BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007 *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)	$ 2,928,971	$ 642,700	$ 151,239	$ 1,583,092	$ 5,306,002
Investments (Note 3)	2,121	—	—	434,123	436,244
Securities lending collateral (Note 3)	4,407,723	526,227	163,077	1,223,286	6,320,313
Receivables, net: (Note 4)					
Taxes receivable	1,932,799	105,911	37,767	2,217	2,078,694
Accounts receivable	233,729	13,271	35	23,117	270,152
Intergovernmental receivable	859,671	55,295	3,191	8,004	926,161
Interest receivable	19,950	2,717	619	10,680	33,966
Other receivables	—	3,532	—	—	3,532
Due from other funds (Note 9)	164	41,255	—	32,775	74,194
Due from component units (Note 17)	1,866	—	—	11,047	12,913
Inventories	86,016	79,879	—	37,743	203,638
Advances to component units (Note 17)	—	—	7,556	21,742	29,298
Notes receivable, net (Note 4)	14,319	1,022	100	321,131	336,572
Securities held in trust	425	2,824	—	39,444	42,693
Restricted/designated cash and cash equivalents	145,000	—	—	387,305	532,305
Restricted investments (Note 3)	—	—	—	852,870	852,870
Total Assets	$ 10,632,754	$ 1,474,633	$ 363,584	$ 4,988,576	$ 17,459,547
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable	$ 85,781	$ 175,415	$ 73,645	$ 79,036	$ 413,877
Accrued payroll	6,565	23,365	—	927	30,857
Intergovernmental payable	610,968	96,730	64,387	12,047	784,132
Claims payable	—	—	—	26,599	26,599
Medical claims payable	958,985	—	—	—	958,985
Tax refunds payable	1,183,264	7,212	2,404	—	1,192,880
Obligations under securities lending	4,407,723	526,227	163,077	1,223,286	6,320,313
Due to fiduciary funds (Note 9)	46,057	7,891	—	47	53,995
Due to other funds (Note 9)	16,330	7,301	41,255	24,046	88,932
Due to component units (Note 17)	43,179	—	—	406,219	449,398
Deferred revenue	696,191	21,269	1,695	15,431	734,586
Deposits payable	51	—	—	9	60
Funds held for others	749	15,254	—	39,492	55,495
Total Liabilities	8,055,843	880,664	346,463	1,827,139	11,110,109
Fund Balances:					
Reserved (Note 10)	178,427	62,068	7,656	946,895	1,195,046
Unreserved/Designated (Note 10)	680,442	—	—	—	680,442
Unreserved/Undesignated, reported in:					
General Fund	1,718,042	—	—	—	1,718,042
Special Revenue Funds	—	531,901	9,465	1,985,748	2,527,114
Capital Projects Funds	—	—	—	227,196	227,196
Permanent Funds	—	—	—	1,598	1,598
Total Fund Balance	2,576,911	593,969	17,121	3,161,437	6,349,438
Total Liabilities and Fund Balances	$ 10,632,754	$ 1,474,633	$ 363,584	$ 4,988,576	$ 17,459,547

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, 2007 *Exhibit B-1a*

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1)		$ 6,349,438
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)	$ 31,229,399	
Less: Accumulated depreciation (excluding internal service funds)	(437,150)	
Net capital assets		30,792,249
- **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.		189,393
- **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).		114
- **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	(5,902,330)	
Lease-purchase revenue bonds payable	(245,045)	
Certificates of participation payable	(727,640)	
Unamortized debt premiums (to be amortized as interest expense)	(309,261)	
Less: Unamortized debt discounts (to be amortized as interest expense)	369	
Less: Unamortized loss on refunding (to be amortized as interest expense)	92,259	
Notes payable	(37,276)	
Capital leases payable	(25,740)	
Net long-term debt		(7,154,664)
- **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	(81,788)	
Compensated absences (excluding internal service funds)	(378,165)	
Obligations for workers compensation	(5,036)	
Arbitrage rebate payable	(5,717)	
Deferred death benefit payable	(410)	
Cost settlement payable	(50,300)	
Net pension obligation	(814)	
Total other liabilities		(522,230)
- **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).		190,022
Total net assets - governmental activities (see Exhibit A-1)		$ 29,844,322

