-	-	-
Interfund loans payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	26,255	1,520,592	1,523,736	23,111
TOTAL LIABILITIES	\$ 26,255	\$ 1,520,896	\$ 1,524,040	\$ 23,111

	FIRE DISTRICTS			
	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
ASSETS				
Cash and cash equivalents	\$ 910	\$ 189,321	\$ 189,700	\$ 531
Assets held in trust - external investment pool	90,906	91,756	90,907	91,755
Investments	-	107	107	-
Assets held in trust - individual investment accounts	17	98	115	-
Taxes receivable - delinquent	2,676	2,340	2,112	2,904
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 94,509	\$ 283,622	\$ 282,941	\$ 95,190
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	18	75,957	75,950	25
Obligations under reverse repurchase agreements	-	-	-	-
Liability allocated from external investment pool	4,121	-	4,121	-
Interfund loans payable	-	213	213	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	90,370	454,931	450,136	95,165
TOTAL LIABILITIES	\$ 94,509	\$ 531,101	\$ 530,420	\$ 95,190

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 6 OF 9)

HOSPITAL DISTRICTS				KING COUNTY LIBRARY SYSTEM			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ -	\$ 134,429	\$ 134,429	\$ -	\$ -	\$ 280,131	\$ 280,131	\$ -
43,769	48,680	43,769	48,680	98,649	79,360	98,649	79,360
-	-	-	-	-	-	-	-
873	757	704	926	2,076	1,580	1,675	1,981
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 44,642</u>	<u>\$ 183,866</u>	<u>\$ 178,902</u>	<u>\$ 49,606</u>	<u>\$ 100,725</u>	<u>\$ 361,071</u>	<u>\$ 380,455</u>	<u>\$ 81,341</u>
\$ 452	\$ 11,202	\$ 11,294	\$ 360	\$ 180	\$ 1,802	\$ 1,982	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	4,237	4,237	-
1,837	-	1,837	-	4,237	-	4,237	-
-	3,350	3,350	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
42,353	137,768	130,875	49,246	96,308	279,158	294,125	81,341
<u>\$ 44,642</u>	<u>\$ 152,320</u>	<u>\$ 147,356</u>	<u>\$ 49,606</u>	<u>\$ 100,725</u>	<u>\$ 285,197</u>	<u>\$ 304,581</u>	<u>\$ 81,341</u>

KING COUNTY DIRECTORS' ASSOCIATION				LIBRARY CAPITAL FACILITY DISTRICTS			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ -	\$ 107,592	\$ 107,592	\$ -	\$ -	\$ 1,326	\$ 1,326	\$ -
3,994	7,298	3,994	7,298	103	93	104	92
-	-	-	-	-	-	-	-
-	-	-	-	26	15	22	19
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,994</u>	<u>\$ 114,890</u>	<u>\$ 111,586</u>	<u>\$ 7,298</u>	<u>\$ 129</u>	<u>\$ 1,434</u>	<u>\$ 1,452</u>	<u>\$ 111</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	87,098	87,098	-	-	-	-	-
-	-	-	-	-	-	-	-
-	20,865	20,865	-	-	-	-	-
-	-	-	-	-	-	-	-
3,994	105,687	102,383	7,298	129	2,556	2,574	111
<u>\$ 3,994</u>	<u>\$ 213,650</u>	<u>\$ 210,346</u>	<u>\$ 7,298</u>	<u>\$ 129</u>	<u>\$ 2,556</u>	<u>\$ 2,574</u>	<u>\$ 111</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
 (PAGE 7 OF 9)

	MISCELLANEOUS SPECIAL DISTRICTS			
	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
ASSETS				
Cash and cash equivalents	\$ 133	\$ 50,575	\$ 50,572	\$ 136
Assets held in trust - external investment pool	13,992	12,498	13,992	12,498
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	282	212	200	294
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 14,407	\$ 63,285	\$ 64,764	\$ 12,928
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	14,828	14,828	-
Obligations under reverse repurchase agreements	-	-	-	-
Liability allocated from external investment pool	-	-	-	-
Interfund loans payable	-	54	54	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	14,407	57,973	59,452	12,928
TOTAL LIABILITIES	\$ 14,407	\$ 72,855	\$ 74,334	\$ 12,928

	NORTHSHORE PARK AND RECREATION SERVICE AREA			
	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
ASSETS				
Cash and cash equivalents	\$ -	\$ 153	\$ 153	\$ -
Assets held in trust - external investment pool	140	146	140	146
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	8	6	6	8
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 148	\$ 305	\$ 299	\$ 154
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Obligations under reverse repurchase agreements	-	-	-	-
Liability allocated from external investment pool	-	-	-	-
Interfund loans payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	148	1,248	1,242	154
TOTAL LIABILITIES	\$ 148	\$ 1,248	\$ 1,242	\$ 154

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)
(PAGE 8 OF 9)**

PORT OF SEATTLE				SEWER AND WATER DISTRICTS			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 60	\$ 69,351	\$ 69,326	\$ 85	\$ 5	\$ 162,278	\$ 162,283	\$ -
-	-	-	-	162,324	159,959	162,324	159,959
-	-	-	-	-	-	-	-
1,541	1,241	1,225	1,557	2,002	2,049	2,005	2,046
-	-	-	-	-	-	-	-
-	-	-	-	4,340	4,900	4,346	4,894
-	-	-	-	-	-	-	-
<u>\$ 1,601</u>	<u>\$ 70,592</u>	<u>\$ 70,551</u>	<u>\$ 1,642</u>	<u>\$ 168,671</u>	<u>\$ 329,186</u>	<u>\$ 330,958</u>	<u>\$ 166,899</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1	113,702	113,703	-
-	-	-	-	-	6,872	6,872	-
-	-	-	-	6,872	-	6,872	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,601	71,140	71,099	1,642	161,798	367,322	362,221	166,899
<u>\$ 1,601</u>	<u>\$ 71,140</u>	<u>\$ 71,099</u>	<u>\$ 1,642</u>	<u>\$ 168,671</u>	<u>\$ 487,896</u>	<u>\$ 489,668</u>	<u>\$ 166,899</u>

SCHOOL DISTRICTS				STATE OF WASHINGTON			
BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
\$ 5	\$ 1,921,943	\$ 1,921,938	\$ 10	\$ 5,187	\$ 1,132,625	\$ 1,132,152	\$ 5,660
1,436,812	1,852,763	1,436,812	1,852,763	-	-	-	-
-	-	-	-	-	-	-	-
1,223	97,740	50,026	48,937	-	-	-	-
20,148	26,374	26,611	19,911	16,688	12,530	13,174	16,044
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,458,188</u>	<u>\$ 3,898,820</u>	<u>\$ 3,435,387</u>	<u>\$ 1,921,621</u>	<u>\$ 21,875</u>	<u>\$ 1,145,155</u>	<u>\$ 1,145,326</u>	<u>\$ 21,704</u>
\$ 41,692	\$ 1,472,445	\$ 1,474,523	\$ 39,614	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	190	190	-
-	59,053	59,053	-	-	-	-	-
59,053	-	59,053	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,357,443	6,977,719	6,453,155	1,882,007	21,875	1,853,846	1,854,017	21,704
<u>\$ 1,458,188</u>	<u>\$ 8,509,217</u>	<u>\$ 8,045,784</u>	<u>\$ 1,921,621</u>	<u>\$ 21,875</u>	<u>\$ 1,854,036</u>	<u>\$ 1,854,207</u>	<u>\$ 21,704</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
 (IN THOUSANDS)
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	WA STATE PUBLIC STADIUM AUTHORITY			
	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
ASSETS				
Cash and cash equivalents	\$ -	\$ 12,411	\$ 12,411	\$ -
Assets held in trust - external investment pool	6,957	5,349	6,957	5,349
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	-	-	-	-
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 6,957	\$ 17,760	\$ 19,368	\$ 5,349
LIABILITIES				
Warrants payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	706	706	-
Obligations under reverse repurchase agreements	-	-	-	-
Liability allocated from external investment pool	-	-	-	-
Interfund loans payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	6,957	11,000	12,608	5,349
TOTAL LIABILITIES	\$ 6,957	\$ 11,706	\$ 13,314	\$ 5,349

