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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 \$46.057 million due to fiduciary funds is composed of \$12.732 million related to local sales taxes collected in the general fund and due to the agency fund, as well as \$33.325 million related to retirement contributions payable to retirement systems at year end. The Highway Fund balance of \$7.891 million due to fiduciary funds is all 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, 2007, consisted of the following (dollars in thousands):

	<b>Due From Other Funds</b>					Total
	General Fund	Highway Fund	Other Governmental Funds	Unemployment Compensation Fund	Internal Service Funds	
<b>Due To Other Funds</b>						
General Fund.....	\$ —	\$ —	\$ 2,527	\$ —	\$ 13,803	\$ 16,330
Highway Fund.....	—	—	5,174	—	2,127	7,301
Highway Trust Fund.....	—	41,255	—	—	—	41,255
Other Governmental Funds.....	156	—	22,512	174	1,204	24,046
Unemployment Compensation Fund....	—	—	16	—	—	16
EPA Revolving Loan Fund.....	—	—	—	—	28	28
NC State Lottery Fund.....	—	—	2,543	—	39	2,582
Nonmajor Enterprise Funds.....	—	—	1	—	44	45
Internal Service Funds.....	8	—	2	—	1,473	1,483
<b>Total.....</b>	<b>\$ 164</b>	<b>\$ 41,255</b>	<b>\$ 32,775</b>	<b>\$ 174</b>	<b>\$ 18,718</b>	<b>\$ 93,086</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, 2007 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.....	\$ —	\$ 28,984	\$ 5,700	\$ 686,513	\$ 6,071	\$ 4,500	\$ 1,170	\$ 732,938
Highway Fund.....	48,448	—	—	228,829	—	—	—	277,277
Highway Trust Fund.....	58,340	48,393	—	—	—	—	—	106,733
Other Governmental Funds.....	467,804	—	—	439,689	4,442	149	1,130	913,214
Unemployment Compensation Fund	—	—	—	11,300	—	—	—	11,300
EPA Revolving Loan Fund.....	328	—	—	—	—	—	—	328
NC State Lottery Fund.....	13	—	—	315,354	—	—	—	315,367
Other Enterprise Funds.....	791	—	—	186	—	—	—	977
Internal Service Funds.....	265	—	—	—	—	—	49	314
Total.....	<u>\$ 575,989</u>	<u>\$ 77,377</u>	<u>\$ 5,700</u>	<u>\$ 1,681,871</u>	<u>\$ 10,513</u>	<u>\$ 4,649</u>	<u>\$ 2,349</u>	<u>\$ 2,358,448</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. Senate Bill 1741 [Session Law 2006-66], reduced the amount transferred in fiscal year 2006-2007 to \$57.487 million, considerably less than the transfer requirement in prior years.

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 \$314.354 million, as set forth in General Statute 18C-164. Since this was the first full year of operation the amount transferred was significantly greater than the prior year.