STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2006

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds				
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	Other Enterprise Funds	Total Enterprise Funds
Assets					
Current Assets:					
Cash and cash equivalents (Note 3)	$ 166,745	$ 221,963	$ 18,500	$ 42,612	$ 449,820
Investments (Note 3)	—	4,268	—	49,454	53,722
Securities lending collateral (Note 3)	12,738	190,362	16,064	47,616	266,780
Receivables: (Note 4)					
Accounts receivable, net	24,919	—	10,047	7,140	42,106
Intergovernmental receivables	—	103	—	—	103
Interest receivable	49	3,910	184	27	4,170
Premiums receivable	—	—	—	1,257	1,257
Contributions receivable, net	359,285	—	—	—	359,285
Notes receivable, net (Note 4)	—	32,429	—	—	32,429
Due from fiduciary funds (Note 9)	—	—	—	—	—
Due from other funds (Note 9)	59	—	—	—	59
Due from component units (Note 17)	—	—	—	—	—
Inventories	—	—	—	501	501
Prepaid items	—	—	—	2,213	2,213
Total current assets	563,795	453,035	44,795	150,820	1,212,445
Noncurrent Assets:					
Restricted/designated cash and cash equivalents (Note 3)	—	—	—	1,627	1,627
Investments (Note 3)	—	—	—	462	462
Restricted investments (Note 3)	—	—	—	3,269	3,269
Notes receivable, net (Note 4)	—	513,141	—	—	513,141
Deferred charges	—	—	—	107	107
Capital assets-nondepreciable (Note 5)	—	—	—	5,440	5,440
Capital assets-depreciable, net (Note 5)	—	110	625	46,854	47,589
Total noncurrent assets	—	513,251	625	57,759	571,635
Total Assets	563,795	966,286	45,420	208,579	1,784,080
Liabilities					
Current Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable	12,638	100	9,927	842	23,507
Accrued payroll	—	1	2	107	110
Intergovernmental payable	3,194	15	—	—	3,209
Claims payable	—	—	—	11,969	11,969
Other payables	—	—	5,277	—	5,277
Unemployment benefits payable	17,792	—	—	—	17,792
Obligations under securities lending	12,738	190,362	16,064	47,616	266,780
Interest payable	—	—	—	33	33
Due to other funds (Note 9)	—	8	13,626	45	13,679
Unearned revenue	9,956	—	—	7,001	16,957
Deposits payable	—	—	—	28	28
Notes Payable	—	—	—	112	112
Bonds payable - current	—	—	—	280	280
Compensated absences - current	—	39	—	156	195
Total current liabilities	56,318	190,525	44,896	68,189	359,928
Noncurrent Liabilities:					
Notes payable	—	—	—	1,345	1,345
Bonds payable, net	—	—	—	8,520	8,520
Compensated absences	—	382	524	2,706	3,612
Total noncurrent liabilities	—	382	524	12,571	13,477
Total Liabilities	56,318	190,907	45,420	80,760	373,405
Net Assets					
Invested in capital assets, net of related debt	—	110	625	43,461	44,196
Restricted for:					
Capital outlay	—	—	—	2,629	2,629
Other purposes	—	—	—	1,102	1,102
Unrestricted	507,477	775,269	(625)	80,627	1,362,748
Total Net Assets	$ 507,477	$ 775,379	$ —	$ 127,819	$ 1,410,675

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

Exhibit B-3

Governmental Activities — Internal Service Funds
$ 63,800
20,916
39,109
9,774
—
97
261
—
—
28
15,699
1,080
315
13,448
164,527
—
—
—
—
—
4,109
91,627
95,736
260,263
3,868
429
116
1,060
—
—
39,109
—
1,224
6,778
—
—
—
326
52,910
—
—
3,535
3,535
56,445
95,736
—
—
108,082
$ 203,818