	WATER DISTRICTS			
	BALANCE 01/01/07	INCREASES	DECREASES	BALANCE 12/31/07
ASSETS				
Cash and cash equivalents	\$ 3	\$ 171,473	\$ 171,476	\$ -
Assets held in trust - external investment pool	172,506	169,120	172,506	169,120
Investments	-	-	-	-
Assets held in trust - individual investment accounts	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Assessments receivable	4,856	4	587	4,273
Notes and contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 177,365	\$ 340,597	\$ 344,569	\$ 173,393
LIABILITIES				
Warrants payable	\$ 5	\$ 7,737	\$ 7,689	\$ 53
Accounts payable	79	88,980	88,999	60
Obligations under reverse repurchase agreements	-	-	-	-
Liability allocated from external investment pool	7,296	-	7,296	-
Interfund loans payable	-	-	-	-
Wages payable	-	-	-	-
Custodial accounts - County agencies	-	-	-	-
Due to special districts/other governments	169,985	429,156	425,861	173,280
TOTAL LIABILITIES	\$ 177,365	\$ 525,873	\$ 529,845	\$ 173,393

CAFR

**STATISTICAL
SECTION**

**STATISTICAL SECTION
DECEMBER 31, 2007**

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

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<p>Financial Trends These schedules provide information to help the reader understand how the County's financial performance and well-being have changed over time.</p>	230 - 234
<p>Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</p>	235 - 238
<p>Debt Capacity These schedules present 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.</p>	239 - 246
<p>Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.</p>	247 - 249
<p>Operating Information These schedules contain 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.</p>	250 - 251

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.

KING COUNTY, WASHINGTON
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</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	\$ 1,762,158
Restricted	297,057	263,818	261,656	289,894	338,188	394,932
Unrestricted	(415,608)	(360,725)	(465,720)	(408,832)	(364,090)	(357,940)
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>	<u>\$ 1,799,150</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	\$ 1,551,017
Restricted	407,709	360,660	283,104	311,665	329,262	419,118
Unrestricted	135,491	102,540	87,157	94,259	124,490	153,948
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>	<u>\$ 2,124,083</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	\$ 3,313,175
Restricted	704,766	624,478	544,760	601,559	667,450	814,050
Unrestricted	(280,117)	(258,185)	(378,563)	(314,573)	(239,600)	(203,992)
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>	<u>\$ 3,923,233</u>

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

Notes:

(1) In 2007, four Washington state nonprofit corporations each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings have been recognized as a single blended component unit of the County in accordance with GASB Statement 14 criteria. The Net Assets by Component for 2006 have been restated for this change.

(2) In 2007, Net Assets by Component for 2005 and 2006 have been restated for prior period adjustments in infrastructure and related right-of-way costs.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses						
Governmental activities:						
General government	\$ 55,835	\$ 53,635	\$ 79,723	\$ 85,516	\$ 88,278	\$ 95,864
Law, safety and justice	462,834	491,834	474,808	476,101	509,234	544,838
Physical environment	51,556	52,386	58,092	51,897	56,322	63,326
Transportation	63,373	64,722	71,487	90,803	96,401	107,471
Economic environment	73,334	80,360	76,519	87,420	92,460	94,555
Mental and physical health	316,631	327,212	504,252	346,672	361,817	381,286
Culture and recreation	33,734	36,432	38,888	36,902	40,974	50,100
Interest and other debt service costs	53,116	45,980	49,383	54,538	52,361	53,299
Total governmental activities expenses	<u>1,110,413</u>	<u>1,152,561</u>	<u>1,353,152</u>	<u>1,229,849</u>	<u>1,297,847</u>	<u>1,390,739</u>
Business-type activities:						
Airport	11,816	11,590	12,356	15,537	15,392	14,620
Public Transportation	449,670	463,219	508,290	529,679	535,471	588,234
Solid Waste	79,571	79,105	78,074	95,457	102,127	116,252
Water Quality	219,634	212,355	222,238	228,438	243,496	242,808
Other	5,380	6,165	6,155	5,788	6,687	8,025
Total business-type activities expenses	<u>766,071</u>	<u>772,434</u>	<u>827,113</u>	<u>874,899</u>	<u>903,173</u>	<u>969,939</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>	<u>\$ 2,201,020</u>	<u>\$ 2,360,678</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 55,121	\$ 43,181	\$ 53,612	\$ 58,896	\$ 48,625	\$ 65,440
Law, safety and justice	98,573	95,084	108,617	106,315	118,722	125,103
Physical environment	38,456	50,836	53,744	43,231	42,517	44,564
Transportation	22,338	18,474	17,641	19,157	16,725	17,003
Economic environment	26,422	35,521	31,791	34,830	39,424	48,586
Mental and physical health	191,183	193,893	175,296	183,590	206,589	226,341
Culture and recreation	6,650	7,294	5,838	5,700	6,538	7,264
Interest and other debt service costs	3,432	3,334	4,651	4,049	8,339	4,864
Operating grants and contributions:						
General government	3,837	3,807	3,888	3,166	3,020	4,010
Law, safety and justice	28,135	26,192	25,931	34,230	27,595	33,675
Physical environment	1,988	1,564	2,560	3,016	2,075	2,033
Transportation	16,164	15,587	15,287	15,540	16,351	18,100
Economic environment	27,768	34,758	30,683	29,123	23,353	21,635
Mental and physical health	93,942	96,143	100,133	102,909	106,272	95,420
Culture and recreation	124	1,706	91	908	343	608
Interest and other debt service costs	3,977	4,127	3,760	4,407	4,554	4,734
Capital grants and contributions:						
General government	367	1,164	2,357	1,558	5,868	1,010
Physical environment	2,229	5,112	1,997	5,386	8,014	5,406
Transportation	79,820	94,254	91,813	147,870	87,979	76,403
Culture and recreation	679	3,151	941	1,799	-	89
Total governmental activities program revenues	<u>701,205</u>	<u>735,182</u>	<u>730,631</u>	<u>805,680</u>	<u>772,903</u>	<u>802,288</u>

Notes:

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

(2) In 2007, four Washington state nonprofit corporations each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings have been recognized as a single blended component unit of the County in accordance with GASB Statement 14 criteria. The Changes in Net Assets for 2006 have been restated for this change.

