BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2004 *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)	$ 1,204,341	$ 307,635	$ 320,674	$ 2,222,224	$ 4,054,874
Investments (Note 3)	1,918	—	—	477,761	479,679
Securities lending collateral (Note 3)	2,084,291	295,069	201,363	823,856	3,404,579
Receivables, net: (Note 4)					
Taxes receivable	759,276	85,791	29,888	4,646	879,601
Accounts receivable	333,791	5	658	24,099	358,553
Intergovernmental receivable	714,716	24,928	505	8,347	748,496
Interest receivable	5,505	845	1,103	5,158	12,611
Contributions receivable	28,139	—	—	—	28,139
Other receivables	—	10,417	—	—	10,417
Due from fiduciary funds (Note 4)	2	—	—	1	3
Due from other funds (Note 9)	109	106,635	9,434	149,251	265,429
Due from component units (Note 17)	11,074	—	—	6,082	17,156
Inventories	54,689	66,903	—	28,874	150,466
Prepaid items	—	—	—	132	132
Advances to other funds (Note 9)	—	—	124,006	—	124,006
Advances to component units (Note 17)	—	—	—	24,242	24,242
Notes receivable, net (Note 4)	1,240	137	—	281,301	282,678
Securities held in trust	603	3,820	—	37,215	41,638
Endowment investments (Note 3)	—	—	—	55,211	55,211
Total Assets	$ 5,199,694	$ 902,185	$ 687,631	$ 4,148,400	$ 10,937,910
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable	$ 85,011	$ 182,527	$ 74,909	$ 97,852	$ 440,299
Accrued payroll	5,927	34,727	—	871	41,525
Intergovernmental payable	570,944	96,718	43,483	5,838	716,983
Claims payable	—	—	—	27,590	27,590
Medical claims payable	762,427	—	—	—	762,427
Tax refunds payable	1,056,880	—	—	—	1,056,880
Obligations under securities lending	2,084,291	295,069	201,363	823,856	3,404,579
Interest payable	1,558	—	—	—	1,558
Due to fiduciary funds (Note 9)	7,043	—	—	47	7,090
Due to other funds (Note 9)	36,862	7,257	94,543	144,827	283,489
Due to component units (Note 17)	7,644	—	—	268,758	276,402
Deferred revenue	654,271	11,146	7,248	14,153	686,818
Advance from other funds (Note 9)	122,350	1,656	—	—	124,006
Deposits payable	51	—	—	867	918
Funds held for others	722	45,268	—	37,320	83,310
Total Liabilities	5,395,981	674,368	421,546	1,421,979	7,913,874
Fund Balances:					
Reserved (Note 10)	197,448	49,139	124,006	674,029	1,044,622
Unreserved, reported in:					
General Fund (Note 10)	(393,735)	—	—	—	(393,735)
Special Revenue Funds	—	178,678	142,079	1,939,617	2,260,374
Capital Projects Funds	—	—	—	110,395	110,395
Permanent Funds	—	—	—	2,380	2,380
Total Fund Balance	(196,287)	227,817	266,085	2,726,421	3,024,036
Total Liabilities and Fund Balances	$ 5,199,694	$ 902,185	$ 687,631	$ 4,148,400	$ 10,937,910

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, 2004 *Exhibit B-1a*

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1)		$ 3,024,036
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)	$ 31,871,385	
Less: Accumulated depreciation (excluding internal service funds)	(6,406,086)	
Net capital assets		25,465,299
- **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.		319,205
- **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).		278
- **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	(4,982,860)	
Lease-purchase revenue bonds payable	(218,405)	
Certificates of participation payable	(301,165)	
Unamortized debt premiums (to be amortized as interest expense)	(158,773)	
Less: Unamortized debt discounts (to be amortized as interest expense)	1,724	
Less: Unamortized loss on refunding (to be amortized as interest expense)	57,940	
Notes payable	(25,008)	
Capital leases payable	(304)	
Net long-term debt		(5,626,851)
- **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	(56,373)	
Compensated absences (excluding internal service funds)	(323,734)	
Obligations for workers compensation	(6,195)	
Arbitrage rebate payable	(43)	
Deferred death benefit payable	(270)	
Cost settlement payable	(7,500)	
Net pension obligation	(2,186)	
Total other liabilities		(396,301)
- **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).		195,740
Total net assets - governmental activities (see Exhibit A-1)		$ 22,981,406

