
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Balance / Net Assets Deficit**Primary Government**

At June 30, 2005, the General Fund has a fund balance deficit of \$78.809 million, compared to a deficit balance of \$196.287 million the previous year. The overall decrease in the deficit is partially related to the forgiveness of the \$125 million advance from the Highway Trust Fund per Senate Bill 622. The State balanced the General Fund budget on the cash basis as required by the State constitution. However, the deficit was created due to accrued liabilities exceeding accrued assets.

At June 30, 2005, the following special revenue fund reported a fund balance deficit: Highway Trust Fund, \$2.909 million. The deficit was partially related to the forgiveness of the \$125 million advance to the General Fund per Senate Bill 622. The implementation of the Moving Ahead Transportation Initiative also contributed to the deficit in the Highway Trust Fund.

At June 30, 2005, the following pension and other employee benefit trust funds reported a net assets deficit: State Health Plan, \$60.477 million and Disability Income Plan of N.C., \$17.140 million.

Component Unit

At June 30, 2005, the following component unit reported a net assets deficit: N. C. Turnpike Authority, \$64 thousand.
