

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2003

Exhibit B-1

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Note 3).....	\$ 1,028,057	\$ 413,167	\$ 189,807	\$ 1,728,524	\$ 3,359,555
Investments (Note 3).....	1,925	—	—	481,516	483,441
Securities lending collateral (Note 3).....	2,119,153	351,021	153,467	839,645	3,463,286
Receivables, net: (Note 4)					
Taxes receivable.....	827,616	81,688	28,496	2,160	939,960
Accounts receivable.....	142,845	3,246	326	27,884	174,301
Intergovernmental receivable.....	680,934	6,000	505	7,345	694,784
Interest receivable.....	7,408	1,225	455	5,582	14,670
Contributions receivable.....	20,744	—	—	—	20,744
Other receivables.....	—	9,987	—	15	10,002
Due from fiduciary funds (Note 4).....	2	—	—	—	2
Due from other funds (Note 9).....	215	57,946	166	39,700	98,027
Due from component units (Note 17).....	3,406	—	—	4,280	7,686
Inventories.....	55,396	66,749	—	24,197	146,342
Prepaid items.....	—	—	—	71	71
Advances to other funds (Note 9).....	—	—	129,722	—	129,722
Advances to component units.....	—	—	—	24,242	24,242
Notes receivable (Note 4).....	1,892	137	—	242,052	244,081
Securities held in trust.....	603	3,820	—	35,846	40,269
Endowment investments (Note 3).....	—	—	—	59,494	59,494
Total Assets.....	<u>\$ 4,890,196</u>	<u>\$ 994,986</u>	<u>\$ 502,944</u>	<u>\$ 3,522,553</u>	<u>\$ 9,910,679</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable.....	\$ 74,160	\$ 162,898	\$ 51,645	\$ 83,902	\$ 372,605
Accrued payroll.....	5,079	29,547	—	1,256	35,882
Intergovernmental payable.....	536,437	89,914	32,188	9,734	668,273
Claims payable.....	—	—	—	24,305	24,305
Medical claims payable.....	732,304	—	—	—	732,304
Tax refunds payable.....	960,104	—	—	—	960,104
Obligations under securities lending.....	2,119,153	351,021	153,467	839,645	3,463,286
Interest payable.....	694	—	—	—	694
Due to fiduciary funds (Note 9).....	6,349	—	—	—	6,349
Due to other funds (Note 9).....	15,960	8,291	54,946	35,367	114,564
Due to component units (Note 17).....	3,146	—	—	174,689	177,835
Deferred revenue.....	475,608	5,844	2,526	19,523	503,501
Advance from other funds (Note 9).....	127,375	2,347	—	—	129,722
Deposits payable.....	51	—	—	7	58
Funds held for others.....	731	45,204	—	36,079	82,014
Total Liabilities.....	<u>5,057,151</u>	<u>695,066</u>	<u>294,772</u>	<u>1,224,507</u>	<u>7,271,496</u>
Fund Balances:					
Reserved (Note 10).....	166,172	50,425	—	622,228	838,825
Unreserved, reported in					
General Fund.....	(333,127)	—	—	—	(333,127)
Special Revenue Funds.....	—	249,495	208,172	1,584,238	2,041,905
Capital Projects Funds.....	—	—	—	84,677	84,677
Permanent Funds.....	—	—	—	6,903	6,903
Total Fund Balance.....	<u>(166,955)</u>	<u>299,920</u>	<u>208,172</u>	<u>2,298,046</u>	<u>2,639,183</u>
Total Liabilities and Fund Balances.....	<u>\$ 4,890,196</u>	<u>\$ 994,986</u>	<u>\$ 502,944</u>	<u>\$ 3,522,553</u>	<u>\$ 9,910,679</u>

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, 2003

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1) \$ 2,639,183

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 5). These consist of:		
Cost of capital assets (excluding internal service funds).....	\$ 29,606,611	
Less: Accumulated depreciation (excluding internal service funds).....	(5,969,154)	
Net capital assets.....		23,637,457
- 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.		247,047
- 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 11).		31
- 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 7). Also, unamortized debt premiums, discounts, and losses on refundings are reported in the Statement of Net Assets but are not reported in the funds. These balances consist of:		
General obligation bonds payable.....	(4,066,990)	
Certificates of participation payable.....	(17,500)	
Unamortized debt premiums (to be amortized as interest expense).....	(34,753)	
Less: Unamortized debt discounts (to be amortized as interest expense).....	2,362	
Less: Unamortized loss on refunding (to be amortized as interest expense).....	53,778	
Notes payable.....	(9,629)	
Capital leases payable.....	(322)	
Net long-term debt.....		(4,073,054)
- Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 7 as applicable) consist of:		
Accrued interest payable.....	(43,780)	
Compensated absences (excluding internal service funds).....	(271,733)	
Obligations for workers compensation.....	(6,819)	
Arbitrage rebate payable.....	(1,077)	
Deferred death benefit payable.....	(105)	
Cost settlement payable.....	(20,000)	
Net pension obligation.....	(4,656)	
Total other liabilities.....		(348,170)
- 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).		208,028

