STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2004

(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	$ 807,248	$ 211,648	$ 57,995	$ 780	$ (536,825)
Primary and secondary education	7,223,766	15,181	950,113	—	(6,258,472)
Higher education	3,140,794	263	38,681	—	(3,101,850)
Health and human services	11,729,904	155,971	8,196,547	312	(3,377,074)
Economic development	536,055	34,986	323,456	—	(177,613)
Environment and natural resources	599,575	147,427	82,837	78,502	(290,809)
Public safety, corrections, and regulation	2,093,404	371,625	216,560	9,216	(1,496,003)
Transportation	1,870,578	553,229	229,039	795,103	(293,207)
Agriculture	82,394	14,760	12,896	432	(54,306)
Interest on long-term debt	191,228	—	—	—	(191,228)
Total Governmental Activities	28,274,946	1,505,090	10,108,124	884,345	(15,777,387)
Business-type Activities:					
Unemployment Compensation	1,389,266	878,722	259,513	—	(251,031)
EPA Revolving Loan	5,342	13,876	44,310	—	52,844
Other business-type activities	43,014	34,293	1,230	892	(6,599)
Total Business-type Activities	1,437,622	926,891	305,053	892	(204,786)
Total Primary Government	$ 29,712,568	$ 2,431,981	$ 10,413,177	$ 885,237	$ (15,982,173)
Component Units:					
The Golden LEAF, Inc.	$ 75,445	$ 6	$ 27,683	$ —	$ (47,756)
University of North Carolina System	5,745,387	3,403,410	819,133	49,169	(1,473,675)
Community Colleges	1,322,475	237,722	420,874	124,617	(539,262)
N.C. Housing Finance Agency	202,441	218,945	—	—	16,504
State Education Assistance Authority	137,165	59,414	36,479	—	(41,272)
Other component units	180,710	43,634	9,900	77	(127,099)
Total Component Units	$ 7,663,623	$ 3,963,131	$ 1,314,069	$ 173,863	$ (2,212,560)

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, 2004 *Exhibit A-2*

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in Net Assets:				
Net (expense) revenue	$ (15,777,387)	$ (204,786)	$ (15,982,173)	$ (2,212,560)
General Revenues:				
Taxes				
Individual income tax	7,407,455	—	7,407,455	—
Corporate income tax	760,180	—	760,180	—
Sales and use tax	4,293,040	—	4,293,040	—
Gasoline tax	1,276,627	—	1,276,627	—
Franchise tax	560,708	—	560,708	—
Highway use tax	578,346	—	578,346	—
Insurance tax	432,975	—	432,975	—
Beverage tax	213,271	—	213,271	—
Inheritance tax	128,352	—	128,352	—
Other taxes	313,985	—	313,985	—
Tobacco settlement	147,224	—	147,224	—
Federal grants not restricted to specific programs	136,859	—	136,859	—
Unrestricted investment earnings	77,225	—	77,225	—
State operating aid	—	—	—	2,605,834
State capital aid	—	—	—	627,660
Miscellaneous	62,601	3	62,604	77
Contributions to permanent funds	2,068	—	2,068	—
Contributions to endowments	—	—	—	63,903
Transfers	(302)	302	—	—
Total general revenues, contributions and transfers	16,390,614	305	16,390,919	3,297,474
Change in net assets	613,227	(204,481)	408,746	1,084,914
Net assets — July 1, as restated (Note 21)	22,368,179	958,600	23,326,779	9,579,157
Net assets — June 30	$ 22,981,406	$ 754,119	$ 23,735,525	$ 10,664,071