State of North Carolina
Office of the State Controller

Michael F. Easley, Governor | Robert L. Powell, State Controller

The Honorable Michael F. Easley, Governor
Members of the North Carolina General Assembly
Citizens of North Carolina

It is our pleasure to furnish you with the 2003 Comprehensive Annual Financial Report (CAFR) of the State of North Carolina in compliance with G.S. 143B-426.39. This report has been prepared by the Office of the State Controller. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State government and this office. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects. We believe all disclosures necessary to enable you to gain an understanding of the State's financial activities have been included.

Although the State budgets and manages its financial affairs on the cash basis of accounting, G.S. 143-20.1 requires the Office of the State Controller to prepare a comprehensive annual financial report (CAFR) in accordance with generally accepted accounting principles in the United States of America (GAAP). Except for exhibits and notes clearly labeled otherwise, this CAFR has been prepared in accordance with GAAP.

For the convenience of users we have divided this comprehensive annual financial report into three major sections, described as follows:

- The **introductory section** includes this transmittal letter and the State's organization chart, including a listing of principal State officials.
- The **financial section** includes management discussion and analysis, the basic financial statements (government-wide financial statements, fund financial statements, and notes), other required supplementary information, the combining and individual fund financial statements, and schedules.
- The **statistical section** includes selected financial, non-financial and demographic information, much of which is presented on a ten-year basis, as well as required supplementary information.

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

GASB Statement No. 34, B*asic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of management discussion and analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

MAILING ADDRESS
1410 Mail Service Center
Raleigh, NC 27699-1410

Telephone: (919) 981-5454
Fax Number: (919) 981-5567
State Courier: 56-50-10
Website: www.osc.state.nc.us

LOCATION
3512 Bush Street
Raleigh, NC

Profile of the Government

State Reporting Entity and Its Services

The State of North Carolina entity as reported in the CAFR includes all fund types of the departments, agencies, boards, commissions and authorities governed and legally controlled by the State's executive, legislative and judicial branches. In addition, the reporting entity includes legally separate component units for which the State is financially accountable. The component units are discretely presented in the government-wide financial statements. The State's discretely presented major component units are the University of North Carolina System; the State's community colleges; Golden LEAF, North Carolina Housing Finance Agency, and North Carolina State Education Assistance Authority. The criteria for inclusion in the reporting entity and its presentation are defined by the Governmental Accounting Standards Board (GASB) in its GASB Codification Section 2100. These criteria are described in Note 1 of the accompanying financial statements.

The State and its component units provide a broad range of services to its citizens, including public education; higher education; health and human services; economic development; environment and natural resources; public safety, corrections, and regulation; transportation; agriculture; and general government services. The costs of these services are reflected in detail and in summary in this report.

Budgetary Control

In addition to internal controls discussed previously, the State maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the General Assembly. Activities of the General Fund and most departmental special revenue funds are included in the annual appropriated budget. The State Highway Fund and the Highway Trust Fund, the State's major special revenue funds, are primarily budgeted on a multi-year basis. Capital projects are funded and planned in accordance with the time it will take to complete the project. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at both the departmental and university level by way of quarterly allotments, with allotment control exercised by the State Controller, and on the program line-item levels requiring certain approvals by the Director of the Budget. Legislative authorization of departmental expenditures appears in the State Appropriation Bill. This "Certified Budget" is the legal expenditure authority; however, the Office of State Budget and Management (OSBM) may approve executive changes to the legal budget as allowed by law. This results in the "Final Budget" presented in the required supplementary information.

Economic Condition and Outlook

National Situation

The economic experience during the last two state fiscal years has been unprecedented. Both years began with prospects of a recovery from the economic woes that started with the March 2000 stock market crash. During the first year (2001-02 fiscal year) the events of September 11 and the Anthrax scare plunged the nation into a full-scale recession. For the second year (2002-03) the build-up to the Iraq invasion, coupled with the SARS threat and corporate malfeasance, affected consumer and business confidence.

