

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2007

*(Dollars in Thousands)*

	Business-type Activities — Enterprise Funds				Total Enterprise Funds
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	Other Enterprise Funds	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents (Note 3).....	\$ 399,217	\$ 217,638	\$ 49,566	\$ 43,911	\$ 710,332
Investments (Note 3).....	—	—	—	49,757	49,757
Securities lending collateral (Note 3).....	11,112	180,320	56,940	46,156	294,528
Receivables: (Note 4)					
Accounts receivable, net.....	30,430	—	11,054	3,455	44,939
Intergovernmental receivables.....	—	109	—	2	111
Interest receivable.....	62	3,330	406	38	3,836
Premiums receivable.....	—	—	—	1,102	1,102
Contributions receivable, net.....	339,520	—	—	—	339,520
Notes receivable, net (Note 4).....	—	34,809	—	—	34,809
Due from fiduciary funds (Note 9).....	—	—	—	—	—
Due from other funds (Note 9).....	174	—	—	—	174
Due from component units (Note 17).....	—	—	—	—	—
Inventories.....	—	—	795	449	1,244
Prepaid items.....	—	—	—	2,484	2,484
Restricted investments (Note 3).....	—	6,895	—	—	6,895
Total current assets.....	<u>780,515</u>	<u>443,101</u>	<u>118,761</u>	<u>147,354</u>	<u>1,489,731</u>
<b>Noncurrent Assets:</b>					
Investments (Note 3).....	—	—	—	572	572
Receivables:					
Contributions receivable, net.....	23,212	—	—	—	23,212
Notes receivable, net (Note 4).....	—	600,831	—	—	600,831
Restricted investments (Note 3).....	—	—	—	3,739	3,739
Capital assets-nondepreciable (Note 5).....	—	—	—	3,646	3,646
Capital assets-depreciable, net (Note 5).....	—	88	1,282	21,657	23,027
Total noncurrent assets.....	<u>23,212</u>	<u>600,919</u>	<u>1,282</u>	<u>29,614</u>	<u>655,027</u>
Total Assets.....	<u>803,727</u>	<u>1,044,020</u>	<u>120,043</u>	<u>176,968</u>	<u>2,144,758</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued liabilities:					
Accounts payable.....	14,239	96	59,633	458	74,426
Accrued payroll.....	—	4	16	112	132
Intergovernmental payable.....	2,299	11	—	—	2,310
Claims payable.....	—	—	—	14,602	14,602
Unemployment benefits payable.....	18,292	—	—	—	18,292
Obligations under securities lending.....	11,112	180,320	56,940	46,156	294,528
Due to other funds (Note 9).....	16	28	2,582	45	2,671
Unearned revenue.....	11,661	—	—	10,499	22,160
Deposits payable.....	—	—	8	—	8
Compensated absences - current.....	—	26	80	184	290
Total current liabilities.....	<u>57,619</u>	<u>180,485</u>	<u>119,259</u>	<u>72,056</u>	<u>429,419</u>
<b>Noncurrent Liabilities:</b>					
Compensated absences.....	—	352	784	2,459	3,595
Total noncurrent liabilities.....	<u>—</u>	<u>352</u>	<u>784</u>	<u>2,459</u>	<u>3,595</u>
Total Liabilities.....	<u>57,619</u>	<u>180,837</u>	<u>120,043</u>	<u>74,515</u>	<u>433,014</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt.....	—	88	1,282	25,303	26,673
Restricted for:					
Capital outlay.....	—	—	—	2,618	2,618
Other purposes.....	—	—	—	1,122	1,122
Unrestricted.....	746,108	863,095	(1,282)	73,410	1,681,331
Total Net Assets.....	<u>\$ 746,108</u>	<u>\$ 863,183</u>	<u>\$ —</u>	<u>\$ 102,453</u>	<u>\$ 1,711,744</u>

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

Governmental Activities — Internal Service Funds	
\$	54,476
	18,059
	32,634
	14,212
	—
	107
	1,279
	—
	—
	11
	18,718
	1,158
	334
	9,370
	—
	<u>150,358</u>
	—
	—
	—
	—
	3,703
	93,307
	<u>97,010</u>
	<u>247,368</u>
	7,373
	563
	1
	6,513
	—
	32,634
	1,483
	4,628
	—
	441
	<u>53,636</u>
	3,710
	<u>3,710</u>
	<u>57,346</u>
	97,010
	—
	—
	93,012
\$	<u>190,022</u>

