

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2002

Exhibit B-1

(Dollars in Thousands)

	General	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Note 3).....	\$ 782,364	\$ 473,860	\$ 548,061	\$ 1,761,147	\$ 3,565,432
Investments (Note 3).....	1,762	—	—	396,053	397,815
Securities lending collateral (Note 3).....	1,949,795	457,674	405,796	840,379	3,653,644
Receivables, net:					
Taxes receivable.....	745,719	82,808	30,070	2,163	860,760
Accounts receivable.....	105,399	2,795	329	28,921	137,444
Intergovernmental receivable.....	659,024	26,151	473	10,307	695,955
Interest receivable.....	8,720	2,008	2,072	7,776	20,576
Contributions receivable.....	19,987	—	—	—	19,987
Other receivables.....	—	6,275	—	17	6,292
Due from fiduciary funds (Note 7).....	5,457	—	—	216	5,673
Due from other funds (Note 7).....	3,826	78,227	37	26,039	108,129
Due from component units (Note 7).....	5,101	—	—	2,659	7,760
Inventories.....	43,772	63,332	—	27,333	134,437
Prepaid items.....	—	—	—	57	57
Advances to other funds (Note 7).....	—	—	2,624	—	2,624
Advances to component units (Note 7).....	22,081	—	—	25,000	47,081
Notes receivable.....	2,952	—	—	519,732	522,684
Securities held in trust.....	588	12,920	—	34,924	48,432
Endowment investments.....	—	—	—	49,730	49,730
Total Assets.....	\$ 4,356,547	\$ 1,206,050	\$ 989,462	\$ 3,732,453	\$ 10,284,512
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable.....	\$ 63,739	\$ 146,873	\$ 37,950	\$ 49,879	\$ 298,441
Accrued payroll.....	5,072	28,632	—	1,347	35,051
Intergovernmental payable.....	517,734	90,454	42,750	9,696	660,634
Claims payable.....	—	—	—	21,658	21,658
Medical claims payable.....	709,514	—	—	—	709,514
Tax refunds payable.....	945,426	—	—	—	945,426
Obligations under securities lending.....	1,949,795	457,674	405,796	840,379	3,653,644
Interest payable.....	888	—	—	—	888
Due to fiduciary funds (Note 7).....	8,673	—	—	—	8,673
Due to other funds (Note 7).....	13,793	8,159	76,944	21,162	120,058
Due to component units (Note 7).....	10,791	218	—	144,067	155,076
Deferred revenue.....	478,933	2,352	37	18,242	499,564
Advance from other funds (Note 7).....	—	2,624	—	—	2,624
Deposits payable.....	135	30	—	11	176
Funds held for others.....	605	58,857	—	34,931	94,393
Total Liabilities.....	4,705,098	795,873	563,477	1,141,372	7,205,820
Fund Balances:					
Reserved (Note 8).....	227,767	53,560	—	1,045,479	1,326,806
Unreserved, reported in:					
General Fund.....	(576,318)	—	—	—	(576,318)
Special Revenue Funds.....	—	356,617	425,985	1,471,625	2,254,227
Capital Projects Funds.....	—	—	—	73,751	73,751
Permanent Funds.....	—	—	—	226	226
Total Fund Balance.....	(348,551)	410,177	425,985	2,591,081	3,078,692
Total Liabilities and Fund Balances.....	\$ 4,356,547	\$ 1,206,050	\$ 989,462	\$ 3,732,453	\$ 10,284,512

The accompanying Notes to the Financial Statements are an integral part of this statement.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2002

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1) \$ 3,078,692

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, therefore, are not reported in the funds (see Note 4). These consist of:

Cost of capital assets (excluding internal service funds).....	\$ 27,845,415	
Less: Accumulated depreciation (excluding internal service funds).....	(5,593,147)	
Net capital assets.....		22,252,268

- **Some assets**, such as receivables, are not available soon enough to pay for current-period expenditures and thus, are offset by deferred revenue in the governmental funds. 228,786

- **Pension assets**, resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds. (See Note 9) 37

- **Long-term debt instruments**, such as bonds and notes payable, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 6). Also, unamortized debt premiums are reported in the Statement of Net Assets but are not reported in the funds. These balances consist of:

General obligation bonds payable.....	(3,467,325)	
Unamortized debt premiums (to be amortized as interest expense).....	(13,709)	
Less: Unamortized debt discounts (to be amortized as interest expense).....	3,081	
Notes payable.....	(11,753)	
Capital leases payable.....	(216)	
Net long-term debt.....		(3,489,922)

- **Other liabilities** not due and payable in the current period and, therefore, not reported in the funds (see Note 6) consist of:

Accrued interest payable.....	(43,898)	
Compensated absences (excluding internal service funds).....	(207,563)	
Obligations for workers compensation.....	(7,145)	
Arbitrage rebate payable.....	(1,287)	
Net pension obligation.....	(3,775)	
Total other liabilities.....		(263,668)

- **Internal service funds** are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets (see Exhibit B-3). 208,516

Total net assets - governmental activities (see Exhibit A-1) \$ 22,014,709

The accompanying 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 Fiscal Year Ended June 30, 2002

Exhibit B-2

(Dollars in Thousands)