Last winter the immediate forecast risks included the looming conflict with Iraq, terrorist threats, and high-energy prices. Many economists, including Chairman Alan Greenspan of the Federal Reserve, felt that the elimination or reduction of these pressures would lead to a solid economic recovery. Part of their reasoning was that the lowest interest rates in four decades, combined with the three major federal tax cut packages and aggressive federal spending levels, would provide a substantial boost to consumer spending and business investment.

The most important tax stimulus may have occurred this past May when the Congress raised the level of capital purchases that could be written off in the year of acquisition (in lieu of depreciating over many years) from $25,000 to $100,000 and increased the first-year bonus depreciation amount from the 30% level adopted in 2002 to 50%. It is difficult to overstate the importance of these capital expensing changes. These measures, coupled with a 4% prime lending rate, have lowered the cost of capital to a level not seen in modern times and may be a major reason why the Federal Reserve no longer feels the need to cut short-term interest rates.

The cost of capital argument is important because the 2001 recession was noted for a steep decline in capital investment. The trigger was the tech stock crash, which caused consumer wealth levels to plunge. Consumers immediately cut back spending, especially for major household goods. Suddenly businesses discovered that they were saddled with excess capacity, especially in the telecommunications and computer equipment sectors.

In recent months there has been an improvement in the outlook of consumers and businesses as measured by confidence surveys. Part of this has to do with lower energy prices, the success in Iraq, and the lessening of terrorist threats. Another positive is the 25% rise in stock prices. This latter factor not only offers investors hope, but provides additional wealth that can be spent. Finally, federal tax rebate checks sent out this summer boosted consumer spending.

Even with all of these factors, many businesses continue to be reluctant to expand facilities and rehire workers. This means that the level of unemployment claims remains abnormally high for this late in the recovery. Major layoff decisions continue to show up daily in media reports, keeping consumers on edge. Employers who are fortunate enough to see increased demand for their products are extending the hours of workers or using temporary employment services. For these reasons we continue to experience a jobless recovery.

On the consumer side of the economy, the continued daily struggles in the Iraq stabilization effort, combined with persistent terrorist threats and stubborn energy prices continue to cause people to feel skittish about the future. In addition, the spending binge of the late 1990s and stable housing and auto sales during the recession means that pent-up demand is not as significant as in prior recoveries.

State Prospects

One of the primary characteristics of the 2001 recession was the impact on the manufacturing sector. This is important to North Carolina because 18% of our nonagricultural employment is in manufacturing versus 12% for the U.S. A more telling measure is the share of Gross State Product represented by manufacturing: 23% in North Carolina versus 17% for the United States.

The loss of manufacturing jobs did not begin with the 2001 recession. Data compiled by the Employment Security Commission indicate that manufacturing experienced a fairly rapid recovery from the 1990-91 recession, with employment growth of 2.6% in 1993. In fact, the “boom and bust” nature of manufacturing is one reason why the state’s economy grew 33% faster than the national experience following the 1981-82 recession and 45% quicker following the Gulf War downturn. Expressed another way, North Carolina was the fifth fastest growing state during the 1992-93 period in terms of personal income, due in part to the recovery in manufacturing.

After a leveling off period, manufacturing employment began a steady decline in mid-1995 due to the mild national economic slowdown and the kicking in of the North American Free Trade Agreement (NAFTA). The rate of decline began to accelerate in February 2001 and peaked at an 8.8% rate in 2002, as shown in the table below.