(3) In 2007, Changes in Net Assets for 2006 have been restated for prior period adjustments in infrastructure and related right-of-way costs.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Business-type activities:						
Charges for services:						
Airport	\$ 8,821	\$ 9,398	\$ 11,496	\$ 11,308	\$ 12,481	\$ 13,921
Public Transportation	107,621	104,348	113,335	131,321	143,831	160,231
Solid Waste	81,981	84,764	90,595	91,207	94,316	93,376
Water Quality	216,515	218,862	222,415	224,595	242,852	264,440
Other	5,544	5,158	4,607	5,913	6,685	6,823
Operating grants and contributions:						
Public Transportation	31,093	24,287	35,715	14,141	56,400	55,771
Other	197	-	-	-	-	-
Capital grants and contributions:						
Airport	1,230	469	1,305	6,352	21,248	2,533
Public Transportation	36,441	40,951	73,557	73,230	12,780	11,431
Solid Waste	500	929	537	529	988	690
Water Quality	13,915	11,438	15,942	3,264	2,242	1,164
Other			40	612	108	28
Total business-type activities program revenues	<u>503,858</u>	<u>500,604</u>	<u>569,544</u>	<u>562,472</u>	<u>593,931</u>	<u>610,408</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>	<u>\$ 1,366,834</u>	<u>\$ 1,412,696</u>
Net (Expenses)/Revenue						
Governmental activities	\$ (409,208)	\$ (417,379)	\$ (622,521)	\$ (424,169)	\$ (524,944)	\$ (588,451)
Business-type activities	(262,213)	(271,830)	(257,569)	(312,427)	(309,242)	(359,531)
Total primary government net expenses	<u>\$ (671,421)</u>	<u>\$ (689,209)</u>	<u>\$ (880,090)</u>	<u>\$ (736,596)</u>	<u>\$ (834,186)</u>	<u>\$ (947,982)</u>
General revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	\$ 390,706	\$ 394,903	\$ 433,593	\$ 447,041	\$ 468,740	\$ 499,339
Retail sales and use taxes	120,940	121,217	128,610	138,572	150,111	164,804
Business and other taxes	34,651	42,493	50,165	52,716	56,801	53,745
Penalties and interest - delinquent taxes	15,194	17,064	16,790	14,901	15,322	15,611
Interest earnings	30,111	20,227	18,395	28,352	46,009	36,348
Transfers	(862)	2,509	486	992	(2,531)	1,200
Total governmental activities	<u>590,740</u>	<u>598,413</u>	<u>648,039</u>	<u>682,574</u>	<u>734,452</u>	<u>771,047</u>
Business-type activities:						
Retail sales and use taxes	297,330	296,748	314,192	341,149	367,264	442,042
Interest earnings	26,278	10,875	9,737	16,397	28,833	22,718
Transfers	862	(2,509)	(486)	(992)	2,531	(1,200)
Total business-type activities	<u>324,470</u>	<u>305,114</u>	<u>323,443</u>	<u>356,554</u>	<u>398,628</u>	<u>463,560</u>
Total primary government	<u>\$ 915,210</u>	<u>\$ 903,527</u>	<u>\$ 971,482</u>	<u>\$ 1,039,128</u>	<u>\$ 1,133,080</u>	<u>\$ 1,234,607</u>
Change in Net Assets						
Governmental activities	\$ 181,532	\$ 181,034	\$ 25,518	\$ 258,405	\$ 209,508	\$ 182,596
Business-type activities	62,257	33,284	65,874	44,127	89,386	104,029
Total Primary government	<u>\$ 243,789</u>	<u>\$ 214,318</u>	<u>\$ 91,392</u>	<u>\$ 302,532</u>	<u>\$ 298,894</u>	<u>\$ 286,625</u>

Notes:

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

(2) In 2007, four Washington state nonprofit corporations each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings have been recognized as a single blended component unit of the County in accordance with GASB Statement 14 criteria. The Changes in Net Assets for 2006 have been restated for this change.

(3) In 2007, Changes in Net Assets for 2006 have been restated for prior period adjustments in infrastructure and related right-of-way costs.

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund										
Reserved	\$ 6,934	\$ 6,531	\$ 11,561	\$ 12,558	\$ 9,282	\$ 8,502	\$ 7,815	\$ 18,693	\$ 24,219	\$ 27,346
Unreserved										
Designated	20,090	17,906	25,725	23,403	21,601	19,826	21,422	28,681	23,230	23,319
Undesignated	29,986	36,068	43,071	46,782	60,247	67,920	93,721	96,617	96,315	89,983
Total General Fund	<u>\$ 57,010</u>	<u>\$ 60,505</u>	<u>\$ 80,357</u>	<u>\$ 82,743</u>	<u>\$ 91,130</u>	<u>\$ 96,248</u>	<u>\$ 122,958</u>	<u>\$ 143,991</u>	<u>\$ 143,764</u>	<u>\$ 140,648</u>
All Other Governmental Funds										
Reserved	\$ 76,592	\$ 79,080	\$ 87,451	\$ 81,076	\$ 137,465	\$ 121,678	\$ 110,956	\$ 103,513	\$ 108,317	\$ 101,045
Unreserved										
Designated										
Special revenue funds	22,960	11,707	16,218	17,112	16,594	7,584	15,949	25,141	26,951	37,129
Debt service funds	-	-	108	283	246	176	-	-	-	-
Capital project funds	1,158	-	824	2,233	2,353	-	-	-	-	-
Undesignated										
Special revenue funds	36,737	51,027	42,893	41,172	60,499	70,325	73,948	58,618	67,268	84,541
Debt service funds	21,873	24,104	19,799	21,914	26,915	22,234	34,029	28,635	30,413	27,666
Capital project funds	114,962	138,199	98,943	89,283	30,988	14,205	49,758	57,069	43,678	80,946
Total all other governmental funds	<u>\$ 274,282</u>	<u>\$ 304,117</u>	<u>\$ 266,236</u>	<u>\$ 253,073</u>	<u>\$ 275,060</u>	<u>\$ 236,202</u>	<u>\$ 284,640</u>	<u>\$ 272,976</u>	<u>\$ 276,627</u>	<u>\$ 331,327</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 1998 through 2004, the fund balance of the Criminal Justice Fund is reported under All Other Governmental Funds.

