

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2011

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).....	\$ 2,052,906	\$ 771,762	\$ 198,900	\$ 697,807	\$ 3,721,375
Investments (Note 3).....	4,599	—	—	225,635	230,234
Securities lending collateral (Note 3).....	312,469	70,594	17,739	67,334	468,136
Receivables, net: (Note 4)					
Taxes receivable.....	1,616,815	116,446	39,009	2,237	1,774,507
Accounts receivable.....	259,895	6,756	82	18,316	285,049
Intergovernmental receivable.....	853,202	68,545	—	16,594	938,341
Interest receivable.....	8,592	943	158	654	10,347
Other receivables.....	—	2,905	—	—	2,905
Due from other funds (Note 10).....	7,478	—	228	9,256	16,962
Due from component units (Note 19).....	—	—	—	2,974	2,974
Inventories.....	93,259	87,000	—	27,465	207,724
Advances to other funds (Note 10).....	—	—	21,011	—	21,011
Advances to component units.....	—	—	—	21,742	21,742
Notes receivable, net (Note 4).....	70,857	1,039	73	42,271	114,240
Securities held in trust.....	430	4,011	—	45,716	50,157
Restricted/designated cash and cash equivalents (Note 3)..	160,232	—	—	197,037	357,269
Restricted investments (Note 3).....	—	1,913	—	545,428	547,341
Total Assets.....	\$ 5,440,734	\$ 1,131,914	\$ 277,200	\$ 1,920,466	\$ 8,770,314
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable.....	\$ 131,344	\$ 230,593	\$ 22,089	\$ 70,468	\$ 454,494
Accrued payroll.....	3,952	38,343	—	364	42,659
Intergovernmental payable.....	695,167	98,694	47,508	8,581	849,950
Claims payable.....	—	—	—	37,492	37,492
Medical claims payable.....	984,844	—	—	—	984,844
Tax refunds payable.....	1,382,700	5,448	1,816	—	1,389,964
Obligations under securities lending.....	325,043	73,589	18,921	69,182	486,735
Due to fiduciary funds (Note 10).....	67,461	—	—	—	67,461
Due to other funds (Note 10).....	21,686	4,035	—	8,604	34,325
Due to component units (Note 19).....	52,801	—	—	38,852	91,653
Deferred revenue.....	570,393	14,836	—	29,270	614,499
Deposits payable.....	3,210	—	—	7	3,217
Funds held for others.....	18,428	18,414	—	45,826	82,668
Total Liabilities.....	4,257,029	483,952	90,334	308,646	5,139,961
Fund Balances (Note 11):					
Nonspendable.....	93,259	87,000	—	112,053	292,312
Restricted.....	72,032	3,167	—	902,210	977,409
Committed.....	1,115,156	557,795	186,866	599,184	2,459,001
Unassigned.....	(96,742)	—	—	(1,627)	(98,369)
Total Fund Balance.....	1,183,705	647,962	186,866	1,611,820	3,630,353
Total Liabilities and Fund Balances.....	\$ 5,440,734	\$ 1,131,914	\$ 277,200	\$ 1,920,466	\$ 8,770,314

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, 2011

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1) **\$ 3,630,353**

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).....	\$ 39,929,539	
Less: Accumulated depreciation (excluding internal service funds).....	<u>(564,626)</u>	
Net capital assets.....		39,364,913
- 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.		213,898
Investment derivatives are not financial resources and, therefore, are not reported in the funds (see Note 7).		19,792
- 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 12).		2,997
- 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 8). 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.....	(4,846,205)	
Lease-purchase revenue bonds payable.....	(205,045)	
Certificates of participation payable.....	(824,860)	
Limited obligation bonds payable.....	(1,060,745)	
GARVEE bonds payable.....	(373,080)	
Unamortized debt premiums (to be amortized as interest expense).....	(441,218)	
Less: Unamortized loss on refunding (to be amortized as interest expense).....	125,615	
Notes payable.....	(25,038)	
Capital leases payable (excluding internal service funds).....	<u>(21,309)</u>	
Net long-term debt.....		(7,671,885)
- Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 8 as applicable) consist of:		
Accrued interest payable.....	(86,314)	
Compensated absences (excluding internal service funds).....	(406,407)	
Obligations for workers' compensation.....	(112,687)	
Deferred death benefit payable.....	(370)	
Pollution remediation payable.....	(6,864)	
Court judgment payable.....	(731,703)	
Negative investment derivatives.....	(71,993)	
Net pension obligation.....	<u>(2,952)</u>	
Total other liabilities.....		(1,419,290)
- 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).		<u>224,533</u>
Total net assets - governmental activities (see Exhibit A-1)		<u>\$ 34,365,311</u>