N.C. Employment Growth
In Selected Major Sectors

Year	Manufacturing	Finance	Services
1994	0.5%	1.2%	7.6%
1995	0.5%	1.9%	4.5%
1996	-1.7%	8.2%	4.5%
1997	-1.0%	7.4%	5.7%
1998	-0.5%	5.3%	6.0%
1999	-2.5%	-0.4%	6.0%
2000	-2.4%	0.7%	3.3%
2001	-7.1%	4.6%	1.4%
2002	-8.8%	1.1%	1.1%

Source: Employment Security Commission

Particularly hard hit were the textile and apparel sectors, with North Carolina jobs in these sectors dropping over 15% on a year-over-year basis by the spring of 2001. While the rate of decline has slowed due to the start of the economic recovery, the erosion continues to take place.

Another issue affecting the manufacturing side of the economy is the prolonged overcapacity in the telecommunications and computer hardware sectors. This issue had a major impact late in the recession on the Research Triangle and Catawba Valley (Hickory) areas of the State. This is in stark contrast to the late-1990s when employers were having to import in workers to fill production lines. In the Hickory area for example, the unemployment rate for June of the last four years has been as follows:

2000	2.1%
2001	7.0%
2002	10.0%
2003	9.3%

Even the "improvement" between June 2002 and June 2003 is due to the fact that a lot of potential workers simply gave up and did not seek employment.

The jobs data in the employment table above indicates that job growth in the finance and services areas had begun slowing prior to 2000. This is important because strong growth in these sectors in the late-1990s, combined with the strong experience in telecommunications and other non-traditional North Carolina industries, more than offset NAFTA-related job losses in textiles and apparel. The weakness in finance and services was due primarily to merger and consolidation activity in the banking and health care sectors.

There are some preliminary signs that the state's economy has begun to recover from the weakness this spring. Gross state and local sales tax receipts, adjusted for the recent tax hikes, grew at a 1.6% rate for the combined June and July period 2003. This contrasts to the 2.5% decline for the preceding three months. The growth accelerated to 2.6% in August and 3.3% in September as the federal rebates checks worked their way through the spending stream.

Withholding tax collections from large employers have moved to a slight growth path in recent months after being essentially flat for almost two years. One reason is the uptick in activity by the nonmanufacturing sectors that make up almost 82% of the economy. Finally, record real estate refinancing due to low mortgage rates put cash in consumers' pockets and zero percent financing by car dealers has propped up vehicle sales.

For the 2003-04 fiscal year, the North Carolina budget assumed a continued subpar economic recovery, both in terms of the absolute level (national outlook) and the usual growth premium specific to North Carolina during the years of a recovery. This experience would be very different from the explosive growth after the last two recessions. One reason is the continued weakness in the telecommunications and tech sector due to continued overcapacity. As the state has diversified away from the traditional manufacturing industries (textiles, apparel, furniture, and tobacco) to electronics and other technology-oriented companies, we have become more vulnerable to problems in the latter sectors. We are concerned that it may take some time for the nation's telecommunications companies to work down excess inventory.

Another major issue is the continued erosion of traditional manufacturers (textiles, apparel, furniture, tobacco) due to NAFTA or weakening market conditions. Even though these sectors are becoming a much smaller share of the economy, the magnitude of the decline is still a drag on total employment growth.

Key Economic Forecast Variables
(% Change Unless Noted)

	Fiscal Year 2002-2003 Actual	Fiscal Year 2003-2004 Budgeted
National		
Real Economic Growth*	2.6%	2.6%
Industrial Production	.6%	1.2%
Nominal Personal Income	3.2%	3.8%
Consumer Price Index	2.2%	1.2%
Short-Term Interest Rates (Actual Rate)	1.4%	1.4%
Mortgage Rates (Actual Rate)	5.9%	6.1%
Pre-Tax Profits (Calendar Yr.)	-.7%	12.1%
North Carolina		
Total Employment	-.5%	.9%
Unemployment Rate	6.4%	6.4%
Personal Income	3.3%	3.5%
Retail Sales	.5%	3.6%
Auto Sales (Units)	-.3%	-2.7%

*Adjusted for inflation

— Economic analysis prepared by David Crotts
Fiscal Research Division
North Carolina General Assembly
October 29, 2003

Issues and Observations

During fiscal year 2003, the Governor, the General Assembly, and the departments and agencies of State government worked to address key issues facing State government and the citizens of North Carolina. More discussion of the financial issues of North Carolina can be found in the Management's Discussion and Analysis (MD&A) section of this document.