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues										
Taxes	\$ 443,722	\$ 500,675	\$ 525,195	\$ 539,743	\$ 561,039	\$ 575,590	\$ 630,440	\$ 653,194	\$ 690,873	\$ 733,432
Licenses and permits	15,851	18,979	13,506	19,272	17,322	20,900	25,920	22,477	24,654	30,865
Intergovernmental revenues	325,514	342,105	346,911	377,610	391,915	390,702	418,362	417,407	442,094	453,577
Charges for services	164,529	188,268	201,351	223,375	212,229	251,464	216,636	222,708	223,306	243,905
Fines and forfeits	6,892	6,958	8,044	7,086	8,016	8,145	7,350	6,362	8,084	9,616
Interest earnings	29,618	24,939	37,045	32,982	25,251	17,106	15,845	24,274	38,072	29,065
Miscellaneous revenues	17,057	28,940	32,384	34,868	42,963	35,011	42,289	46,189	51,081	57,504
Total revenues	<u>1,003,183</u>	<u>1,110,864</u>	<u>1,164,436</u>	<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>	<u>1,557,964</u>
Expenditures										
General government services	98,939	76,791	90,074	106,464	98,319	120,059	118,763	137,416	141,318	157,751
Law, safety and justice	327,982	354,773	367,913	398,976	420,352	440,151	423,737	429,541	467,053	496,376
Physical environment	37,743	40,384	39,686	39,999	51,236	50,947	55,760	51,408	56,601	63,924
Transportation	46,858	47,162	49,868	52,154	61,535	59,957	66,937	88,473	95,758	106,396
Economic environment	60,418	66,058	64,073	71,349	72,185	78,408	75,940	87,080	91,955	94,187
Mental and physical health	245,712	266,742	275,677	299,069	313,119	318,161	501,582	344,036	361,334	381,817
Culture and recreation	27,004	29,382	32,343	34,176	30,341	33,596	36,974	34,744	38,981	47,512
Debt service										
Redemption of long-term debt	44,009	52,408	51,482	57,586	57,900	65,150	65,252	78,160	80,192	87,195
Interest and other debt service costs	57,651	59,603	79,168	66,342	61,752	53,761	67,072	55,805	65,050	54,475
Capital outlay	159,497	222,150	144,802	145,697	110,476	150,708	201,397	83,936	86,746	74,135
Total expenditures	<u>1,105,813</u>	<u>1,215,453</u>	<u>1,195,086</u>	<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>	<u>1,563,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(102,630)</u>	<u>(104,589)</u>	<u>(30,650)</u>	<u>(36,876)</u>	<u>(18,480)</u>	<u>(71,980)</u>	<u>(256,572)</u>	<u>2,012</u>	<u>(6,824)</u>	<u>(5,804)</u>
Other Financing Sources (Uses)										
Transfers in	146,832	113,284	91,069	103,991	117,563	158,856	154,901	146,014	169,156	178,186
Transfers out	(125,818)	(113,317)	(87,686)	(104,012)	(114,884)	(154,547)	(153,989)	(144,458)	(166,282)	(175,063)
General obligation bonds issued	-	56,654	35	24,494	40,282	37,838	246,435	2,134	4,716	48,395
Premium on bonds sold	-	-	-	-	-	-	17,807	2,112	1,633	3,890
Refunding bonds issued	-	-	123,981	-	133,510	138,124	102,315	22,510	38,330	54,565
General long-term debt - capital leases	-	78,405	6,441	186	146	48	62,805	184	-	-
Sale of capital assets	1,099	3,383	618	2,171	1,789	4,407	5,504	4,307	2,274	4,548
Payment to refunded bond escrow agent	-	-	(123,981)	-	(132,798)	(137,377)	(107,317)	(24,360)	(39,579)	(57,133)
Total other financing sources (uses)	<u>22,113</u>	<u>138,409</u>	<u>10,477</u>	<u>26,830</u>	<u>45,608</u>	<u>47,349</u>	<u>328,461</u>	<u>8,443</u>	<u>10,248</u>	<u>57,388</u>
Net change in fund balances	<u>\$ (80,517)</u>	<u>\$ 33,820</u>	<u>\$ (20,173)</u>	<u>\$ (10,046)</u>	<u>\$ 27,128</u>	<u>\$ (24,631)</u>	<u>\$ 71,889</u>	<u>\$ 10,455</u>	<u>\$ 3,424</u>	<u>\$ 51,584</u>
Debt service as a percentage of noncapital expenditures	10.74%	11.28%	12.44%	11.00%	10.26%	9.75%	9.37%	10.25%	10.39%	9.51%

Note:

In 2007, four Washington state nonprofit corporations each of which are single-purpose entities that were created to assist the County in the development and construction of public buildings have been recognized as a single blended component unit of the County in accordance with GASB Statement 14 criteria. A single internal service fund is used to blend the four nonprofit corporations' activities and balances with the primary government. The Changes in Fund Balances, Governmental Funds Debt Service Expenditures for 2006 have been restated for activity now accounted for in an internal service fund.

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

FISCAL YEAR	TAXABLE REAL PROPERTY				TAXABLE PERSONAL PROPERTY		TOTAL TAXABLE PROPERTY		PERCENTAGE OF TAXABLE ASSESSED VALUE TO ESTIMATED TAXABLE ACTUAL VALUE ^(a)	TOTAL DIRECT TAX RATE ^(b)
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	MANUFACTURING PROPERTY	OTHER REAL PROPERTY	MACHINERY AND EQUIPMENT	OTHER PERSONAL PROPERTY	ASSESSED VALUE	ESTIMATED ACTUAL VALUE		
1998	\$ 90,191,335	\$ 22,845,392	\$ 2,748,654	\$ 8,291,675	\$ 7,301,597	\$ 4,011,539	\$ 135,390,192	\$ 148,566,517	91.1%	\$ 2.19
1999	100,406,771	23,552,115	5,334,809	9,209,516	7,556,414	4,362,827	150,422,452	165,982,879	90.6%	2.28
2000	113,478,695	26,069,345	5,369,495	8,650,397	6,495,236	6,258,040	166,321,208	186,669,393	89.1%	1.90
2001	131,427,238	29,842,811	5,836,929	7,639,145	6,901,486	6,772,495	188,420,104	209,139,443	90.1%	1.98
2002	147,928,871	33,872,466	6,477,627	7,684,682	7,646,826	7,386,129	210,996,601	231,328,370	91.2%	1.87
2003	161,272,895	34,230,703	6,436,607	8,035,210	7,395,022	7,624,162	224,994,599	247,036,216	91.1%	1.78
2004	171,503,993	35,461,930	6,643,168	8,364,910	6,895,213	6,965,040	235,834,254	249,751,859	94.4%	1.86
2005	183,256,711	36,199,927	6,760,083	8,443,463	6,395,974	7,855,625	248,911,783	260,484,740	95.6%	1.81
2006	198,127,989	38,824,503	7,131,275	11,681,018	6,960,327	7,845,999	270,571,111	294,821,227	91.8%	1.75
2007	220,370,481	44,100,498	7,817,974	10,748,360	7,390,343	8,327,543	298,755,199	342,607,599	87.2%	1.69

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.

**KING COUNTY, WASHINGTON
DIRECT AND OVERLAPPING GOVERNMENTS
PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
County Direct Rates										
General	\$ 1.85	\$ 1.77	\$ 1.69	\$ 1.55	\$ 1.45	\$ 1.35	\$ 1.43	\$ 1.38	\$ 1.33	\$ 1.29
Emergency Medical Services	-	.19	.18	.16	.16	.16	.15	.15	.14	0.13
Road District	.34	.32	.03	.27	.26	.27	.28	.28	.28	0.27
Total County Direct Rates	2.19	2.28	1.90	1.98	1.87	1.78	1.86	1.81	1.75	1.69
State School Fund Rates	3.51	3.36	3.30	3.15	2.99	2.90	2.76	2.69	2.50	2.33
Port of Seattle Rates	.26	.24	.22	.19	.19	.26	.25	.25	.23	.23
King County Library System Rates	.60	.59	.59	.56	.53	.55	.54	.53	.53	.50
Cities and Towns Rates	.52-3.90	.55-3.75	.53-3.72	.47-3.69	.41-3.35	.39-3.28	.39-3.36	.37-3.35	.36-3.16	.35-3.22
School Districts Rates	2.84-6.51	2.84-6.80	2.68-5.92	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	.33	.32	.28	.22	.22	.20	.20	.18	.18	-
Fire Districts Rates	.85-2.16	.83-2.27	.84-2.12	.89-2.15	.84-2.10	.79-2.33	.78-1.69	.76-1.66	.72-1.68	.69-1.67
Hospital Districts Rates	.16-.83	.15-.83	.12-.76	.10-.70	.10-.69	.09-.65	.09-.70	.09-.70	.47-.59	.46-.56
Flood Zone Districts Rates	.05	.05	.05	.05	.05	.05	.05	.05	.05	.04
Park & Recreation Districts Rates	.06-.40	.04-.40	.03-.38	.03-.36	.06-.33	.05-.45	.05-.44	.04-.42	.04-.47	.04-.45
Miscellaneous Districts Rates	.06	.06	.06	.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.