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

For the Fiscal Year Ended June 30, 2007

*(Dollars in Thousands)*

	Business-type Activities — Enterprise Funds				Total Enterprise Funds
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	Other Enterprise Funds	
<b>Operating Revenues:</b>					
Employer unemployment contributions.....	\$ 1,068,320	\$ —	\$ —	\$ —	\$ 1,068,320
Federal funds.....	31,639	—	—	—	31,639
Sales and services.....	—	1,439	861,675	1,061	864,175
Interest earnings on loans.....	—	14,961	—	—	14,961
Rental and lease earnings.....	—	—	—	5,345	5,345
Fees, licenses, and fines.....	—	—	4,520	40,264	44,784
Insurance premiums.....	—	—	—	13,901	13,901
Miscellaneous.....	—	—	—	181	181
Total operating revenues.....	1,099,959	16,400	866,195	60,752	2,043,306
<b>Operating Expenses:</b>					
Personal services.....	—	3,678	12,279	27,963	43,920
Supplies and materials.....	—	41	145	1,405	1,591
Services.....	—	975	88,049	14,263	103,287
Cost of goods sold.....	—	—	—	431	431
Depreciation/amortization.....	—	21	391	1,289	1,701
Lottery prizes.....	—	—	451,792	—	451,792
Claims.....	—	—	—	19,918	19,918
Unemployment benefits.....	863,511	—	—	—	863,511
Insurance and bonding.....	—	—	5	4,291	4,296
Other.....	—	630	2,773	3,399	6,802
Total operating expenses.....	863,511	5,345	555,434	72,959	1,497,249
Operating income (loss).....	236,448	11,055	310,761	(12,207)	546,057
<b>Nonoperating Revenues (Expenses):</b>					
Noncapital grants.....	44	57,220	—	244	57,508
Noncapital gifts.....	—	—	—	259	259
Investment earnings.....	14,909	18,227	7,984	6,531	47,651
Insurance recoveries.....	—	—	—	—	—
Gain (loss) on sale of equipment.....	—	—	—	15	15
Miscellaneous.....	(1,470)	(8,883)	(3,378)	(1,907)	(15,638)
Total nonoperating revenues (expenses)...	13,483	66,564	4,606	5,142	89,795
Income (loss) before contributions..... and transfers.....	249,931	77,619	315,367	(7,065)	635,852
Capital contributions.....	—	—	—	142	142
Transfers in (Note 9).....	—	10,513	—	4,649	15,162
Transfers out (Note 9).....	(11,300)	(328)	(315,367)	(977)	(327,972)
Change in net assets.....	238,631	87,804	—	(3,251)	323,184
Net assets — July 1, as restated (Note 22).....	507,477	775,379	—	105,704	1,388,560
Net assets — June 30.....	\$ 746,108	\$ 863,183	\$ —	\$ 102,453	\$ 1,711,744

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

<b>Governmental Activities — Internal Service Funds</b>	
\$	—
	—
	255,974
	—
	20
	54
	20,264
	540
	<u>276,852</u>
	51,278
	17,896
	114,218
	506
	28,753
	—
	1,133
	—
	26,995
	49,904
	<u>290,683</u>
	<u>(13,831)</u>
	—
	—
	4,390
	135
	271
	<u>(1,746)</u>
	<u>3,050</u>
	(10,781)
	79
	2,349
	<u>(314)</u>
	<u>(8,667)</u>
	198,689
\$	<u><u>190,022</u></u>

