

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2009

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).....	\$ 1,145,276	\$ 921,814	\$ 126	\$ 1,453,230	\$ 3,520,446
Investments (Note 3).....	2,325	—	—	280,787	283,112
Securities lending collateral (Note 3).....	1,129,736	334,388	16,384	522,698	2,003,206
Receivables, net: (Note 4)					
Taxes receivable.....	1,046,243	107,115	37,443	2,217	1,193,018
Accounts receivable.....	313,446	7,404	109	27,921	348,880
Intergovernmental receivable.....	852,586	38,121	2,726	5,934	899,367
Interest receivable.....	4,415	1,511	33	4,299	10,258
Other receivables.....	—	3,093	—	—	3,093
Due from other funds (Note 9).....	67	152,107	—	31,287	183,461
Due from component units (Note 18).....	—	—	—	33,168	33,168
Inventories.....	69,596	81,631	—	41,356	192,583
Advances to component units.....	—	—	14,974	21,742	36,716
Notes receivable, net (Note 4).....	22,828	1,030	88	311,220	335,166
Securities held in trust.....	424	9,155	—	43,320	52,899
Restricted/designated cash and cash equivalents (Note 3).....	360	—	—	307,730	308,090
Restricted investments (Note 3).....	—	51,988	—	608,940	660,928
Total Assets.....	\$ 4,587,302	\$ 1,709,357	\$ 71,883	\$ 3,695,849	\$ 10,064,391
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable.....	\$ 126,351	\$ 167,284	\$ 26,957	\$ 77,035	\$ 397,627
Accrued payroll.....	3,363	36,463	—	591	40,417
Intergovernmental payable.....	933,362	96,117	43,782	50,500	1,123,761
Claims payable.....	—	—	—	28,516	28,516
Medical claims payable.....	972,070	—	—	—	972,070
Tax refunds payable.....	1,426,309	6,564	2,188	—	1,435,061
Obligations under securities lending.....	1,129,736	334,388	16,384	522,698	2,003,206
Due to fiduciary funds (Note 9).....	62,323	—	—	47	62,370
Due to other funds (Note 9).....	34,442	7,401	152,107	12,585	206,535
Due to component units (Note 18).....	55,986	—	—	117,144	173,130
Deferred revenue.....	566,870	16,976	94	29,606	613,546
Deposits payable.....	—	—	—	243	243
Funds held for others.....	52,354	22,932	—	43,383	118,669
Total Liabilities.....	5,363,166	688,125	241,512	882,348	7,175,151
Fund Balances:					
Reserved (Note 10).....	189,288	179,516	15,062	1,016,604	1,400,470
Unreserved/Undesignated, reported in:					
General Fund.....	(965,152)	—	—	—	(965,152)
Special Revenue Funds.....	—	841,716	(184,691)	1,796,210	2,453,235
Capital Projects Funds.....	—	—	—	(2,738)	(2,738)
Permanent Funds.....	—	—	—	3,425	3,425
Total Fund Balance.....	(775,864)	1,021,232	(169,629)	2,813,501	2,889,240
Total Liabilities and Fund Balances.....	\$ 4,587,302	\$ 1,709,357	\$ 71,883	\$ 3,695,849	\$ 10,064,391

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, 2009

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1) **\$ 2,889,240**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