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

TAXPAYER	FISCAL YEAR 2007			FISCAL YEAR 1998		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL TAXABLE ASSESSED VALUE
The Boeing Company	\$ 2,620,891	1	0.88 %	\$ 3,298,279	1	2.44 %
Microsoft Corporation	1,931,019	2	0.65	751,232	3	0.55
Puget Sound Energy/Gas/Electric	1,216,897	3	0.41	-	-	-
Qwest Corporation Inc. ^(a)	787,911	4	0.26	1,025,750	2	0.76
Cingular Wireless (AT&T Wireless)	554,820	5	0.19	-	-	-
Alaska Airlines	522,386	6	0.17	-	-	-
Bank of America	510,348	7	0.17	-	-	-
T-Mobile	490,385	8	0.16	-	-	-
Union Square Limited	455,476	9	0.15	-	-	-
Wright Runstad & Company	344,898	10	0.12	497,960	5	0.37
Puget Sound Energy/Electric	-	-	-	670,977	4	0.50
Puget Sound Energy/Gas	-	-	-	438,820	6	0.32
Weyerhaeuser Corporation	-	-	-	278,682	7	0.21
1010 Financial Center	-	-	-	232,126	8	0.17
Safeway	-	-	-	195,204	9	0.14
Martin Selig	-	-	-	192,057	10	0.14
Total Top Ten Principal Taxpayers	<u>9,435,031</u>		<u>3.16</u>	<u>7,581,087</u>		<u>5.60</u>
Total Assessed Valuation of other taxpayers	<u>289,320,168</u>		<u>96.84</u>	<u>127,809,105</u>		<u>94.40</u>
Total 2006 Assessed Valuation for taxes due in 2007	<u>\$ 298,755,199</u>		<u>100.00 %</u>			
Total 1997 Assessed Valuation for taxes due in 1998				<u>\$ 135,390,192</u>		<u>100.00 %</u>

Source: King County Department of Assessments.

(a) Formerly known as US West Communications.

**KING COUNTY, WASHINGTON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(IN THOUSANDS)**

FISCAL YEAR	TAXES LEVIED FOR THE FISCAL YEAR (ORIGINAL LEVY)		TOTAL ADJUSTED TAX LEVY	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE		TOTAL UNCOLLECTED TAXES ^(b)	
		ADJUSTMENTS ^(a)		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY	AMOUNT	PERCENTAGE OF LEVY
1998	\$ 295,790	\$ (3,323)	\$ 292,467	\$ 286,966	97.02%	\$ 5,498	\$ 292,464	100.00%	\$ 3	0.00%
1999	341,571	(3,905)	337,666	330,509	96.76%	7,155	337,664	100.00%	2	0.00%
2000	355,535	(1,617)	353,918	346,457	97.45%	7,455	353,912	100.00%	6	0.00%
2001	372,182	(1,702)	370,480	362,242	97.33%	8,095	370,337	99.96%	143	0.04%
2002	393,665	(1,927)	391,738	383,250	97.35%	8,388	391,638	99.97%	100	0.03%
2003	397,352	(2,113)	395,239	386,775	97.34%	8,341	395,116	99.97%	123	0.03%
2004	437,227	(1,959)	435,268	427,447	97.76%	7,687	435,134	99.97%	134	0.03%
2005	450,736	(2,850)	447,886	440,109	97.64%	7,050	447,159	99.84%	727	0.16%
2006	472,475	(2,202)	470,273	462,851	97.96%	5,575	468,426	99.61%	1,847	0.39%
2007	501,255	(359)	500,896	492,120	98.18%	-	492,120	98.25%	8,776	1.75%

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 reported in the total uncollected taxes column are cumulative totals of all taxes levied as of the end of each year.

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

FISCAL YEAR	GENERAL BONDED DEBT OUTSTANDING						PERCENTAGE OF ESTIMATED ACTUAL TAXABLE VALUE ^(b) OF PROPERTY	PER CAPITA ^(c)
	GENERAL OBLIGATION BONDS	GENERAL OBLIGATION ANTICIPATION NOTES	GENERAL OBLIGATION LEASE REVENUE BONDS ^(a)	GENERAL OBLIGATION CAPITAL LEASES ^(a)	SPECIAL ASSESSMENT BONDS	TOTAL		
1998	\$1,733,182	\$ -	\$ 78,275	\$ 519	\$ 257	\$ 1,812,233	1.22%	\$ 1,058
1999	1,715,370	-	78,275	144	227	1,794,016	1.08%	1,038
2000	1,619,765	-	78,275	6,324	197	1,704,561	0.91%	980
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	0.77%	1,006
2003	1,399,045	80,000	138,770	5,447	135	1,623,397	0.66%	916
2004	1,604,240	46,370	136,925	5,334	15	1,792,884	0.72%	1,005
2005	1,707,415	60,000	236,025	7,256	15	2,010,711	0.77%	1,114
2006	1,512,828	83,990	422,505	4,695	15	2,024,033	0.69%	1,103
2007	1,482,642	43,975	414,535	4,324	15	1,945,491	0.57%	1,045

Note: Details regarding the County's outstanding debt can be found in Note 13 – Debt.

(a) Limited tax general obligation lease revenue bonds reported as capital leases in the period 1998 through 2006 were reclassified to general obligation lease revenue bonds in 2007. The bonds in this table for 1998 through 2006 have been restated to reflect this reclassification.

(b) Property value data can be found on page 235, Assessed and Estimated Actual Value of Taxable Property.

(c) Population data can be found on page 247, Demographic and Economic Statistics.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2007
(IN THOUSANDS)**

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED^(a) PERCENTAGE APPLICABLE TO THIS GOVERNMENTAL UNIT</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
DEBT REPAID WITH PROPERTY TAXES			
King County – net overlapping debt:			
Part of Seattle	\$ 397,835	100.00%	\$ 397,835
School Districts:			
Auburn	115,842	91.89%	106,447
Bellevue	220,545	100.00%	220,545
Federal Way	147,429	100.00%	147,429
Highline	322,422	100.00%	322,422
Issaquah	277,472	100.00%	277,472
Kent	242,616	100.00%	242,616
Lake Washington	282,289	100.00%	282,289
Northshore	309,609	63.36%	196,183
Renton	220,744	100.00%	220,744
Shoreline	120,007	100.00%	120,007
Other school districts	721,962	95.83%	691,875
Total school districts	2,980,937		2,828,029
Cities and towns: ^(b)			
City of Bellevue	157,120	100.00%	157,120
City of Issaquah	33,153	100.00%	33,153
City of Kent	82,893	100.00%	82,893
City of Kirkland	16,944	100.00%	16,944
City of Redmond	40,287	100.00%	40,287
City of Renton	44,018	100.00%	44,018
City of Seattle	770,841	100.00%	770,841
City of Shoreline	17,737	100.00%	17,737
Other cities and towns	128,878	97.60%	125,784
Total cities and towns	1,291,871		1,288,777
Fire districts	44,267	100.00%	44,267
Hospital districts	315,264	100.00%	315,264
Parks and recreation service area district	3,246	63.37%	2,057
King County Library System	73,607	98.01%	72,143
Library capital facility districts	10,558	100.00%	10,558
TOTAL KING COUNTY – NET OVERLAPPING DEBT	5,117,585		4,958,930
KING COUNTY – NET DIRECT DEBT	1,100,812 ^(c)	100.00%	1,100,812
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 6,218,397		\$ 6,059,742

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

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

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

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

(c) \$1,319,097 General long-term debt – general obligation bonds, lease revenue bonds, installment purchase capital leases, and compensated absences
 43,975 General short-term debt – general obligation bond anticipation notes
 (136,025) Public Facilities District special taxes and revenue financed – Limited Tax GO Bonds
 (98,697) Hotel/motel tax financed – \$8,815 thousand Stadium Unlimited Tax GO bonds and \$89,882 thousand Stadium Limited Tax GO bonds
 (11,683) General obligation debt financed by Component Unit
 (15,855) Funds available in GO Debt Service Funds excluding \$22,786 thousand of hotel/motel and special taxes