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, 2007 *Exhibit B-2*

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Individual income tax	$ 10,737,494	$ —	$ —	$ 2,068	$ 10,739,562
Corporate income tax	1,357,454	—	—	109,168	1,466,622
Sales and use tax	5,078,997	—	—	29,900	5,108,897
Gasoline tax	—	1,179,097	393,673	28,783	1,601,553
Franchise tax	669,235	—	—	—	669,235
Highway use tax	—	—	607,511	—	607,511
Insurance tax	475,546	—	—	11,535	487,081
Beverage tax	245,430	—	—	560	245,990
Inheritance tax	161,604	—	—	—	161,604
Tobacco products tax	241,687	—	—	—	241,687
Other taxes	180,923	—	—	150,054	330,977
Federal funds	10,312,318	793,637	—	413,972	11,519,927
Local funds	665,532	30,786	5,339	23,885	725,542
Investment earnings	433,152	49,039	6,475	180,631	669,297
Interest earnings on loans	399	—	—	5,240	5,639
Sales and services	94,835	797	—	168,449	264,081
Rental and lease of property	8,433	14,892	1,636	3,761	28,722
Fees, licenses, and fines	525,497	643,225	109,374	247,832	1,525,928
Tobacco settlement	142,825	—	—	—	142,825
Contributions, gifts, and grants	17,207	11,618	—	127,133	155,958
Funds escheated	—	—	—	214,500	214,500
Miscellaneous	79,344	18,619	5,924	18,274	122,161
Total revenues	31,427,912	2,741,710	1,129,932	1,735,745	37,035,299
Expenditures:					
Current:					
General government	1,011,709	—	—	90,803	1,102,512
Primary and secondary education	8,723,640	—	—	364,265	9,087,905
Higher education	3,613,384	—	—	792,383	4,405,767
Health and human services	14,117,990	—	—	85,484	14,203,474
Economic development	258,793	—	—	364,245	623,038
Environment and natural resources	261,803	—	—	400,493	662,296
Public safety, corrections, and regulation	2,010,415	—	—	457,348	2,467,763
Transportation	—	2,510,000	786,301	—	3,296,301
Agriculture	84,436	—	—	7,626	92,062
Capital outlay	—	—	—	451,716	451,716
Debt service:					
Principal retirement	332,923	18,354	54,675	11,855	417,807
Interest and fees	263,421	2,412	36,623	3,954	306,410
Debt issuance costs	527	—	—	1,929	2,456
Total expenditures	30,679,041	2,530,766	877,599	3,032,101	37,119,507
Excess revenues over (under) expenditures	748,871	210,944	252,333	(1,296,356)	(84,208)
Other Financing Sources (Uses):					
Bonds issued	—	—	—	502,745	502,745
Certificates of participation issued	—	—	—	300,000	300,000
Refunding bonds issued	84,385	—	—	—	84,385
Other debt issued	2,747	150	—	—	2,897
Premium on debt issued	1,305	—	—	39,562	40,867
Payment to refunded bond escrow agent	(85,519)	—	—	—	(85,519)
Capital leases	799	—	—	—	799
Sale of capital assets	1,848	9,191	819	4,040	15,898
Insurance recoveries	350	5,124	—	226	5,700
Transfers in (Note 9)	575,989	77,377	5,700	1,681,871	2,340,937
Transfers out (Note 9)	(732,938)	(277,277)	(106,733)	(913,214)	(2,030,162)
Total other financing sources (uses)	(151,034)	(185,435)	(100,214)	1,615,230	1,178,547
Net change in fund balances	597,837	25,509	152,119	318,874	1,094,339
Fund balances — July 1, as restated (Note 22)	1,966,400	568,785	(134,998)	2,838,638	5,238,825
Increase (decrease) in reserve for related assets	12,674	(325)	—	3,925	16,274
Fund balances — June 30	$ 2,576,911	$ 593,969	$ 17,121	$ 3,161,437	$ 6,349,438

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, 2007 *Exhibit B-2a*

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2)		$ 1,094,339
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)	$ 1,958,552	
Less: Depreciation expense (excluding internal service funds)	(586,723)	
Net capital outlay adjustment		1,371,829
- **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.		(88,634)
- **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.		241,410
- **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	(805,642)	
Refunding bonds issued	(84,385)	
Capital lease financings	(799)	
Premiums on debt issued	(40,867)	
Principal repayments:		
Bonds, notes, and similar debt	416,754	
Capital leases	1,053	
Payments to escrow agent for refundings	85,519	
Net debt adjustments		(428,367)
- **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.		(106,578)
- **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	5,099	
Compensated absences (excluding internal service funds)	(12,720)	
Workers compensation	230	
Arbitrage rebate	(5,209)	
Deferred death benefit	(70)	
Cost settlement	103,700	
Net pension obligation	456	
Amortization of deferred amounts	28,188	
Net expense accruals		119,674
- **Inventories** of governmental funds are recorded as expenditures when purchased but in the Statement of Activities are recorded as expenses when consumed.		16,274
- **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).		(8,667)
Change in net assets - governmental activities (see Exhibit A-2)		$ 2,211,280

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