

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2006

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).....	\$ 2,421,376	\$ 589,757	\$ 21,766	\$ 1,577,952	\$ 4,610,851
Investments (Note 3).....	2,014	—	—	1,018,515	1,020,529
Securities lending collateral (Note 3).....	3,763,630	532,421	23,001	1,009,392	5,328,444
Receivables, net: (Note 4)					
Taxes receivable.....	1,790,815	107,306	37,855	2,317	1,938,293
Accounts receivable.....	258,855	10,588	392	24,217	294,052
Intergovernmental receivable.....	1,061,100	56,789	2,529	7,445	1,127,863
Interest receivable.....	13,835	391	518	7,433	22,177
Other receivables.....	—	2,102	—	—	2,102
Due from other funds (Note 9).....	5,690	75,495	105	57,927	139,217
Due from component units (Note 17).....	2,438	—	—	9,240	11,678
Inventories.....	73,343	74,991	—	33,818	182,152
Prepaid items.....	—	—	—	991	991
Advances to component units (Note 17).....	—	—	3,622	21,742	25,364
Notes receivable, net (Note 4).....	6,578	1,102	107	334,362	342,149
Securities held in trust.....	565	4,546	—	38,800	43,911
Endowment investments (Note 3).....	—	—	—	57,741	57,741
Total Assets.....	\$ 9,400,239	\$ 1,455,488	\$ 89,895	\$ 4,201,892	\$ 15,147,514
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable.....	\$ 79,077	\$ 192,114	\$ 70,579	\$ 85,463	\$ 427,233
Accrued payroll.....	6,529	19,193	—	813	26,535
Intergovernmental payable.....	602,461	94,645	54,768	9,758	761,632
Claims payable.....	—	—	—	32,632	32,632
Medical claims payable.....	983,145	—	—	—	983,145
Tax refunds payable.....	1,183,801	—	—	—	1,183,801
Obligations under securities lending.....	3,763,630	532,421	23,001	1,009,392	5,328,444
Interest payable.....	655	—	—	—	655
Due to fiduciary funds (Note 9).....	42,541	—	—	47	42,588
Due to other funds (Note 9).....	14,180	8,544	75,495	41,853	140,072
Due to component units (Note 17).....	48,446	—	—	95,280	143,726
Deferred revenue.....	749,622	25,014	1,050	13,282	788,968
Deposits payable.....	51	—	—	9	60
Funds held for others.....	903	14,772	—	38,863	54,538
Total Liabilities.....	7,475,041	886,703	224,893	1,327,392	9,914,029
Fund Balances:					
Reserved (Note 10).....	155,418	53,999	3,729	903,408	1,116,554
Unreserved/Designated.....	656,731	—	—	—	656,731
Unreserved/Undesignated, reported in:					
General Fund.....	1,113,049	—	—	—	1,113,049
Special Revenue Funds.....	—	514,786	(138,727)	1,856,141	2,232,200
Capital Projects Funds.....	—	—	—	113,433	113,433
Permanent Funds.....	—	—	—	1,518	1,518
Total Fund Balance.....	1,925,198	568,785	(134,998)	2,874,500	5,233,485
Total Liabilities and Fund Balances.....	\$ 9,400,239	\$ 1,455,488	\$ 89,895	\$ 4,201,892	\$ 15,147,514

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, 2006

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1) **\$ 5,233,485**

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).....	\$ 29,494,748	
Less: Accumulated depreciation (excluding internal service funds).....	(431,249)	
Net capital assets.....		29,063,499
- 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.		297,302
- 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).		471
- 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.....	(5,738,815)	
Lease-purchase revenue bonds payable.....	(255,045)	
Certificates of participation payable.....	(454,060)	
Unamortized debt premiums (to be amortized as interest expense).....	(313,253)	
Less: Unamortized debt discounts (to be amortized as interest expense).....	721	
Less: Unamortized loss on refunding (to be amortized as interest expense).....	103,059	
Notes payable.....	(60,841)	
Capital leases payable.....	(26,879)	
Net long-term debt.....		(6,745,113)
- 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.....	(86,887)	
Compensated absences (excluding internal service funds).....	(370,934)	
Obligations for workers compensation.....	(5,266)	
Arbitrage rebate payable.....	(508)	
Deferred death benefit payable.....	(340)	
Cost settlement payable.....	(154,000)	
Net pension obligation.....	(1,627)	
Total other liabilities.....		(619,562)
- 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).		203,818