<ul style="list-style-type: none"> - Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see Note 5). These consist of: <table style="margin-left: 20px; width: 80%;"> <tr> <td>Cost of capital assets (excluding internal service funds).....</td> <td style="text-align: right;">\$ 34,679,524</td> <td></td> </tr> <tr> <td>Less: Accumulated depreciation (excluding internal service funds).....</td> <td style="text-align: right;">(505,640)</td> <td></td> </tr> <tr> <td>Net capital assets.....</td> <td></td> <td style="text-align: right;">34,173,884</td> </tr> </table> - 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. 249,189 - 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). 3,418 - 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: <table style="margin-left: 20px; width: 80%;"> <tr> <td>General obligation bonds payable.....</td> <td style="text-align: right;">(5,169,265)</td> <td></td> </tr> <tr> <td>Lease-purchase revenue bonds payable.....</td> <td style="text-align: right;">(225,045)</td> <td></td> </tr> <tr> <td>Certificates of participation payable.....</td> <td style="text-align: right;">(919,585)</td> <td></td> </tr> <tr> <td>Limited obligation bonds payable.....</td> <td style="text-align: right;">(600,000)</td> <td></td> </tr> <tr> <td>GARVEE bonds payable.....</td> <td style="text-align: right;">(241,820)</td> <td></td> </tr> <tr> <td>Unamortized debt premiums (to be amortized as interest expense).....</td> <td style="text-align: right;">(275,131)</td> <td></td> </tr> <tr> <td>Less: Unamortized loss on refunding (to be amortized as interest expense).....</td> <td style="text-align: right;">63,011</td> <td></td> </tr> <tr> <td>Notes payable.....</td> <td style="text-align: right;">(27,663)</td> <td></td> </tr> <tr> <td>Capital leases payable.....</td> <td style="text-align: right;">(23,833)</td> <td></td> </tr> <tr> <td>Net long-term debt.....</td> <td></td> <td style="text-align: right;">(7,419,331)</td> </tr> </table> - Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 7 as applicable) consist of: <table style="margin-left: 20px; width: 80%;"> <tr> <td>Accrued interest payable.....</td> <td style="text-align: right;">(81,113)</td> <td></td> </tr> <tr> <td>Compensated absences (excluding internal service funds).....</td> <td style="text-align: right;">(418,450)</td> <td></td> </tr> <tr> <td>Obligations for workers' compensation.....</td> <td style="text-align: right;">(92,266)</td> <td></td> </tr> <tr> <td>Arbitrage rebate payable.....</td> <td style="text-align: right;">(911)</td> <td></td> </tr> <tr> <td>Deferred death benefit payable.....</td> <td style="text-align: right;">(530)</td> <td></td> </tr> <tr> <td>Pollution remediation payable.....</td> <td style="text-align: right;">(6,688)</td> <td></td> </tr> <tr> <td>Court judgment payable.....</td> <td style="text-align: right;">(731,703)</td> <td></td> </tr> <tr> <td>Cost settlement payable.....</td> <td style="text-align: right;">(15,000)</td> <td></td> </tr> <tr> <td>Net pension obligation.....</td> <td style="text-align: right;">(474)</td> <td></td> </tr> <tr> <td>Total other liabilities.....</td> <td></td> <td style="text-align: right;">(1,347,135)</td> </tr> </table> - 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). 256,627 	Cost of capital assets (excluding internal service funds).....	\$ 34,679,524		Less: Accumulated depreciation (excluding internal service funds).....	(505,640)		Net capital assets.....		34,173,884	General obligation bonds payable.....	(5,169,265)		Lease-purchase revenue bonds payable.....	(225,045)		Certificates of participation payable.....	(919,585)		Limited obligation bonds payable.....	(600,000)		GARVEE bonds payable.....	(241,820)		Unamortized debt premiums (to be amortized as interest expense).....	(275,131)		Less: Unamortized loss on refunding (to be amortized as interest expense).....	63,011		Notes payable.....	(27,663)		Capital leases payable.....	(23,833)		Net long-term debt.....		(7,419,331)	Accrued interest payable.....	(81,113)		Compensated absences (excluding internal service funds).....	(418,450)		Obligations for workers' compensation.....	(92,266)		Arbitrage rebate payable.....	(911)		Deferred death benefit payable.....	(530)		Pollution remediation payable.....	(6,688)		Court judgment payable.....	(731,703)		Cost settlement payable.....	(15,000)		Net pension obligation.....	(474)		Total other liabilities.....		(1,347,135)	<p>Total net assets - governmental activities (see Exhibit A-1)</p> <hr style="border: 1px solid black;"/> <p>\$ 28,805,892</p>
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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, 2009

