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**NOTES TO THE FINANCIAL STATEMENTS**


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**NOTE 9: INTERFUND BALANCES AND TRANSFERS**


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**A. Interfund Balances****Due To/From Fiduciary Funds**

The General Fund balance of \$42.541 million due to fiduciary funds is composed of \$12.824 million related to local sales taxes collected in the general fund and due to the agency fund, as well as \$29.717 million related to retirement contributions payable to retirement systems at year end. The other balances due to fiduciary funds are related to balances held on behalf of patients at the State's mental health facilities.

The other balances due from fiduciary funds are primarily for services provided to pension and other employee benefit trust funds. Amounts payable to or receivable from fiduciary funds are considered interfund balances in the fund financial statements, but are not reported as internal balances in the government-wide statement of net assets.

**Due To/From Other Funds**

Balances due to/from other funds at June 30, 2006, consisted of the following (dollars in thousands):

	<b>Due From Other Funds</b>						Total
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Unemployment Compensation Fund	Internal Service Funds	
<b>Due To Other Funds</b>							
General Fund.....	\$ —	\$ —	\$ —	\$ 2,970	\$ —	\$ 11,210	\$ 14,180
Highway Fund.....	—	—	105	6,436	—	2,003	8,544
Highway Trust Fund.....	—	75,495	—	—	—	—	75,495
Other Governmental Funds.....	5,687	—	—	34,962	59	1,145	41,853
EPA Revolving Loan Fund.....	—	—	—	—	—	8	8
NC State Lottery Fund.....	—	—	—	13,548	—	78	13,626
Nonmajor Enterprise Funds.....	—	—	—	10	—	35	45
Internal Service Funds.....	3	—	—	1	—	1,220	1,224
<b>Total.....</b>	<b>\$ 5,690</b>	<b>\$ 75,495</b>	<b>\$ 105</b>	<b>\$ 57,927</b>	<b>\$ 59</b>	<b>\$ 15,699</b>	<b>\$ 154,975</b>

These balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts reported in the funds as interfund receivables and payables were eliminated in the governmental and business-type activities columns of the government-wide statement of net assets, except for the net residual amounts due between governmental and business-type activities, which were presented as internal balances.

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**NOTES TO THE FINANCIAL STATEMENTS**
**B. Interfund Transfers**

Transfers in/out of other funds for the fiscal year ended June 30, 2006 consisted of the following (dollars in thousands):

Transfers Out	Transfers In							Total
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	EPA Revolving Loan Fund	Other Enterprise Funds	Internal Service Funds	
General Fund.....	\$ —	\$ 16,966	\$ 1,321	\$ 594,316	\$ 5,306	\$ 2,068	\$ 336	\$ 620,313
Highway Fund.....	41,280	—	—	213,760	—	—	—	255,040
Highway trust fund.....	253,201	68,940	—	102	—	—	—	322,243
Other Governmental Funds.....	329,883	—	—	186,494	3,380	87	1,145	520,989
Unemployment Compensation Fund..	-	—	—	8,300	—	—	—	8,300
EPA Revolving Loan Fund.....	270	—	—	3	—	—	—	273
NC State Lottery Fund.....	17	—	—	63,552	—	—	1,020	64,589
Other Enterprise Funds.....	752	—	—	4,905	—	—	—	5,657
Internal Service Funds.....	129	—	—	31	—	—	—	160
Total.....	<u>\$ 625,532</u>	<u>\$ 85,906</u>	<u>\$ 1,321</u>	<u>\$ 1,071,463</u>	<u>\$ 8,686</u>	<u>\$ 2,155</u>	<u>\$ 2,501</u>	<u>\$ 1,797,564</u>

Transfers are primarily used to (1) transfer revenues and bond proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) provide unrestricted revenues collected in the general fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General Fund in accordance with Office of State Budget and Management requirements.

When the Highway Trust Fund was created in 1989, the revenue from the sales tax on motor vehicles was transferred from the General Fund to the Highway Trust Fund. To offset a portion of this revenue loss in the General Fund, the Highway Trust Fund is required to transfer funds to the General Fund each year. The total transfer for this fiscal year was \$252.55 million.

In 1998 a suit was filed by the N.C. School Boards Association, et.al. against Richard H. Moore, State Treasurer, et.al. The court case questioned certain collections received by the Department of Revenue. On July 1, 2005 the Supreme Court concluded that these collections previously recorded as taxes were in fact civil penalties and ordered them paid into the Civil Penalty and Forfeiture Fund (other governmental funds). This resulted in a significant increase of the amount transferred from the General Fund to the Civil Penalty and Forfeiture Fund of approximately \$56.57 million.

In compliance with the North Carolina State Lottery Act, House Bill 1023 [Session Law 2005], all "Net Revenues" of the NC State Lottery Fund are required to be transferred to the Education Lottery Fund (other governmental funds) for educational purposes. The total transfer for this fiscal year was \$63.55 million, as set forth in General Statute 18C-164.

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