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, 2004 *Exhibit B-2*

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Individual income tax	$ 7,404,956	$ —	$ —	$ 493	$ 7,405,449
Corporate income tax	699,441	—	—	60,120	759,561
Sales and use tax	4,268,292	—	—	23,366	4,291,658
Gasoline tax	—	935,381	310,768	30,324	1,276,473
Franchise tax	560,502	—	—	—	560,502
Highway use tax	—	—	578,346	—	578,346
Insurance tax	423,405	—	—	9,570	432,975
Beverage tax	213,271	—	—	—	213,271
Inheritance tax	129,579	—	—	—	129,579
Other taxes	181,057	—	—	132,758	313,815
Federal funds	8,769,925	983,106	—	336,044	10,089,075
Local funds	636,900	4,203	330	16,521	657,954
Investment earnings	100,336	14,354	11,315	34,841	160,846
Interest earnings on loans	—	—	—	5,801	5,801
Sales and services	76,192	1,296	—	132,673	210,161
Rental and lease of property	6,722	16,854	1,115	3,157	27,848
Fees, licenses, and fines	315,621	437,351	94,079	188,252	1,035,303
Tobacco settlement	146,452	—	—	—	146,452
Contributions, gifts, and grants	50,374	741	—	99,616	150,731
Funds escheated	—	—	—	55,330	55,330
Federal funds for fiscal relief	136,859	—	—	—	136,859
Miscellaneous	154,380	12,484	320	29,753	196,937
Total revenues	24,274,264	2,405,770	996,273	1,158,619	28,834,926
Expenditures:					
Current:					
General government	664,607	—	—	46,720	711,327
Primary and secondary education	7,048,359	—	—	174,784	7,223,143
Higher education	2,484,004	—	—	656,694	3,140,698
Health and human services	11,648,072	—	—	74,649	11,722,721
Economic development	182,785	—	—	349,889	532,674
Environment and natural resources	229,286	—	—	352,440	581,726
Public safety, corrections, and regulation	1,728,183	—	—	345,155	2,073,338
Transportation	—	2,590,809	798,233	—	3,389,042
Agriculture	73,413	—	—	8,075	81,488
Capital outlay	—	—	—	385,506	385,506
Debt service:					
Principal retirement	218,749	78	16,675	290	235,792
Interest and fees	168,738	217	15,482	913	185,350
Debt issuance costs	1,198	—	—	3,632	4,830
Total expenditures	24,447,394	2,591,104	830,390	2,398,747	30,267,635
Excess revenues over (under) expenditures	(173,130)	(185,334)	165,883	(1,240,128)	(1,432,709)
Other Financing Sources (Uses):					
Bonds issued	—	—	400,000	977,560	1,377,560
Certificates of participation issued	—	—	—	283,955	283,955
Refunding bonds issued	326,710	—	—	—	326,710
Other debt issued	2,243	15,354	—	—	17,597
Premium on debt issued	22,456	—	31,130	83,670	137,256
Payment to refunded bond escrow agent	(346,915)	—	—	—	(346,915)
Sale of capital assets	1,043	5,822	1,023	2,217	10,105
Transfers in (Note 9)	530,773	317,107	—	718,640	1,566,520
Transfers out (Note 9)	(391,621)	(226,644)	(540,123)	(398,820)	(1,557,208)
Total other financing sources (uses)	144,689	111,639	(107,970)	1,667,222	1,815,580
Net change in fund balances	(28,441)	(73,695)	57,913	427,094	382,871
Fund balances — July 1, as restated (Note 21)	(167,139)	299,920	208,172	2,294,651	2,635,604
Increase (decrease) in reserve for related assets	(707)	1,592	—	4,676	5,561
Fund balances — June 30	$ (196,287)	$ 227,817	$ 266,085	$ 2,726,421	$ 3,024,036

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, 2004 *Exhibit B-2a*

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2)		$ 382,871
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)	$ 2,364,444	
Less: Depreciation expense (excluding internal service funds)	(502,535)	
Net capital outlay adjustment		1,861,909
- **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.		(27,844)
- **Donations of capital assets** do not appear in the governmental funds because they are not financial resources, but increase net assets in the statement of activities.		770
- **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	(1,679,112)	
Refunding bonds issued	(326,710)	
Premiums on debt issued	(136,960)	
Principal repayments:		
Bonds, notes, and similar debt	235,633	
Capital leases	159	
Payments to escrow agent for refundings	346,915	
Net debt adjustments		(1,560,075)
- **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.		8,515
- **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	(12,593)	
Compensated absences (excluding internal service funds)	(56,169)	
Workers compensation	624	
Arbitrage rebate	1,034	
Deferred death benefit	(165)	
Cost settlement	12,500	
Net pension obligation	2,717	
Amortization of deferred amounts	6,419	
Net expense accruals		(45,633)
- **Inventories** of governmental funds are recorded as expenditures when purchased but in the Statement of Activities are recorded as expenses when consumed.		5,561
- **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).		(12,847)
Change in net assets - governmental activities (see Exhibit A-2)		$ 613,227

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