\$1,100,812 NET DIRECT DEBT

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
 (IN THOUSANDS)
 (PAGE 1 OF 2)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Assessed Valuation ^(a)	\$ 150,422,452	\$ 166,321,208	\$ 188,420,104	\$ 210,996,601	\$ 224,994,599
Limited Tax General Obligations (LTGO)					
for Metropolitan Functions					
Debt Limit – 3/4% of Assessed Value	\$ 1,128,168	\$ 1,247,409	\$ 1,413,151	\$ 1,582,475	\$ 1,687,459
Debt applicable to limit	650,275	633,450	654,835	644,524	631,747
Less: Amounts set aside to repay LTGO debts	(14,406)	(17,221)	(19,272)	(17,913)	(20,686)
Total net debt applicable to the limit	<u>635,869</u>	<u>616,229</u>	<u>635,563</u>	<u>626,611</u>	<u>611,061</u>
Legal Debt Margin ^(b) of LTGO	<u>\$ 492,299</u>	<u>\$ 631,180</u>	<u>\$ 777,588</u>	<u>\$ 955,864</u>	<u>\$ 1,076,398</u>
Total net debt applicable to the limit as a percentage of the debt limit	56.36%	49.40%	44.97%	39.60%	36.21%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit – 1½% of Assessed Value	\$ 2,256,337	\$ 2,494,818	\$ 2,826,302	\$ 3,164,949	\$ 3,374,919
Debt applicable to limit ^(c)	1,484,069	1,479,060	1,502,205	1,480,904	1,623,940
Less: Amounts set aside to repay LTGO debts	(36,882)	(50,818)	(42,595)	(45,175)	(48,903)
Total net debt applicable to the limit	<u>1,447,187</u>	<u>1,428,242</u>	<u>1,459,610</u>	<u>1,435,729</u>	<u>1,575,037</u>
Legal Debt Margin ^(b) of LTGO	<u>\$ 809,150</u>	<u>\$ 1,066,576</u>	<u>\$ 1,366,692</u>	<u>\$ 1,729,220</u>	<u>\$ 1,799,882</u>
Total net debt applicable to the limit as a percentage of the debt limit	64.14%	57.25%	51.64%	45.36%	46.67%
Total General Obligations (GO)					
for Metropolitan Functions					
Debt Limit – 2½% of Assessed Value	\$ 3,760,561	\$ 4,158,030	\$ 4,710,503	\$ 5,274,915	\$ 5,624,865
Debt applicable to limit	650,275	633,450	654,835	644,524	631,747
Less: Amounts set aside to repay GO debts	(14,406)	(17,221)	(19,272)	(17,913)	(20,686)
Total net debt applicable to the limit	<u>635,869</u>	<u>616,229</u>	<u>635,563</u>	<u>626,611</u>	<u>611,061</u>
Legal Debt Margin ^(b) of total GO	<u>\$ 3,124,692</u>	<u>\$ 3,541,801</u>	<u>\$ 4,074,940</u>	<u>\$ 4,648,304</u>	<u>\$ 5,013,804</u>
Total net debt applicable to the limit as a percentage of the debt limit	16.91%	14.82%	13.49%	11.88%	10.86%
Total General Obligations (GO) for County Purposes					
Debt Limit – 2½% of Assessed Value	\$ 3,760,561	\$ 4,158,030	\$ 4,710,503	\$ 5,274,915	\$ 5,624,865
Debt applicable to limit ^(c)	1,163,089	1,152,685	1,130,380	1,123,141	1,254,453
Less: Amounts set aside to repay GO debts	(28,979)	(40,900)	(30,507)	(36,318)	(41,146)
Total net debt applicable to the limit	<u>1,134,110</u>	<u>1,111,785</u>	<u>1,099,873</u>	<u>1,086,823</u>	<u>1,213,307</u>
Legal Debt Margin ^(b) of total GO	<u>\$ 2,626,451</u>	<u>\$ 3,046,245</u>	<u>\$ 3,610,630</u>	<u>\$ 4,188,092</u>	<u>\$ 4,411,558</u>
Total net debt applicable to the limit as a percentage of the debt limit	30.16%	26.74%	23.35%	20.60%	21.57%

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 13 – 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) Limited tax general obligation lease revenue bonds reported as capital leases in the period 1998 through 2006 were reclassified to general obligation lease revenue bonds in 2007. The general obligations for General County purposes debt applicable to limit in the period of 1998 through 2006 have been restated to reflect this reclassification.

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(IN THOUSANDS)
(PAGE 2 OF 2)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Valuation ^(a)	\$ 235,834,254	\$ 248,911,783	\$ 270,571,111	\$ 298,755,199	\$ 340,995,440
Limited Tax General Obligations (LTGO)					
for Metropolitan Functions					
Debt Limit – 3/4% of Assessed Value	\$ 1,768,757	\$ 1,866,838	\$ 2,029,283	\$ 2,240,664	\$ 2,557,466
Debt applicable to limit	535,960	574,074	790,025	696,657	718,376
Less: Amounts set aside to repay LTGO debts	(17,914)	(18,779)	(18,173)	(20,126)	(20,482)
Total net debt applicable to the limit	<u>518,046</u>	<u>555,295</u>	<u>771,852</u>	<u>676,531</u>	<u>697,894</u>
Legal Debt Margin ^(b) of LTGO	<u>\$ 1,250,711</u>	<u>\$ 1,311,543</u>	<u>\$ 1,257,431</u>	<u>\$ 1,564,133</u>	<u>\$ 1,859,572</u>
Total net debt applicable to the limit as a percentage of the debt limit	29.29%	29.75%	38.04%	30.19%	27.29%
Limited Tax General Obligations for General County Purposes and Metropolitan Functions					
Debt Limit – 1½% of Assessed Value	\$ 3,537,514	\$ 3,733,677	\$ 4,058,567	\$ 4,481,328	\$ 5,114,932
Debt applicable to limit ^(c)	1,519,339	1,547,231	1,801,177	1,858,302	1,817,183
Less: Amounts set aside to repay LTGO debts	(50,483)	(45,646)	(50,758)	(47,664)	(51,449)
Total net debt applicable to the limit	<u>1,468,856</u>	<u>1,501,585</u>	<u>1,750,419</u>	<u>1,810,638</u>	<u>1,765,734</u>
Legal Debt Margin ^(b) of LTGO	<u>\$ 2,068,658</u>	<u>\$ 2,232,092</u>	<u>\$ 2,308,148</u>	<u>\$ 2,670,690</u>	<u>\$ 3,349,198</u>
Total net debt applicable to the limit as a percentage of the debt limit	41.52%	40.22%	43.13%	40.40%	34.52%
Total General Obligations (GO)					
for Metropolitan Functions					
Debt Limit – 2½% of Assessed Value	\$ 5,895,856	\$ 6,222,795	\$ 6,764,278	\$ 7,468,880	\$ 8,524,886
Debt applicable to limit	535,960	574,074	790,025	696,657	718,376
Less: Amounts set aside to repay GO debts	(17,914)	(18,779)	(18,173)	(20,126)	(20,482)
Total net debt applicable to the limit	<u>518,046</u>	<u>555,295</u>	<u>771,852</u>	<u>676,531</u>	<u>697,894</u>
Legal Debt Margin ^(b) of total GO	<u>\$ 5,377,810</u>	<u>\$ 5,667,500</u>	<u>\$ 5,992,426</u>	<u>\$ 6,792,349</u>	<u>\$ 7,826,992</u>
Total net debt applicable to the limit as a percentage of the debt limit	8.79%	8.92%	11.41%	9.06%	8.19%
Total General Obligations (GO) for County Purposes					
Debt Limit – 2½% of Assessed Value	\$ 5,895,856	\$ 6,222,795	\$ 6,764,278	\$ 7,468,880	\$ 8,524,886
Debt applicable to limit ^(c)	1,211,664	1,338,709	1,345,162	1,461,755	1,363,072
Less: Amounts set aside to repay GO debts	(40,987)	(47,317)	(47,303)	(41,515)	(41,597)
Total net debt applicable to the limit	<u>1,170,677</u>	<u>1,291,392</u>	<u>1,297,859</u>	<u>1,420,240</u>	<u>1,321,475</u>
Legal Debt Margin ^(b) of total GO	<u>\$ 4,725,179</u>	<u>\$ 4,931,403</u>	<u>\$ 5,466,419</u>	<u>\$ 6,048,640</u>	<u>\$ 7,203,411</u>
Total net debt applicable to the limit as a percentage of the debt limit	19.86%	20.75%	19.19%	19.02%	15.50%