Business Infrastructure

North Carolina state government is a large, complex organization that relies on its core business management systems (personnel/payroll, budget, accounting, tax & revenue, banking and retirement) to provide quality and timely services to its citizens, as well as to retain the trust of the public for fair and equitable collection of revenues, cost effectiveness of investments, and propriety of expenditures.

The State continues to experience challenges from budgetary constraints while the public desires expanded services and taxpayers demand more effective and efficient operations. With an annual General Fund budget of $26.8 billion and over 264,000 employees, the State would be a Fortune 50 company if it were a private organization. Large, complex computer systems and sophisticated telecommunications networks are required to perform the business functions of the State. Robust financial and human resource systems, employing modern technology and linked together electronically, are necessary for meeting this need.

The State's current core business systems have limited functionality. They are old, rely on dated technology, do not communicate well with each other, are difficult to change for new operational requirements, and are hard to operate and maintain. Moreover, they do not provide information needed for management decision making under today's much more demanding needs, and they are at risk of failure due to old age, withdrawal of vendor support, and being run by a workforce that is rapidly reaching retirement age.

These concerns prompted the State to identify the need for further analysis of its current business systems and determine the feasibility of developing and implementing a new financial business infrastructure. In the 2001 session of the General Assembly, legislation was enacted to authorize a State Business Infrastructure Study. Session Law 2001-491 directed the Office of the State Controller (OSC) to determine the feasibility of developing and implementing a new business infrastructure for the State. The study, under the direction of the OSC with assistance from the Office of State Budget and Management (OSBM), the Office of Information Technology Services (ITS), and the Office of State Personnel (OSP) commenced in February 2003. Deloitte Consulting was engaged through a competitive bid process to complete the study through a two-phased approach.

- **Phase I – Inventory and Assessment - Completed April 4, 2003**
  Goal: To develop a high-level inventory and assessment of the business systems, subsystems and integration/ interface components that provide financial, human resource, and payroll information and support to programs in State government. This included the identification of technical and business requirements, problems and risks, and the approximation of present costs incurred for operations and maintenance.

- **Phase II – BluePrint for Selecting Improvement Approach – Completed October 31, 2003**
  Goal: To determine and document viable options for implementing a financial business infrastructure that would include integrated operations for budgeting, accounting, payroll, human resources, revenue collection, cash management, investments, and other business functions of State government. Descriptions, risks and costs for each alternative approach are provided, along with benefits, constraints and other relevant considerations.

The systems included in the State Business Infrastructure Study support the following business functions: financial management, cash management, payroll, human resources, budget management, procurement, treasury, retirement, and revenue accounting. For these core systems, a range of data was required to be collected. Specifically: core system purpose and capabilities; planned system enhancements; system interfaces; costs associated with existing systems operation; industry best practices; and, functional gaps/operational risks. The findings listed below resulting from the Phase I Inventory and Assessment project, further emphasize the State's current technology environment. At a high level, these findings are as follows:

- The State's administrative systems do not easily and routinely communicate with each other (i.e., lack of integration)
- The core business systems were developed using what is now dated technology
- The inability to maintain qualified staff to support dated technology systems increases the risk of system failure
- At the present time, the State does not have a documented core business systems enterprise (statewide) strategy
- A general lack of employee, employer or customer self-service exists within today's business system infrastructure
- The current business systems and processes available to support business functionality and management fail to meet industry best practices or efficient processing standards
- The inability of the core systems to meet agency business requirements results in the development and ongoing maintenance for a host of agency-based systems, and
- The current systems are generally paper based and signature driven and do not provide automated workflow, which would route documents electronically for review and approval

During Phase II, Deloitte developed a business case outlining the potential alternatives. Objectives of this phase were: build upon the information collected during Phase I; develop multiple courses of action for the State; communicate the degree of risk assigned to alternatives; evaluate implementation alternatives including funding requirements; and, recommend the best approaches to improve the State's core administrative business processes and infrastructure.