	General	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Individual income tax.....	\$ 7,219,794	\$ —	\$ —	\$ 454	\$ 7,220,248
Corporate income tax.....	548,046	—	—	54,330	602,376
Sales and use tax.....	3,766,285	—	—	12,900	3,779,185
Gasoline tax.....	—	889,919	296,964	26,613	1,213,496
Franchise tax.....	592,259	—	—	—	592,259
Highway use tax.....	—	—	555,320	—	555,320
Insurance tax.....	340,785	—	—	7,108	347,893
Beverage tax.....	200,593	—	—	—	200,593
Inheritance tax.....	104,799	—	—	—	104,799
Other taxes.....	181,657	—	—	96,970	278,627
Federal funds.....	7,266,016	845,347	—	347,981	8,459,344
Local funds.....	682,310	7,269	—	12,497	702,076
Investment earnings.....	188,310	22,866	10,183	113,723	335,082
Interest earnings on loans.....	21	127	31,526	15,747	47,421
Sales and services.....	61,259	7,060	—	126,229	194,548
Rental and lease of property.....	7,102	13,839	1,790	1,628	24,359
Fees, licenses, and fines.....	237,236	408,198	90,968	128,510	864,912
Tobacco settlement.....	175,836	—	—	—	175,836
Contributions, gifts, and grants.....	33,688	3,530	488	56,096	93,802
Funds escheated.....	—	—	—	90,181	90,181
Miscellaneous.....	118,690	9,466	195	17,536	145,887
Total revenues.....	<u>21,724,686</u>	<u>2,207,621</u>	<u>987,434</u>	<u>1,108,503</u>	<u>26,028,244</u>
Expenditures:					
Current:					
General government.....	741,605	—	—	67,793	809,398
Primary and secondary education.....	6,495,702	—	—	306,960	6,802,662
Higher education.....	2,296,331	—	—	223,293	2,519,624
Health and human services.....	10,333,124	—	—	65,262	10,398,386
Economic development.....	188,617	—	—	310,027	498,644
Environment and natural resources.....	201,369	—	—	373,502	574,871
Public safety, corrections, and regulation.....	1,809,322	—	—	260,844	2,070,166
Transportation.....	—	2,396,459	595,728	—	2,992,187
Agriculture.....	73,176	—	—	49,161	122,337
Capital outlay.....	—	—	—	126,011	126,011
Debt service:					
Principal retirement.....	163,723	—	16,675	—	180,398
Interest.....	138,148	—	9,432	—	147,580
Bond issuance costs.....	477	—	—	257	734
Total expenditures.....	<u>22,441,594</u>	<u>2,396,459</u>	<u>621,835</u>	<u>1,783,110</u>	<u>27,242,998</u>
Excess revenues over (under) expenditures.....	<u>(716,908)</u>	<u>(188,838)</u>	<u>365,599</u>	<u>(674,607)</u>	<u>(1,214,754)</u>
Other Financing Sources (Uses):					
Bonds issued.....	—	—	—	605,000	605,000
Other debt issued.....	4,832	—	—	—	4,832
Premium on debt issued.....	—	—	—	14,733	14,733
Capital leases.....	216	—	—	—	216
Sale of capital assets.....	5,950	547	1,003	5,070	12,570
Transfers in.....	616,871	400,843	—	460,594	1,478,308
Transfers out.....	(230,499)	(197,956)	(641,170)	(344,793)	(1,414,418)
Total other financing sources (uses).....	<u>397,370</u>	<u>203,434</u>	<u>(640,167)</u>	<u>740,604</u>	<u>701,241</u>
Net change in fund balances.....	<u>(319,538)</u>	<u>14,596</u>	<u>(274,568)</u>	<u>65,997</u>	<u>(513,513)</u>
Fund balances — July 1, as restated (Note 19).....	(28,086)	396,054	700,553	2,526,882	3,595,403
Increase (decrease) in reserve for related assets.....	(927)	(473)	—	(1,798)	(3,198)
Fund balances — June 30.....	<u>\$ (348,551)</u>	<u>\$ 410,177</u>	<u>\$ 425,985</u>	<u>\$ 2,591,081</u>	<u>\$ 3,078,692</u>

The accompanying 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**

June 30, 2002

Exhibit B-2a

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2)	\$ (513,513)
Amounts reported for governmental activities in the Statement of Activities are different because:	
- Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlays (including construction-in-progress)	\$ 1,979,924
Less: Depreciation expense	(459,627)
Net capital outlay adjustment	1,520,297
- Proceeds from the sale of capital assets increase financial resources in the funds, whereas in the Statement of Activities only the gain or loss on sale is reported. This adjustment reduces the proceeds by the book value of the capital assets sold.	
	(44,841)
- Long-term debt proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net assets. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts consist of:	
Debt issued:	
Bonds and similar debt issued	(609,832)
Capital lease financings	(216)
Premiums on debt issued	(14,506)
Principal repayments:	
Bonds, notes, and similar debt	180,398
Net debt adjustments	(444,156)
- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.	
	35,620
- Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in the funds. Also, some payments related to prior periods are recognized in the funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:	
Accrued interest	(2,039)
Compensated absences	5,181
Workers compensation	(77)
Arbitrage rebate	8,261
Net pension obligation	(419)
Amortization of deferred amounts	797
Net expense accruals	11,704
- Inventories of governmental funds are recorded as expenditures when purchased but in the Statement of Activities are recorded as expenses when consumed.	
	(3,198)
- Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of internal service funds are included with governmental activities in the Statement of Activities (see Exhibit B-4).	
	(316)
Change in net assets - governmental activities (see Exhibit A-2)	\$ 561,597

The accompanying Notes to the Financial Statements are an integral part of this statement.