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2006

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds				
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:					
Employer unemployment contributions	$ 1,067,977	$ —	$ —	$ —	$ 1,067,977
Federal funds	33,380	—	—	—	33,380
Sales and services	—	2,628	215,428	993	219,049
Sales and services used as security for bonds, net	—	—	—	2,377	2,377
Interest earnings on loans	—	12,609	—	—	12,609
Rental and lease earnings	—	—	—	5,537	5,537
Fees, licenses and fines	—	—	1,478	45,014	46,492
Insurance premiums	—	—	—	14,860	14,860
Miscellaneous	—	—	—	183	183
Total operating revenues	1,101,357	15,237	216,906	68,964	1,402,464
Operating Expenses:					
Personal services	—	3,107	5,700	26,725	35,532
Supplies and materials	—	13	252	1,530	1,795
Services	—	913	25,541	14,013	40,467
Cost of goods sold	—	—	—	424	424
Depreciation/amortization	—	21	76	2,983	3,080
Lottery prizes	—	—	118,974	—	118,974
Claims	—	—	—	9,811	9,811
Unemployment benefits	848,359	—	—	—	848,359
Insurance and bonding	—	—	4	3,705	3,709
Other	—	250	2,142	3,718	6,110
Total operating expenses	848,359	4,304	152,689	62,909	1,068,261
Operating income (loss)	252,998	10,933	64,217	6,055	334,203
Nonoperating Revenues (Expenses):					
Noncapital grants	1,913	40,260	—	222	42,395
Noncapital gifts	—	—	—	163	163
Investment earnings	3,997	14,254	808	2,066	21,125
Interest and fees	(782)	—	(31)	(433)	(1,246)
Insurance recoveries	—	—	—	389	389
Gain (loss) on sale of equipment	—	(2)	—	4	2
Miscellaneous	(804)	(7,108)	(405)	(1,974)	(10,291)
Total nonoperating revenues (expenses)	4,324	47,404	372	437	52,537
Income (loss) before contributions and transfers	257,322	58,337	64,589	6,492	386,740
Capital contributions	—	—	—	258	258
Transfers in (Note 9)	—	8,686	—	2,155	10,841
Transfers out (Note 9)	(8,300)	(273)	(64,589)	(5,657)	(78,819)
Change in net assets	249,022	66,750	—	3,248	319,020
Net assets — July 1, as restated (Note 22)	258,455	708,629	—	124,571	1,091,655
Net assets — June 30	$ 507,477	$ 775,379	$ —	$ 127,819	$ 1,410,675

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

Exhibit B-4

Governmental Activities — Internal Service Funds
$ —
—
228,574
—
—
8
38
18,666
569
247,855
45,255
14,447
105,173
511
26,986
—
1,242
—
9,850
37,978
241,442
6,413
—
—
1,838
—
132
(952)
(1,432)
(414)
5,999
—
2,501
(160)
8,340
195,478
$ 203,818