Total net assets - governmental activities (see Exhibit A-1) \$ 22,310,522

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, 2003

Exhibit B-2

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Individual income tax.....	\$ 7,126,655	\$ —	\$ —	\$ 486	\$ 7,127,141
Corporate income tax.....	922,936	—	—	—	922,936
Sales and use tax.....	4,020,923	—	—	13,914	4,034,837
Gasoline tax.....	—	846,170	281,312	26,848	1,154,330
Franchise tax.....	583,781	—	—	—	583,781
Highway use tax.....	—	—	552,759	—	552,759
Insurance tax.....	408,873	—	—	8,253	417,126
Beverage tax.....	198,848	—	—	—	198,848
Inheritance tax.....	112,605	—	—	—	112,605
Other taxes.....	181,519	—	—	108,142	289,661
Federal funds.....	7,564,627	802,414	—	305,024	8,672,065
Local funds.....	562,498	9,205	107	14,828	586,638
Investment earnings.....	139,140	47,339	15,006	118,538	320,023
Interest earnings on loans.....	—	—	—	7,165	7,165
Sales and services.....	61,514	4,515	—	118,710	184,739
Rental and lease of property.....	6,232	11,837	1,003	3,103	22,175
Fees, licenses, and fines.....	269,962	414,711	91,097	139,610	915,380
Tobacco settlement.....	173,256	—	—	—	173,256
Contributions, gifts, and grants.....	29,703	4,272	54	56,457	90,486
Funds escheated.....	—	—	—	41,369	41,369
Federal funds for fiscal relief.....	136,859	—	—	—	136,859
Miscellaneous.....	116,471	13,138	948	17,220	147,777
Total revenues.....	<u>22,616,402</u>	<u>2,153,601</u>	<u>942,286</u>	<u>979,667</u>	<u>26,691,956</u>
Expenditures:					
Current:					
General government.....	643,209	—	—	48,058	691,267
Primary and secondary education.....	6,686,832	—	—	176,506	6,863,338
Higher education.....	2,341,714	—	—	471,915	2,813,629
Health and human services.....	10,520,476	—	—	62,708	10,583,184
Economic development.....	177,389	—	—	306,909	484,298
Environment and natural resources.....	197,894	—	—	336,511	534,405
Public safety, corrections, and regulation.....	1,694,592	—	—	303,984	1,998,576
Transportation.....	—	2,383,447	584,104	—	2,967,551
Agriculture.....	73,067	—	—	8,790	81,857
Capital outlay.....	—	—	—	104,379	104,379
Debt service:					
Principal retirement.....	151,334	—	16,675	—	168,009
Interest and fees.....	143,429	—	8,681	—	152,110
Debt issuance costs.....	1,262	—	—	148	1,410
Total expenditures.....	<u>22,631,198</u>	<u>2,383,447</u>	<u>609,460</u>	<u>1,819,908</u>	<u>27,444,013</u>
Excess revenues over (under) expenditures.....	<u>(14,796)</u>	<u>(229,846)</u>	<u>332,826</u>	<u>(840,241)</u>	<u>(752,057)</u>
Other Financing Sources (Uses):					
Bonds issued.....	—	—	—	711,600	711,600
Certificates of participation issued.....	—	—	—	17,500	17,500
Refunding bonds issued.....	556,350	—	—	—	556,350
Premium on debt issued.....	2,780	—	—	22,237	25,017
Discount on debt issued.....	(226)	—	—	(28)	(254)
Payment to refunded bond escrow agent.....	(558,444)	—	—	—	(558,444)
Capital leases.....	150	—	—	—	150
Sale of capital assets.....	2,608	1,536	390	4,348	8,882
Transfers in (Note 9).....	538,241	320,990	—	728,157	1,587,388
Transfers out (Note 9).....	(356,462)	(202,265)	(551,029)	(473,319)	(1,583,075)
Total other financing sources (uses).....	<u>184,997</u>	<u>120,261</u>	<u>(550,639)</u>	<u>1,010,495</u>	<u>765,114</u>
Net change in fund balances.....	<u>170,201</u>	<u>(109,585)</u>	<u>(217,813)</u>	<u>170,254</u>	<u>13,057</u>
Fund balances — July 1, as restated (Note 21).....	(348,788)	410,177	425,985	2,130,928	2,618,302
Increase (decrease) in reserve for related assets.....	11,632	(672)	—	(3,136)	7,824
Fund balances — June 30.....	<u>\$ (166,955)</u>	<u>\$ 299,920</u>	<u>\$ 208,172</u>	<u>\$ 2,298,046</u>	<u>\$ 2,639,183</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, 2003

Exhibit B-2a

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2)	\$	13,057
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)	\$ 1,927,442	
Less: Depreciation expense	(501,014)	
Net capital outlay adjustment		1,426,428
- 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 the sale is reported. This adjustment reduces the proceeds by the book value of the capital assets sold.		(25,912)
- 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 or incurred:		
Bonds and similar debt issued	(729,100)	
Refunding bonds issued	(556,350)	
Capital lease financings	(150)	
Premiums on debt issued	(24,177)	
Principal repayments:		
Bonds, notes, and similar debt	168,009	
Capital leases	44	
Payments to escrow agent for refundings	558,444	
Net debt adjustments		(583,280)
- 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.		18,261
- 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	118	
Compensated absences (excluding internal service funds)	(64,381)	
Workers compensation	326	
Arbitrage rebate	210	
Deferred death benefit	65	
Cost settlement	(20,000)	
Net pension obligation	(887)	
Amortization of deferred amounts	148	
Net expense accruals		(84,401)
- Inventories of governmental funds are recorded as expenditures when purchased but in the Statement of Activities are recorded as expenses when consumed.		7,824
- 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).		(341)
Change in net assets - governmental activities (see Exhibit A-2)	\$	<u>771,636</u>

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