Exhibit B-2

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Individual income tax.....	\$ 8,658,635	\$ —	\$ —	\$ 2,930	\$ 8,661,565
Corporate income tax.....	941,509	—	—	56,236	997,745
Sales and use tax.....	4,872,318	—	—	32,320	4,904,638
Gasoline tax.....	—	1,117,187	378,898	27,359	1,523,444
Franchise tax.....	797,079	—	—	—	797,079
Highway use tax.....	—	—	440,749	—	440,749
Insurance tax.....	483,756	—	—	16,682	500,438
Beverage tax.....	262,678	—	—	875	263,553
Inheritance tax.....	104,266	—	—	—	104,266
Tobacco products tax.....	242,071	—	—	—	242,071
Other taxes.....	163,169	—	—	153,957	317,126
Federal funds.....	11,969,276	1,113,003	—	305,332	13,387,611
Local funds.....	304,270	28,968	327	15,738	349,303
Investment earnings.....	128,233	30,586	1,101	53,094	213,014
Interest earnings on loans.....	257	6	—	4,726	4,989
Sales and services.....	105,068	1,058	—	172,899	279,025
Rental and lease of property.....	8,856	9,878	2,285	4,379	25,398
Fees, licenses, and fines.....	621,435	633,804	86,204	262,848	1,604,291
Tobacco settlement.....	175,187	—	—	—	175,187
Contributions, gifts, and grants.....	15,583	8,192	314	113,448	137,537
Funds escheated.....	—	—	—	27,399	27,399
Federal recovery funds.....	1,155,174	6,256	—	3,244	1,164,674
Miscellaneous.....	158,836	7,621	2,120	16,262	184,839
Total revenues.....	<u>31,167,656</u>	<u>2,956,559</u>	<u>911,998</u>	<u>1,269,728</u>	<u>36,305,941</u>
Expenditures:					
Current:					
General government.....	1,232,720	—	—	65,385	1,298,105
Primary and secondary education.....	9,678,610	—	—	433,187	10,111,797
Higher education.....	3,570,067	—	—	381,622	3,951,689
Health and human services.....	16,118,833	—	—	103,216	16,222,049
Economic development.....	329,027	—	—	306,823	635,850
Environment and natural resources.....	290,614	—	—	408,659	699,273
Public safety, corrections, and regulation.....	2,190,098	—	—	491,735	2,681,833
Transportation.....	—	2,626,486	640,008	—	3,266,494
Agriculture.....	87,570	—	—	23,936	111,506
Capital outlay.....	—	—	—	369,326	369,326
Debt service:					
Principal retirement.....	372,702	45,895	54,090	1,636	474,323
Interest and fees.....	280,253	13,701	31,527	806	326,287
Debt issuance costs.....	6	51	6	2,968	3,031
Total expenditures.....	<u>34,150,500</u>	<u>2,686,133</u>	<u>725,631</u>	<u>2,589,299</u>	<u>40,151,563</u>
Excess revenues over (under) expenditures.....	(2,982,844)	270,426	186,367	(1,319,571)	(3,845,622)
Other Financing Sources (Uses):					
Special indebtedness issued.....	—	—	—	600,000	600,000
Other debt issued.....	463	—	—	1,070	1,533
Premium on debt issued.....	—	—	—	31,371	31,371
Sale of capital assets.....	1,401	7,192	252	4,234	13,079
Insurance recoveries.....	454	7,453	—	661	8,568
Transfers in (Note 9).....	1,056,655	50,330	—	1,620,756	2,727,741
Transfers out (Note 9).....	(530,132)	(290,054)	(197,495)	(1,291,391)	(2,309,072)
Total other financing sources (uses).....	<u>528,841</u>	<u>(225,079)</u>	<u>(197,243)</u>	<u>966,701</u>	<u>1,073,220</u>
Net change in fund balances.....	(2,454,003)	45,347	(10,876)	(352,870)	(2,772,402)
Fund balances — July 1, as restated (Note 23).....	1,678,139	975,885	(158,753)	3,166,371	5,661,642
Fund balances — June 30.....	<u>\$ (775,864)</u>	<u>\$ 1,021,232</u>	<u>\$ (169,629)</u>	<u>\$ 2,813,501</u>	<u>\$ 2,889,240</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, 2009
(Dollars in Thousands)

Exhibit B-2a

Net change in fund balances - total governmental funds (see Exhibit B-2) \$ (2,772,402)

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)	\$ 2,316,854	
Less: Depreciation expense (excluding internal service funds)	(645,008)	
Net capital outlay adjustment		1,671,846
- **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. (65,858)
- **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. 8,500
- **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	(601,533)	
Premiums on debt issued	(31,371)	
Principal repayments:		
Bonds, notes, and similar debt	473,129	
Capital leases	1,194	
Net debt adjustments		(158,581)
- **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. 40,104
- **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	7,602	
Compensated absences (excluding internal service funds)	(20,126)	
Workers' compensation	(3,517)	
Arbitrage rebate	2,114	
Deferred death benefit	35	
Court judgment	18,183	
Cost settlement	20,300	
Net pension obligation	(61)	
Pollution remediation	(219)	
Amortization of deferred amounts	29,474	
Net expense accruals		53,785
- **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). 22,145

Change in net assets - governmental activities (see Exhibit A-2) \$ (1,200,461)

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