

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Net Assets / Fund Balance Deficit

Primary Government

At June 30, 2002, the General Fund has a fund balance deficit of \$348.551 million, compared to a deficit balance of \$32.433 million the previous year. The slowdown in the economy has lead to a decline in the rate of growth in taxes and an increase in spending for governmental services.

At June 30, 2002, the following internal service fund reported a net assets deficit: Courier Service, \$468 thousand.

At June 30, 2002, the following pension and other employee benefit trust funds reported net assets deficits: State Health Plan, \$99.407 million and Disability Income Plan of North Carolina, \$1.376 million.