The Phase II criteria used to evaluate optional approaches for each system and develop comprehensive, enterprise action plans included: risks including potential or likelihood of business, technical, and security failure; current strengths and weaknesses of systems and their short-and long-term business and technical viabilities; benefits, including cost savings, operational efficiencies, and better information for management decision-making and policy-formulation; costs, including one-time investments and long-term ownership (such as upkeep and enhancement); current state budget condition and state/national economic realities; and, State priorities and funding cycles.

To prepare the business case, Deloitte evaluated several approaches to address the State's business needs. These alternatives included ERP (Enterprise Resource Planning) Implementation, outsourcing, stand-alone packages, custom development, enhancements to current system and best of breed. The evaluation resulted in three alternative approaches to replacement of the current business infrastructure. The alternatives vary from an extended implementation focusing on priority, most at risk, systems to a single ERP solution.

<u>Option 1 – Leverage and Extend Existing Systems, HR/Payroll Replace</u>

- Initiate Program Office structure
- Initiate risk reduction measures for existing system high risk areas
- Identify and prioritize enhancements to legacy systems
- Define and Implement an enterprise Data Warehouse to support legacy systems and future implementations
- Define HR/Payroll requirements, selection and implement replacement system
- Develop strategies for future replacement of existing financials, budgeting, and tax and revenue systems

Option 1 has minimal initial costs/investment to address existing business needs, mitigates risks of immediate failure for key systems but increases likelihood of failure over time due to condition of existing systems and extended project time line.

<u>Option 2 – Phased Implementation by Best of Breed</u>

- Initiate Program Office structure
- Implement systems replacement - phased approach
- Define requirements, selection & Implement:
  - § Data warehouse - year 1
  - § HR/Payroll package replacement or outsourced – year 2
  - § Finance and Budget implementation - year 3
  - § Tax and Revenue systems - year 5

Option 2 is a compromise between available up-front funding and the timely implementation. It improves business processes, mitigate risks of business, technical, and/or security failures; however, it may be too costly in the near-term for the State's budget situation.

<u>Option 3 – Single ERP Solution</u>

- Initiate Program Office structure
- Support aggressive implementation of a phased ERP package(s)
- Define & Implement:
  - § Data Warehouse
  - § HR/Payroll
  - § Financial and Budget
  - § Implement Tax & Revenue

Option 3 provides the most benefits; however, it requires significant up-front investments at a time when funding may not be available due to the State's current budget situation. Option 3 is also considered a major change management challenge.

The OSC is now in the process of discussing the above alternatives with the State's central managers and legislative leadership prior to making a formal recommendation to the Governor and subsequently to the May 2004 legislative session. Large technology transformation efforts such as this will have a significant impact on the state organization and resources and requires significant commitment from both the executive and legislative leaders.

For the State to be successful in replacing its financial and human resources systems it must put in place a program governance structure to manage, direct and monitor the activities of the various project teams. Ensure sufficient legislative and executive support throughout the implementation, including sufficient funding. Designate a fully dedicated and empowered Program Manager, with an appropriate set of additional, committed and skilled functional and technical support resources, to perform contract negotiation, vendor management, and project management activities. Update/streamline its business processes to derive maximum value from the systems enhancement or replacement efforts. Prepare and implement a change management and communication plan. And, review the state technology infrastructure to ensure its adequacy to meet the State's needs and support the system functionality.

Recognizing the possible adverse impacts of the continued use of the current business systems to the fiscal integrity of state government and the efficiency and effectiveness of its operations the State of North Carolina must decide upon a replacement strategy that weighs the risks of potential system failures with the current state budget condition and State funding priorities.