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 13 – 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) Limited tax general obligation lease revenue bonds reported as capital leases in the period 1998 through 2006 were reclassified to general obligation lease revenue bonds in 2007. The general obligations for General County purposes debt applicable to limit in the period of 1998 through 2006 have been restated to reflect this reclassification.

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

GOVERNMENTAL ACTIVITIES					
FISCAL YEAR	GENERAL OBLIGATION BONDS	GENERAL OBLIGATION BOND ANTICIPATION NOTES	GENERAL OBLIGATION LEASE REVENUE BONDS^(a)	GENERAL OBLIGATION CAPITAL LEASES^(a)	SPECIAL ASSESSMENT BONDS
1998	\$ 1,016,539	\$ -	\$ 78,275	\$ 519	\$ 257
1999	1,021,516	-	78,275	144	227
2000	948,063	-	78,275	6,324	197
2001	928,587	65,000	78,275	6,093	167
2002	911,042	85,000	140,530	5,780	137
2003	870,271	80,000	138,770	5,447	135
2004	1,043,302	46,370	136,925	5,334	15
2005	966,298	60,000	236,025	7,256	15
2006	870,445	83,990	422,505	4,695	15
2007	819,221	43,975	414,535	4,324	15

BUSINESS-TYPE ACTIVITIES								
FISCAL YEAR	GENERAL OBLIGATION BONDS	SEWER REVENUE BONDS	COMMERCIAL PAPER	CAPITAL LEASES	STATE OF WASHINGTON REVOLVING LOANS	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME^(b)	PER CAPITA^(b)
1998	\$ 716,643	\$ 574,455	\$ 100,000	\$ 75,537	\$ 50,568	\$ 2,612,793	3.99%	\$ 1,526
1999	693,854	711,035	100,000	70,668	48,621	2,724,340	3.73%	1,576
2000	671,702	690,090	100,000	58,029	60,021	2,612,701	3.38%	1,502
2001	661,398	890,556	83,500	43,294	58,774	2,815,644	3.66%	1,602
2002	633,268	952,421	93,300	34,883	38,196	2,894,557	3.71%	1,640
2003	528,774	1,038,056	100,000	29,147	86,391	2,876,991	3.63%	1,624
2004	560,938	1,210,341	100,000	13,101	93,465	3,209,791	3.63%	1,798
2005	741,117	1,189,756	100,000	3,685	111,483	3,415,635	3.88%	1,892
2006	642,383	1,499,105	50,000	3,611	118,622	3,695,371	3.83%	2,015
2007	663,421	1,724,220	100,000	3,534	118,524	3,891,769	4.03% ^(c)	2,091

Note: Details regarding the County's outstanding debt can be found in Note 13 – Debt.

(a) Limited tax general obligation lease revenue bonds reported as capital leases in the period 1998 through 2006 were reclassified to general obligation lease revenue bonds in 2007. The bonds in this table for 1998 through 2006 have been restated to reflect this reclassification.

(b) Personal income and population data can be found in the Schedule of Demographic and Economic Statistics on page 247.

(c) Because personal income data is not available for 2007, the percentage uses the personal income amount for 2006.

KING COUNTY, WASHINGTON
SPECIAL TAXES AND REVENUES COLLECTIONS
LIMITED TAX GENERAL OBLIGATION BONDS
SERIES 1997 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
1998	\$ 12,821	\$ 4,688	\$ 5,731	\$ 3,245	\$ 222	\$ -	\$ 26,707
1999	12,403	4,970	6,923	3,375	210	1,774	29,655
2000	16,053	5,377	5,536	3,510	201	4,056	34,733
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

Note: The County's outstanding Limited Tax General Obligation Bonds, 1997 Series A-D, 2002 Refunding, 2004 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.

**WATER QUALITY ENTERPRISE
ADDITIONAL COVERAGE RATIOS
DECEMBER 31, 2007**

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 1.25.

Coverage (1.15 required by covenant, adopted policy 1.25) 1.39

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) 1.19

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) 1.16

In 2001 and 2006 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, and 2006A-B, Junior Lien Multi-Modal, 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.

Coverage (1.10 required by covenant) 5.38

KING COUNTY, WASHINGTON
REVENUE BOND COVERAGE FOR THE WATER QUALITY ENTERPRISE
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)

FISCAL YEAR	OPERATING REVENUES	INTEREST EARNED ON INVESTMENTS ^(a)	SUBTOTAL	OPERATING AND MAINTENANCE EXPENSE	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE ^(b)		COVERAGE
						PRINCIPAL	INTEREST	
1998	\$ 171,746	\$ 6,381	\$ 178,127	\$ 66,710	\$ 111,417	\$ 14,332	\$ 59,913	150%
1999	174,510	8,805	183,315	74,819	108,496	18,039	59,842	139%
2000	180,263	10,417	190,680	82,779	107,901	18,564	62,972	132%
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%

Note: 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.

(a) 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 Pool*. For 2007 the exclusion decreases interest income by \$1.3 million.

(b) By interpretation of applicable rate covenant, debt service excludes the principal and interest on bonds refunded in the current year.

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

CALENDAR YEAR	POPULATION	PERSONAL INCOME (1,000s)	PER CAPITA PERSONAL INCOME	AVERAGE EARNINGS PER JOB	UNEMPLOYMENT RATE	
					COUNTY	STATE
1998	1,712,411	\$ 65,485,103	\$ 38,241	\$ 46,648	4.0%	4.8%
1999	1,729,058	72,997,198	42,218	51,546	3.8%	4.8%
2000	1,739,657	77,271,598	44,418	53,387	4.1%	5.0%
2001	1,757,969	76,883,017	43,734	53,892	5.1%	6.2%
2002	1,765,236	77,940,608	44,153	55,335	6.1%	7.3%
2003	1,771,637	79,199,166	44,704	56,157	6.2%	7.4%
2004	1,784,814	88,407,884	49,533	57,414	5.2%	6.3%
2005	1,805,028	88,065,435	48,789	58,599	4.6%	5.5%
2006	1,834,194	96,579,228	52,655	61,338	4.1%	4.9%
2007	1,861,300	N/A	N/A	N/A	3.7%	4.5%

CALENDAR YEAR	MEDIAN HOUSEHOLD INCOME ESTIMATES	POPULATION 65 YEARS OLD AND OVER	BIRTHS	DEATHS	STUDENTS ENROLLED IN PUBLIC SCHOOLS	STUDENTS ENROLLED IN PRIVATE SCHOOLS
1998	\$ 51,250	180,817	21,925	11,332	251,261	36,363
1999	53,157	181,976	22,189	11,586	251,607	36,790
2000	56,106	181,772	22,089	11,883	251,712	38,469
2001	56,897	183,847	22,355	11,546	252,435	38,556
2002	58,098	185,794	21,814	11,527	253,817	38,373
2003	58,801	187,427	21,909	11,395	254,699	35,988
2004	63,576	189,124	22,508	11,632	255,475	37,088
2005	62,723	192,324	22,877	11,373	254,189	38,835
2006	66,055	195,983	22,618	11,464	257,346	39,726
2007	67,338	200,375	23,304	11,807	257,078	N/A

N/A = Not yet available

Population (except 2007 is from Washington State Office of Financial Management, Forecasting Division), personal income, per capita personal income and average earnings per job are from Pacific Northwest Regional Economic Analysis Project – King County, Washington. Unemployment rates are from State of Washington Employment Security Department, Labor Market and Economic Analysis Branch. Median household income estimates, population 65 years old and over, births and deaths are from Washington State Office of Financial Management, Forecasting Division. Student enrollment data is from State of Washington, Office of Superintendent of Public Instruction.