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2007

*(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
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers.....	\$ 1,068,065	\$ 1,440	\$ 803,256	\$ 68,025	\$ 1,940,786
Receipts from federal agencies.....	31,638	—	—	—	31,638
Receipts from other funds.....	—	—	—	—	—
Payments to suppliers.....	—	(1,285)	(30,964)	(23,086)	(55,335)
Payments to employees.....	—	(3,709)	(11,924)	(28,148)	(43,781)
Payments for prizes, benefits, and claims.....	(869,401)	—	(406,235)	(17,283)	(1,292,919)
Payments to other funds.....	—	—	—	—	—
Other receipts (payments).....	—	(359)	569	(1,123)	(913)
Net cash flows provided (used) by operating activities.....	<u>230,302</u>	<u>(3,913)</u>	<u>354,702</u>	<u>(1,615)</u>	<u>579,476</u>
<b>Cash Provided From (Used For)</b>					
<b>Noncapital Financing Activities:</b>					
Grant receipts (refunds).....	44	57,214	—	244	57,502
Transfers from other funds.....	—	10,513	—	4,649	15,162
Transfers to other funds.....	(11,300)	(328)	(326,409)	(977)	(339,014)
Gifts.....	—	—	—	259	259
Total cash provided from (used for) noncapital financing activities.....	<u>(11,256)</u>	<u>67,399</u>	<u>(326,409)</u>	<u>4,175</u>	<u>(266,091)</u>
<b>Cash Provided From (Used For)</b>					
<b>Capital Financing Activities:</b>					
Acquisition and construction of capital assets.....	—	—	(1,059)	(233)	(1,292)
Proceeds from the sale of capital assets.....	—	—	10	15	25
Capital contributions.....	—	—	—	25	25
Insurance recoveries.....	—	—	—	—	—
Total cash provided from (used for) capital financing activities.....	<u>—</u>	<u>—</u>	<u>(1,049)</u>	<u>(193)</u>	<u>(1,242)</u>
<b>Cash Provided From (Used For)</b>					
<b>Investment Activities:</b>					
Purchase of non-State Treasurer investments.....	—	—	—	(455)	(455)
Purchase into State Treasurer investment pool.....	—	(2,628)	—	—	(2,628)
Redemptions from State Treasurer investment pool.....	—	2	—	3,000	3,002
Loan issuances.....	—	(128,008)	—	—	(128,008)
Loan repayments — interest.....	—	15,731	—	—	15,731
Loan repayments — principal.....	—	37,938	—	—	37,938
Investment earnings.....	13,426	9,154	3,822	1,163	27,565
Total cash provided from (used for) investment activities.....	<u>13,426</u>	<u>(67,811)</u>	<u>3,822</u>	<u>3,708</u>	<u>(46,855)</u>
Net increase (decrease) in cash and cash equivalents.....	232,472	(4,325)	31,066	6,075	265,288
Cash and cash equivalents at July 1, as restated.....	166,745	221,963	18,500	37,836	445,044
Cash and cash equivalents at June 30.....	<u>\$ 399,217</u>	<u>\$ 217,638</u>	<u>\$ 49,566</u>	<u>\$ 43,911</u>	<u>\$ 710,332</u>

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

Governmental Activities — Internal Service Funds	
\$	51,051
	—
	214,581
	(189,226)
	(50,855)
	(1,162)
	(11,171)
	(903)
	<u>12,315</u>
	—
	2,349
	(314)
	—
	<u>2,035</u>
	(29,542)
	271
	—
	<u>135</u>
	<u>(29,136)</u>
	—
	—
	4,000
	—
	—
	—
	<u>1,462</u>
	<u>5,462</u>
	(9,324)
	<u>63,800</u>
\$	<u><u>54,476</u></u>

Continued

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2007

*(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
<b>Reconciliation of Operating Income to Net Cash Provided</b>					
<b>From (Used For) Operating Activities:</b>					
Operating income (loss).....	\$ 236,448	\$ 11,055	\$ 310,761	\$ (12,207)	\$ 546,057
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation/amortization.....	—	21	391	1,289	1,701
Interest earnings on loans classified as investing activity.....	—	(14,961)	—	—	(14,961)
Restatements and adjustments.....	—	—	—	42	42
Nonoperating miscellaneous income (expense).....	—	—	561	21	582
(Increases) decreases in assets:					
Receivables.....	(8,958)	—	(1,007)	3,834	(6,131)
Due from other funds.....	(115)	—	—	—	(115)
Due from fiduciary funds.....	—	—	—	—	—
Due from component units.....	—	—	—	—	—
Inventories.....	—	—	(795)	51	(744)
Prepaid items.....	—	—	—	(271)	(271)
Increases (decreases) in liabilities:					
Accounts payable and accrued liabilities.....	706	(5)	44,443	2,319	47,463
Due to other funds.....	16	20	—	—	36
Unemployment benefits payable.....	500	—	—	—	500
Compensated absences.....	—	(43)	340	(191)	106
Unearned revenue.....	1,705	—	—	3,498	5,203
Deposits payable.....	—	—	8	—	8
Total cash provided from (used for) operations.....	<u>\$ 230,302</u>	<u>\$ (3,913)</u>	<u>\$ 354,702</u>	<u>\$ (1,615)</u>	<u>\$ 579,476</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Noncash distributions from the State Treasurer					
Long-Term Investment Portfolio and/or other agents.....	\$ —	\$ —	\$ —	\$ (1,241)	\$ (1,241)
Donated assets (fair market value).....	—	—	—	—	—
Transferred assets.....	—	—	—	117	117
Assets acquired through the assumption of a liability.....	11,112	180,320	56,940	46,156	294,528
Change in fair value of investments.....	—	—	—	583	583

Governmental  
Activities —  
Internal  
Service  
Funds

---

\$ (13,831)

28,753

—

(5,535)

29

(5,405)

(3,070)

17

(78)

(19)

4,078

8,976

259

—

291

(2,150)

—

---

\$ 12,315

\$ (1,008)

79

—

32,634

302