Financial Information

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds: the General Fund, the Highway Fund and the Highway Trust Fund.

Pension Benefits

The State contributes to the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Firemen's and Rescue Squad Workers' Pension Fund, the Supplemental Retirement Income Plan of North Carolina, and the North Carolina National Guard Pension Fund. The Local Governmental Employees' Retirement System is administered by the State but the State is not a participant.

The retirement systems experienced a total return from investments of 7.56 % for the one-year period, a return of .13% for the three-year period and a return of 4.00% for the five-year period, ended June 30, 2003. These returns are the second best investment results for public pension plans in the United States, and reflect the conservative asset allocation and attention to investment quality that have guided the plans investment policy. Recent reports indicate that the North Carolina Retirement System investment performance (all pension plans under management) was among the top 5 % of all public plans for the last 12 months, and among the top 10 % for the past five years for the period ended June 30, 2003.

The Teachers' and State Employees' Retirement System (TSERS), the largest of the pension trust funds, continued to be fully funded, based on the December 31, 2002 actuarial valuation. Specifically, the TSERS was funded at 108.4%, with the actuarial value of assets of $43.227 billion exceeding the actuarial accrued liability of $39.864 billion by $3.363 billion at December 31, 2002. Employer contributions to the TSERS decreased by $193.5 million, or 97.5% from the prior fiscal year. Investment balances increased by $1.51 billion, or 3.6% above the prior fiscal year, with a net investment income of $2.9 billion. The TSERS experienced a $206.6 million increase in benefit payments to retirees, an increase of 11.3% from fiscal year 2002.

Debt Administration

The State's general obligation bonds are rated Aa1 by Moody's, AAA by Standard & Poors, and AAA by Fitch. These favorable ratings have enabled the State to sell its bonds at interest rates considerably below the Bond Buyer's Index, thereby providing substantial savings to North Carolina taxpayers. Approximately 25 percent of all AAA ratings for state and local governments nationwide are located in North Carolina.

Cash Management

It is the policy of the State that all agencies, institutions, departments, bureaus, boards, commissions and officers of the State shall devise techniques and procedures for the receipt, deposit and disbursement of monies coming into their control and custody which are designed to maximize interest-bearing investment of cash, and to minimize idle and nonproductive cash balances. The State Controller, with the advice and assistance of the State Treasurer, the State Budget Officer, and the State Auditor, develops, implements, and amends the *Statewide Cash Management Policy*. All cash deposited with the State Treasurer by State entities is managed in pooled investment accounts to maximize interest earnings. During fiscal year 2003, uncommitted State funds were invested in short-term and medium-term U.S. Government notes and bonds, as well as other deposits, which had a composite average yield of 4.323%.

Risk Management

The State maintains self-insurance programs for employee health; general liability; medical malpractice; workers' compensation; and automobile, fire and other property losses. The State limits its risk for general liability; medical malpractice; and automobile fire and other property losses by purchasing private insurance for losses in excess of deductibles. See Note 14 of the Notes to the Financial Statements for a full description of the State's risk management program.

Other Information

Independent Audit

In compliance with State statute, an annual financial audit of the State reporting entity is completed each year by the North Carolina Office of the State Auditor. The Auditor's examination was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and his opinion has been included in this report. In addition, the State coordinates the *Single Audit* effort of all federal funds through the State Auditor.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Carolina for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

In conclusion, we believe this report provides useful data to all parties using it in evaluating the financial activity of the State of North Carolina. We in the Office of the State Controller express our appreciation to the financial officers throughout State government and to the Office of the State Auditor for their dedicated efforts in assisting us in the preparation of this report. Any questions concerning the information contained in this Comprehensive Annual Financial Report should be directed to the Office of the State Controller at (919) 981-5454.

Respectfully submitted,

Robert L. Powell
State Controller

December 10, 2003

CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director