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2006

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds				
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities:					
Receipts from customers	$ 1,077,312	$ 2,628	$ 190,805	$ 65,684	$ 1,336,429
Receipts from federal agencies	33,380	—	—	—	33,380
Receipts from other funds	—	—	—	379	379
Payments to suppliers	—	(1,010)	(7,975)	(21,972)	(30,957)
Payments to employees	—	(3,005)	(4,670)	(25,993)	(33,668)
Payments for prizes, benefits and claims	(851,488)	—	(108,106)	(9,186)	(968,780)
Payments to other funds	—	—	—	(226)	(226)
Other receipts (payments)	—	(134)	—	(1,371)	(1,505)
Net cash flows provided (used) by operating activities	259,204	(1,521)	70,054	7,315	335,052
Cash Provided From (Used For) Noncapital Financing Activities:					
Grant receipts (refunds)	1,913	40,179	—	222	42,314
Proceeds from short-term borrowing	333,319	—	—	—	333,319
Principal payments from short-term borrowing	(447,009)	—	—	—	(447,009)
Interest expense and issuance cost	(782)	—	(31)	—	(813)
Transfers from other funds	—	8,686	—	2,087	10,773
Transfers to other funds	(8,300)	(273)	(51,042)	(5,657)	(65,272)
Gifts	—	—	—	163	163
Total cash provided from (used for) noncapital financing activities	(120,859)	48,592	(51,073)	(3,185)	(126,525)
Cash Provided From (Used For) Capital Financing Activities:					
Acquisition and construction of capital assets	—	—	(700)	(752)	(1,452)
Proceeds from the sale of capital assets	—	—	—	149	149
Capital contributions	—	—	—	40	40
Principal paid on capital debt	—	—	—	(270)	(270)
Interest paid on capital debt	—	—	—	(364)	(364)
Payment to bond escrow agent	—	—	—	(46)	(46)
Insurance recoveries	—	—	—	389	389
Total cash provided from (used for) capital financing activities	—	—	(700)	(854)	(1,554)
Cash Provided From (Used For) Investment Activities:					
Purchase of non-State Treasurer investments	—	—	—	(179)	(179)
Purchase into State Treasurer investment pool	—	(1,684)	—	(12,000)	(13,684)
Redemptions from State Treasurer investment pool	—	2	—	—	2
Loan issuances	—	(85,438)	—	—	(85,438)
Loan repayments — interest	—	12,101	—	—	12,101
Loan repayments — principal	—	31,970	—	—	31,970
Investment earnings	3,168	6,908	219	1,185	11,480
Total cash provided from (used for) investment activities	3,168	(36,141)	219	(10,994)	(43,748)
Net increase (decrease) in cash and cash equivalents	141,513	10,930	18,500	(7,718)	163,225
Cash and cash equivalents at July 1, as restated	25,232	211,033	—	51,957	288,222
Cash and cash equivalents at June 30	$ 166,745	$ 221,963	$ 18,500	$ 44,239	$ 451,447

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

Exhibit B-5

Governmental Activities — Internal Service Funds
$ 49,811
—
208,308
(166,632)
(45,012)
(1,169)
(11,157)
133
34,282
—
—
—
—
2,501
(160)
—
2,341
(32,763)
2,173
—
—
—
—
132
(30,458)
—
—
—
—
—
—
916
916
7,081
56,719
$ 63,800

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2006

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds				
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	Other Enterprise Funds	Total Enterprise Funds
Reconciliation of Operating Income to Net Cash Provided From (Used For) Operating Activities:					
Operating income (loss)	$ 252,998	$ 10,933	$ 64,217	$ 6,055	$ 334,203
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation/amortization	—	21	76	2,983	3,080
Interest earnings on loans classified as investing activity	—	(12,609)	—	—	(12,609)
Restatements and adjustments to cash	—	—	—	45	45
Nonoperating miscellaneous income (expense)	—	—	—	13	13
(Increases) decreases in assets:					
Receivables	3,848	—	(10,047)	(2,853)	(9,052)
Due from other funds	63	—	—	1	64
Due from fiduciary funds	—	—	—	—	—
Due from component units	—	—	—	—	—
Inventories	—	—	—	74	74
Prepaid items	—	—	—	(483)	(483)
Increases (decreases) in liabilities:					
Accounts payable and accrued liabilities	3,574	37	15,206	741	19,558
Due to other funds	—	(1)	78	10	87
Unemployment benefits payable	(3,507)	—	—	—	(3,507)
Compensated absences	—	98	524	693	1,315
Unearned revenue	2,228	—	—	85	2,313
Deposits payable	—	—	—	(49)	(49)
Total cash provided from (used for) operations	$ 259,204	$ (1,521)	$ 70,054	$ 7,315	$ 335,052
Noncash Investing, Capital, and Financing Activities:					
Noncash distributions from the State Treasurer Long-Term Investment Portfolio and/or other agents	$ —	$ —	$ —	$ 2,361	$ 2,361
Donated assets (fair market value)	—	—	—	218	218
Transferred assets	—	—	—	68	68
Assets acquired through the assumption of a liability	12,738	190,362	16,064	47,616	266,780
Change in fair value of investments	—	—	—	(3,270)	(3,270)

Exhibit B-5

Governmental Activities — Internal Service Funds
$ 6,413
26,986
—
(3,367)
2
7,327
(179)
(24)
52
(125)
1,744
(8,390)
(346)
—
532
3,657
—
$ 34,282
$ (1,143)
—
—
39,109
(1,710)