STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2005
(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	$ 917,209	$ 202,514	$ 157,430	$ 2,462	$ (554,803)
Primary and secondary education	7,699,208	20,551	1,084,269	—	(6,594,388)
Higher education	3,576,384	775	22,073	—	(3,553,536)
Health and human services	13,375,794	285,641	9,170,857	11	(3,919,285)
Economic development	625,561	33,979	381,587	—	(209,995)
Environment and natural resources	570,241	147,124	88,814	53,976	(280,327)
Public safety, corrections, and regulation	2,125,385	378,059	190,334	13,957	(1,543,035)
Transportation	1,795,490	588,357	273,164	939,869	5,900
Agriculture	81,628	15,482	12,336	1,176	(52,634)
Interest on long-term debt	249,433	—	—	—	(249,433)
Total Governmental Activities	31,016,333	1,672,482	11,380,864	1,011,451	(16,951,536)
Business-type Activities:					
Unemployment Compensation	824,934	1,062,549	1,115	—	238,730
EPA Revolving Loan	7,170	14,078	47,746	—	54,654
Other business-type activities	60,066	69,349	5,899	452	15,634
Total Business-type Activities	892,170	1,145,976	54,760	452	309,018
Total Primary Government	$ 31,908,503	$ 2,818,458	$ 11,435,624	$ 1,011,903	$ (16,642,518)
Component Units:					
The Golden LEAF, Inc.	$ 24,471	$ 5	$ 36,842	$ —	$ 12,376
University of North Carolina System	6,112,010	3,645,788	803,976	25,362	(1,636,884)
Community Colleges	1,424,287	240,812	445,550	94,279	(643,646)
N.C. Housing Finance Agency	224,256	224,960	64,951	—	65,655
State Education Assistance Authority	175,959	91,433	31,592	—	(52,934)
Other component units	194,728	49,938	14,873	300	(129,617)
Total Component Units	$ 8,155,711	$ 4,252,936	$ 1,397,784	$ 119,941	$ (2,385,050)

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, 2005 *Exhibit A-2*

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in Net Assets:				
Net (expense) revenue	$ (16,951,536)	$ 309,018	$ (16,642,518)	$ (2,385,050)
General Revenues:				
Taxes				
Individual income tax	8,244,275	—	8,244,275	—
Corporate income tax	1,143,458	—	1,143,458	—
Sales and use tax	4,621,098	—	4,621,098	—
Gasoline tax	1,354,699	—	1,354,699	—
Franchise tax	613,033	—	613,033	—
Highway use tax	580,118	—	580,118	—
Insurance tax	442,228	—	442,228	—
Beverage tax	220,782	—	220,782	—
Inheritance tax	135,107	—	135,107	—
Other taxes	306,991	—	306,991	—
Tobacco settlement	148,800	—	148,800	—
Unrestricted investment earnings	78,546	—	78,546	—
State operating aid	—	—	—	2,852,132
State capital aid	—	—	—	863,638
Miscellaneous	53,488	79	53,567	4,394
Contributions to permanent funds	2,288	—	2,288	—
Contributions to endowments	—	—	—	95,557
Transfers	(11,620)	11,620	—	—
Total general revenues, contributions and transfers	17,933,291	11,699	17,944,990	3,815,721
Change in net assets	981,755	320,717	1,302,472	1,430,671
Net assets — July 1, as restated (Note 22)	22,927,287	770,893	23,698,180	10,658,781
Net assets — June 30	$ 23,909,042	$ 1,091,610	$ 25,000,652	$ 12,089,452