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

TYPE OF INDUSTRY	2007			2000		
	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Trade, Transportation and Utilities	224,125	1	18.70%	240,987	1	20.32%
Professional and Business Services	189,917	2	15.85%	186,963	2	15.77%
Government	162,917	3	13.59%	153,728	3	12.96%
Educational and Health Services	127,300	4	10.62%	110,651	5	9.33%
Manufacturing	113,000	5	9.43%	137,476	4	11.59%
Leisure and Hospitality	111,617	6	9.31%	101,917	6	8.60%
Financial Activities	76,908	7	6.42%	77,358	7	6.52%
Information	75,642	8	6.31%	71,290	8	6.01%
Construction	74,467	9	6.21%	65,032	9	5.48%
Total	1,155,893		96.44%	1,145,402		96.58%

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 from nine years ago is not available. Year 2000 is the most recent year for which data are available.

Number of employees are annual averages based on total nonfarm and are not seasonally adjusted.

**TEN LARGEST CUSTOMERS OF THE WATER QUALITY ENTERPRISE
DECEMBER 31, 2007**

CUSTOMER	PERCENT OF REVENUE
City of Seattle	40.3 %
City of Bellevue	9.5
City of Kent	5.4
Soos Creek Water & Sewer District	5.0
Alderwood Water & Wastewater District	4.8
City of Renton	4.6
Northshore Utility District	4.2
City of Auburn	4.1
City of Redmond	4.0
Ronald Wastewater District	2.7
TOTAL PERCENT FROM THE TEN LARGEST CUSTOMERS	<u>84.6 %</u>

KING COUNTY, WASHINGTON
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN YEARS

FULL-TIME EQUIVALENT EMPLOYEES AS OF DECEMBER 31

FUNCTION/PROGRAM	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	1,709	1,759	1,784	1,704	1,680	1,551	1,548	1,560	1,506	1,568
Law, safety & justice	2,897	3,050	3,422	3,551	3,443	3,409	3,585	3,556	3,683	3,730
Physical environment	1,597	1,684	1,760	1,415	1,516	1,517	1,497	1,488	1,652	1,670
Transportation	4,126	4,330	4,103	4,288	4,363	4,383	4,322	4,373	4,509	4,589
Economic environment	520	633	336	596	517	413	431	409	316	311
Mental and physical health	1,468	1,434	1,433	1,427	1,584	1,619	1,446	1,512	1,397	1,336
Culture and recreation	288	325	264	384	262	158	161	156	151	157
Total	<u>12,605</u>	<u>13,215</u>	<u>13,102</u>	<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>

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.

**KING COUNTY, WASHINGTON
OPERATING AND CAPITAL INDICATORS BY FUNCTION
LAST TEN YEARS**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Works										
Miles of Paved Roads	1,907	1,821	1,817	1,794	1,810	1,798	1,804	1,801	1,795	1,803
Miles of Unpaved Roads	86	86	86	56	55	84	55	55	54	51
Bridges	N/A	189	187	187	187	187	187	187	187	184
Building Permits										
Permits	2,187	4,296	3,323	3,239	3,579	3,980	3,725	3,359	2,982	2,900
Value of Buildings (in thousands)	\$ 359,920	\$ 568,745	\$ 703,340	\$ 492,732	\$ 684,939	\$ 754,803	\$ 831,500	\$ 716,076	\$ 575,524	\$ 562,836
Justice and Law Enforcement										
Sheriff's Office										
Number of Employees - Commission	629	653	684	694	705	730	717	704	734	714
Number of Employees - Civilian	312	354	360	372	377	365	366	355	305	312
Motor Pool Fleet - Vehicles	582	632	687	627	636	695	690	651	703	670
Motor Pool Fleet - Boats	7	7	7	6	6	8	6	5	8	8
Motor Pool Fleet - Helicopters	6	4	4	3	3	4	5	5	5	6
Adult Detention										
Average Daily Adult Custodial Population	2,755	2,833	2,953	2,906	2,648	2,394	2,456	2,603	2,667	2,727
Average Length of Stay (in days)	16	17	18	19	18	17	18	19	19	19
Bookings	61,304	59,891	60,992	56,407	54,008	53,361	49,616	50,628	53,433	53,697
Parks and Land Use										
Number of Parks	194	191	197	200	203	204	204	222	225	220
Acres of Parks	19,806	20,907	22,306	24,010	25,965	29,094	121,218 ^(a)	121,597	120,788	120,745
Public Transportation										
Size of Fleet - Buses	1,284	1,292	1,251	1,306	1,324	1,332	1,391	1,536	1,545	1,519
Size of Fleet - Active Vanpool Vans	661	705	681	694	667	663	662	732	801	845
Annual Bus Trips	97,315,500	100,274,889	104,081,688	102,078,126	98,425,286	99,325,901	101,915,207	104,461,689	109,386,798	117,492,162
Annual Vanpool Trips	1,987,505	2,008,235	2,019,776	1,936,350	1,749,238	1,793,748	1,688,996	1,795,611	1,966,935	2,322,012
Wastewater Treatment										
Total Sewer Customers (Residences & Residential Customer Equivalents)										
New Sewer Connections Equivalents	687,304	694,097	696,822	702,360	685,095	685,133	687,909	689,817	690,934	702,946
Monthly Sewer Rate	8,450	9,373	12,700	12,400	13,544	12,122	11,136	9,628	10,896	12,271
Residential Connection Charge (Monthly for 15 years)	\$19.10	\$19.10	\$19.50	\$19.75	\$23.40	\$23.40	\$23.40	\$25.60	\$25.60	\$27.95
Total Sewer Revenues (in thousands)	\$10.50	\$10.50	\$10.50	\$10.50	\$17.20	\$17.60	\$18.00	\$34.05	\$34.05	\$42.00
Number of Treatment Plants	\$157,027	\$158,669	\$162,786	\$167,360	\$192,124	\$191,919	\$192,912	\$212,069	\$212,117	\$227,665
Total Treatment Capacity	2	2	2	2	2	3	3	3	3	3
Million of Gallons per Day (MGD)	660	660	660	660	660	766	766	766	766	767
Average Daily Flow (MGD)	204	217	192	187	182	183	175	170	198	178
Peak Daily Flow (MGD)	542	524	406	533	513	559	507	483	542	636

N/A: Not available.

Source: Various King County Agencies.

(a) The 2004 increase in Acres of Parks includes 90,475 acres due to the new Snoqualmie Forest easement property added to the Parks System in December 2004.