Total net assets - governmental activities (see Exhibit A-1) **\$ 27,433,900**

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, 2006

Exhibit B-2

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Individual income tax.....	\$ 9,493,714	\$ —	\$ —	\$ 1,735	\$ 9,495,449
Corporate income tax.....	1,208,356	—	—	98,199	1,306,555
Sales and use tax.....	5,007,567	—	—	26,836	5,034,403
Gasoline tax.....	—	1,114,743	372,072	27,927	1,514,742
Franchise tax.....	628,665	—	—	—	628,665
Highway use tax.....	—	—	577,237	—	577,237
Insurance tax.....	431,729	—	—	10,568	442,297
Beverage tax.....	232,987	—	—	328	233,315
Inheritance tax.....	133,248	—	—	—	133,248
Other taxes.....	335,820	—	—	146,734	482,554
Federal funds.....	9,905,879	993,867	—	415,976	11,315,722
Local funds.....	574,300	14,778	1,976	19,447	610,501
Investment earnings.....	262,904	38,343	3,018	79,749	384,014
Interest earnings on loans.....	—	7	—	5,398	5,405
Sales and services.....	95,178	813	—	164,547	260,538
Rental and lease of property.....	7,942	13,399	1,434	3,207	25,982
Fees, licenses, and fines.....	501,018	597,326	106,348	200,877	1,405,569
Tobacco settlement.....	136,453	—	—	—	136,453
Contributions, gifts, and grants.....	17,633	1,946	868	98,489	118,936
Funds escheated.....	—	—	—	108,075	108,075
Miscellaneous.....	131,843	13,288	2,053	13,868	161,052
Total revenues.....	<u>29,105,236</u>	<u>2,788,510</u>	<u>1,065,006</u>	<u>1,421,960</u>	<u>34,380,712</u>
Expenditures:					
Current:					
General government.....	869,092	—	—	94,807	963,899
Primary and secondary education.....	7,954,919	—	—	257,079	8,211,998
Higher education.....	3,060,173	—	—	411,431	3,471,604
Health and human services.....	13,230,073	—	—	87,998	13,318,071
Economic development.....	242,953	—	—	400,557	643,510
Environment and natural resources.....	249,692	—	—	376,750	626,442
Public safety, corrections, and regulation.....	1,894,345	—	—	397,251	2,291,596
Transportation.....	—	2,448,816	770,733	—	3,219,549
Agriculture.....	102,256	—	—	8,370	110,626
Capital outlay.....	—	—	—	270,882	270,882
Debt service:					
Principal retirement.....	312,524	—	54,675	747	367,946
Interest and fees.....	248,168	—	38,883	1,037	288,088
Debt issuance costs.....	508	—	—	1,137	1,645
Total expenditures.....	<u>28,164,703</u>	<u>2,448,816</u>	<u>864,291</u>	<u>2,308,046</u>	<u>33,785,856</u>
Excess revenues over (under) expenditures.....	<u>940,533</u>	<u>339,694</u>	<u>200,715</u>	<u>(886,086)</u>	<u>594,856</u>
Other Financing Sources (Uses):					
Bonds issued.....	—	—	—	370,000	370,000
Other debt issued.....	3,857	3,000	—	23,831	30,688
Premium on debt issued.....	—	—	—	16,338	16,338
Capital leases.....	—	—	—	26,745	26,745
Sale of capital assets.....	8,313	5,773	571	5,474	20,131
Insurance recoveries.....	411	5,203	—	923	6,537
Transfers in (Note 9).....	625,532	85,906	1,321	1,071,463	1,784,222
Transfers out (Note 9).....	(620,313)	(255,040)	(322,243)	(520,989)	(1,718,585)
Total other financing sources (uses).....	<u>17,800</u>	<u>(155,158)</u>	<u>(320,351)</u>	<u>993,785</u>	<u>536,076</u>
Net change in fund balances.....	<u>958,333</u>	<u>184,536</u>	<u>(119,636)</u>	<u>107,699</u>	<u>1,130,932</u>
Fund balances — July 1, as restated (Note 22).....	953,509	383,302	(15,362)	2,766,045	4,087,494
Increase (decrease) in reserve for related assets.....	13,356	947	—	756	15,059
Fund balances — June 30.....	<u>\$ 1,925,198</u>	<u>\$ 568,785</u>	<u>\$ (134,998)</u>	<u>\$ 2,874,500</u>	<u>\$ 5,233,485</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**

For the Fiscal Year Ended June 30, 2006

Exhibit B-2a

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2) \$ 1,130,932

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)	\$ 2,200,513	
Less: Depreciation expense (excluding internal service funds)	(564,014)	
Net capital outlay adjustment		1,636,499
- **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. (37,207)
- **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. 14,582
- **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	(400,688)	
Capital lease financings	(26,745)	
Premiums on debt issued	(15,700)	
Principal repayments:		
Bonds, notes, and similar debt	367,783	
Capital leases	163	
Net debt adjustments		(75,187)
- **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. (51,751)
- **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	(1,375)	
Compensated absences (excluding internal service funds)	(53,499)	
Workers compensation	234	
Arbitrage rebate	(508)	
Deferred death benefit	60	
Cost settlement	(149,000)	
Net pension obligation	481	
Amortization of deferred amounts	24,403	
Net expense accruals		(179,204)
- **Inventories** of governmental funds are recorded as expenditures when purchased but in the Statement of Activities are recorded as expenses when consumed. 15,059
- **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). 8,340

Change in net assets - governmental activities (see Exhibit A-2)

\$ 2,462,063

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