**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)

| | GENERAL FUND | PUBLIC HEALTH FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| **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 | 631,992 | 145,905 | 780,067 | 1,557,964 |
| **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 | 568,366 | 177,842 | 817,560 | 1,563,768 |
| Excess (deficiency) of revenues over (under) expenditures | 63,626 | (31,937) | (37,493) | (5,804) |
| **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) | (66,742) | 30,563 | 93,567 | 57,388 |
| 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 | $ 140,648 | $ 6,365 | $ 324,962 | $ 471,975 |

(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 | $ 182,596 |

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)

| | BUDGETED AMOUNTS | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
| **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 | 645,948 | 645,948 | 658,373 | 12,425 |
| **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 | 660,874 | 685,170 | 669,134 | 16,036 |
| Deficiency of revenues under expenditures (budgetary basis) | $ (14,926) | $ (39,222) | (10,761) | $ 28,461 |
| 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 | | | $ 140,648 | |

(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 | $ 7,645 |

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 | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
| **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 | | | | |
|---|---|---|---|---|---|
| | PUBLIC TRANSPORTATION | WATER QUALITY | OTHER ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **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 | | | | |
|---|---|---|---|---|---|
| | PUBLIC TRANSPORTATION | WATER QUALITY | OTHER ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **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 | | | | $ 2,124,083 | |

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 | | | | |
|---|---|---|---|---|---|
| | PUBLIC TRANSPORTATION | WATER QUALITY | OTHER ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **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 | 154,408 | 262,930 | 110,004 | 527,342 | 387,058 |
| **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 | 588,765 | 170,355 | 132,018 | 891,138 | 376,574 |
| OPERATING INCOME (LOSS) | (434,357) | 92,575 | (22,014) | (363,796) | 10,484 |
| **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 | 514,263 | 8,123 | 8,997 | 531,383 | 8,452 |
| **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 | 2,980 | 72,526 | 7,517 | 83,023 | 10,377 |
| 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** | 87,606 | 29,175 | (17,520) | 99,261 | 6,281 |
| NET ASSETS - JANUARY 1, 2007 | 1,289,284 | 509,484 | 226,646 | | 65,308 |
| NET ASSETS - DECEMBER 31, 2007 | $ 1,376,890 | $ 538,659 | $ 209,126 | | $ 71,589 |

| | |
|---|---|
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | 4,768 |
| Change in net assets of business-type activities | $ 104,029 |

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 | | | | |
|---|---|---|---|---|---|
| | PUBLIC TRANSPORTATION | WATER QUALITY | OTHER ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **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 | (342,265) | 183,123 | 12,900 | (146,242) | 41,234 |
| **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 | 518,925 | (205) | (416) | 518,304 | (2,679) |
| **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 | (67,185) | (163,946) | (10,570) | (241,701) | 86,276 |
| **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 | 803 | (2,975) | (746) | (2,918) | (1,187) |
| 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 | $ 358,388 | $ 249,715 | $ 157,048 | $ 765,151 | $ 362,800 |

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 | | | | |
|---|---|---|---|---|---|
| | PUBLIC TRANSPORTATION | WATER QUALITY | OTHER ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **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 | 92,092 | 90,548 | 34,914 | 217,554 | 30,750 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | $ (342,265) | $ 183,123 | $ 12,900 | $ (146,242) | $ 41,234 |
| **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)

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

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 | 736,644 | 457,557 | 39,148 | 1,233,349 |
| **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 | 106,249 | 46,766 | 10,055 | 163,070 |
| **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 | $ 630,395 | $ 410,791 | $ 29,093 | $ 1,070,279 |

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)

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Harborview Medical Center** | **WSMLB Stadium Public Facilities District** | **Cultural Development Authority** | **Total** |
| **Component units:** | | | | | | | | |
| Harborview Medical Center | $ 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 | $ 592,953 | $ 565,676 | $ 24,095 | $ 9,606 | 13,860 | (12,752) | 5,316 | 6,424 |
| | 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 | | | | $ 630,395 | $ 410,791 | $ 29,093 | $ 1,070,279 |

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