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, 2011

Exhibit B-2

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Individual income tax.....	\$ 10,018,039	\$ —	\$ —	\$ 2,496	\$ 10,020,535
Corporate income tax.....	1,139,584	—	—	—	1,139,584
Sales and use tax.....	6,133,915	—	—	29,321	6,163,236
Gasoline tax.....	—	1,234,577	412,016	28,004	1,674,597
Franchise tax.....	793,094	—	—	—	793,094
Highway use tax.....	—	—	469,811	—	469,811
Insurance tax.....	485,989	—	—	15,043	501,032
Beverage tax.....	311,814	—	—	—	311,814
Inheritance tax.....	23,880	—	—	—	23,880
Tobacco products tax.....	290,743	—	—	—	290,743
Other taxes.....	166,600	—	—	134,453	301,053
Federal funds.....	12,828,192	1,048,996	—	338,313	14,215,501
Local funds.....	149,545	17,285	583	19,531	186,944
Investment earnings.....	47,747	9,891	1,034	41,434	100,106
Interest earnings on loans.....	3,133	—	—	971	4,104
Sales and services.....	130,278	1,089	—	145,694	277,061
Rental and lease of property.....	11,611	8,668	2,313	2,573	25,165
Fees, licenses, and fines.....	607,472	601,879	89,489	199,391	1,498,231
Tobacco settlement.....	138,256	—	—	—	138,256
Contributions, gifts, and grants.....	22,591	6,946	858	78,775	109,170
Funds escheated.....	—	—	—	111,481	111,481
Federal recovery funds.....	1,791,264	323,363	—	150,766	2,265,393
Miscellaneous.....	122,331	11,751	1,003	23,861	158,946
Total revenues.....	<u>35,216,078</u>	<u>3,264,445</u>	<u>977,107</u>	<u>1,322,107</u>	<u>40,779,737</u>
Expenditures:					
Current:					
General government.....	1,000,938	—	—	41,163	1,042,101
Primary and secondary education.....	10,000,438	—	—	—	10,000,438
Higher education.....	3,816,777	—	—	491,906	4,308,683
Health and human services.....	16,810,264	—	—	94,108	16,904,372
Economic development.....	334,391	—	—	407,977	742,368
Environment and natural resources.....	341,841	—	—	261,271	603,112
Public safety, corrections, and regulation.....	2,495,006	—	—	258,388	2,753,394
Transportation.....	—	3,065,115	594,946	8	3,660,069
Agriculture.....	101,541	—	—	11,612	113,153
Capital outlay.....	—	—	—	364,121	364,121
Debt service:					
Principal retirement.....	402,327	61,745	58,873	3,787	526,732
Interest and fees.....	346,842	19,355	26,336	899	393,432
Debt issuance costs.....	891	27	27	3,233	4,178
Total expenditures.....	<u>35,651,256</u>	<u>3,146,242</u>	<u>680,182</u>	<u>1,938,473</u>	<u>41,416,153</u>
Excess revenues over (under) expenditures.....	<u>(435,178)</u>	<u>118,203</u>	<u>296,925</u>	<u>(616,366)</u>	<u>(636,416)</u>
Other Financing Sources (Uses):					
Special indebtedness issued.....	—	—	—	500,000	500,000
Refunding bonds issued.....	774,745	—	—	—	774,745
Premium on debt issued.....	158,713	—	—	32,322	191,035
Payment to refunded bond escrow agent.....	(370,982)	—	—	—	(370,982)
Payment of debt service principal.....	(499,870)	—	—	—	(499,870)
Sale of capital assets.....	5,984	5,109	789	236	12,118
Insurance recoveries.....	822	6,489	—	8	7,319
Transfers in (Note 10).....	1,015,902	37,263	—	78,403	1,131,568
Transfers out (Note 10).....	(61,084)	(300,066)	(158,346)	(178,823)	(698,319)
Total other financing sources (uses).....	<u>1,024,230</u>	<u>(251,205)</u>	<u>(157,557)</u>	<u>432,146</u>	<u>1,047,614</u>
Net change in fund balances.....	589,052	(133,002)	139,368	(184,220)	411,198
Fund balances — July 1, as restated (Note 24).....	594,653	780,964	47,498	1,796,040	3,219,155
Fund balances — June 30.....	<u>\$ 1,183,705</u>	<u>\$ 647,962</u>	<u>\$ 186,866</u>	<u>\$ 1,611,820</u>	<u>\$ 3,630,353</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, 2011

Exhibit B-2a

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2)	\$ 411,198
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)	\$ 2,577,893
Less: Depreciation expense (excluding internal service funds)	(689,370)
Net capital outlay adjustment	1,888,523
- 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.	(66,679)
- 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.	358
- Derivative termination payments to counterparties consume financial resources of governmental funds but have no effect on net assets.	49,903
- 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	(500,000)
Refunding bonds issued	(774,745)
Premiums on debt issued	(191,035)
Principal repayments:	
Bonds, notes, and similar debt	525,225
Capital leases (excluding internal service funds)	1,507
Payments to escrow agent for refundings	370,982
Payment of debt service principal	499,870
Net debt adjustments	(68,196)
- 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.	(17,920)
- Changes in fair value of investment derivatives are not current financial resources in governmental funds but are recognized in the Statement of Activities	164
- 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	(639)
Compensated absences (excluding internal service funds)	7,975
Workers' compensation	(30,537)
Deferred death benefit	130
Net pension obligation	(4,047)
Pollution remediation	(315)
Amortization of deferred amounts	36,251
Net expense accruals	8,818
- 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).	(43,828)
Change in net assets - governmental activities (see Exhibit A-2)	\$ 2,162,341

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