STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2003

(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government	$ 773,835	$ 162,311	$ 134,135	$ 1,390	$ (475,999)
Primary and secondary education	6,865,921	11,876	828,422	400	(6,025,223)
Higher education	2,814,375	425	18,759	—	(2,795,191)
Health and human services	10,614,411	151,108	7,080,869	11	(3,382,423)
Economic development	489,062	32,099	273,875	—	(183,088)
Environment and natural resources	537,540	97,422	81,489	26,685	(331,944)
Public safety, corrections, and regulation	2,034,225	355,793	207,766	18,995	(1,451,671)
Transportation	1,639,866	526,609	406,002	477,640	(229,615)
Agriculture	73,972	13,106	11,747	2,377	(46,742)
Interest on long-term debt	151,258	—	—	—	(151,258)
Total Governmental Activities	25,994,465	1,350,749	9,043,064	527,498	(15,073,154)
Business-type Activities:					
Unemployment Compensation	1,603,796	646,273	452,635	—	(504,888)
EPA Revolving Loan	4,266	12,550	45,896	—	54,180
Other business-type activities	30,757	29,694	6,019	1,241	6,197
Total Business-type Activities	1,638,819	688,517	504,550	1,241	(444,511)
Total Primary Government	$ 27,633,284	$ 2,039,266	$ 9,547,614	$ 528,739	$ (15,517,665)
Component Units:					
Golden LEAF Foundation	$ 18,325	$ —	$ 11,592	$ —	$ (6,733)
University of North Carolina System	5,305,778	3,105,445	525,884	74,472	(1,599,977)
Community Colleges	1,240,257	233,766	377,875	69,957	(558,659)
N.C. Housing Finance Agency	219,038	225,959	—	—	6,921
N.C. State Education Assistance Authority	112,053	58,939	34,188	—	(18,926)
Other component units	180,843	41,362	9,031	1,565	(128,885)
Total Component Units	$ 7,076,294	$ 3,665,471	$ 958,570	$ 145,994	$ (2,306,259)

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

STATEMENT OF ACTIVITIES (continued)

For the Fiscal Year Ended June 30, 2003 *Exhibit A-2*

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in Net Assets:				
Net (expense) revenue	$ (15,073,154)	$ (444,511)	$ (15,517,665)	$ (2,306,259)
General Revenues:				
Taxes				
Individual income tax	7,122,099	—	7,122,099	—
Corporate income tax	921,611	—	921,611	—
Sales and use tax	4,029,403	—	4,029,403	—
Gasoline tax	1,154,986	—	1,154,986	—
Franchise tax	584,584	—	584,584	—
Highway use tax	552,759	—	552,759	—
Insurance tax	417,126	—	417,126	—
Beverage tax	198,848	—	198,848	—
Inheritance tax	112,150	—	112,150	—
Other taxes	289,261	—	289,261	—
Tobacco settlement	173,256	—	173,256	—
Federal grants not restricted to specific programs	136,859	—	136,859	—
Unrestricted investment earnings	103,987	—	103,987	—
State operating aid	—	—	—	2,507,308
State capital aid	—	—	—	469,558
Miscellaneous	41,137	—	41,137	5,224
Contributions to permanent funds	1,806	—	1,806	—
Contributions to endowments	—	—	—	28,767
Transfers	4,918	(4,918)	—	—
Total general revenues and transfers	15,844,790	(4,918)	15,839,872	3,010,857
Change in net assets	771,636	(449,429)	322,207	704,598
Net assets — July 1, as restated (Note 21)	21,538,886	1,407,753	22,946,639	8,161,145
Net assets — June 30	$ 22,310,522	$ 958,324	$ 23,268,846	$ 8,865,743