

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2008

(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).....	\$ 503,905	\$ 261,671	\$ 38,755	\$ 55,203	\$ 859,534
Investments (Note 3).....	—	—	—	53,831	53,831
Securities lending collateral (Note 3).....	22,569	165,809	25,633	48,083	262,094
Receivables: (Note 4)					
Accounts receivable, net.....	30,076	—	13,728	4,643	48,447
Intergovernmental receivable.....	—	129	—	—	129
Interest receivable.....	137	3,823	418	65	4,443
Premiums receivable.....	—	—	—	1,281	1,281
Contributions receivable, net.....	330,535	—	—	—	330,535
Notes receivable, net (Note 4).....	—	39,549	—	—	39,549
Due from fiduciary funds (Note 9).....	—	—	—	—	—
Due from other funds (Note 9).....	3,025	—	—	—	3,025
Due from component units (Note 18).....	—	—	—	—	—
Inventories.....	—	—	910	498	1,408
Prepaid items.....	—	—	—	2,662	2,662
Restricted investments (Note 3).....	—	2,244	—	—	2,244
Total current assets.....	<u>890,247</u>	<u>473,225</u>	<u>79,444</u>	<u>166,266</u>	<u>1,609,182</u>
Noncurrent Assets:					
Investments (Note 3).....	—	—	—	721	721
Receivables:					
Contributions receivable, net.....	26,431	—	—	—	26,431
Notes receivable, net (Note 4).....	—	615,897	—	—	615,897
Restricted investments (Note 3).....	—	—	—	3,791	3,791
Capital assets-nondepreciable (Note 5).....	—	—	—	3,984	3,984
Capital assets-depreciable, net (Note 5).....	—	83	1,487	26,961	28,531
Total noncurrent assets.....	<u>26,431</u>	<u>615,980</u>	<u>1,487</u>	<u>35,457</u>	<u>679,355</u>
Total Assets.....	<u>916,678</u>	<u>1,089,205</u>	<u>80,931</u>	<u>201,723</u>	<u>2,288,537</u>
Liabilities					
Current Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable.....	17,860	116	50,160	1,149	69,285
Accrued payroll.....	—	2	405	75	482
Intergovernmental payable.....	3,578	—	10	—	3,588
Claims payable.....	—	—	—	15,335	15,335
Unemployment benefits payable.....	12,216	—	—	—	12,216
Obligations under securities lending.....	22,569	165,809	25,633	48,083	262,094
Due to other funds (Note 9).....	109	30	3,564	41	3,744
Unearned revenue.....	12,656	—	7	7,677	20,340
Deposits payable.....	—	—	—	2	2
Compensated absences.....	—	21	57	182	260
Total current liabilities.....	<u>68,988</u>	<u>165,978</u>	<u>79,836</u>	<u>72,544</u>	<u>387,346</u>
Noncurrent Liabilities:					
Compensated absences.....	—	360	1,095	2,967	4,422
Total noncurrent liabilities.....	<u>—</u>	<u>360</u>	<u>1,095</u>	<u>2,967</u>	<u>4,422</u>
Total Liabilities.....	<u>68,988</u>	<u>166,338</u>	<u>80,931</u>	<u>75,511</u>	<u>391,768</u>
Net Assets					
Invested in capital assets, net of related debt.....	—	83	1,487	30,945	32,515
Restricted for:					
Capital outlay.....	—	—	—	2,544	2,544
Unrestricted.....	847,690	922,784	(1,487)	92,723	1,861,710
Total Net Assets.....	<u>\$ 847,690</u>	<u>\$ 922,867</u>	<u>\$ —</u>	<u>\$ 126,212</u>	<u>\$ 1,896,769</u>

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

Exhibit B-3

Governmental
Activities —
Internal
Service
Funds

\$	78,216
	19,640
	30,014
	14,336
	—
	111
	1,337
	—
	—
	7
	20,671
	1,111
	215
	6,173
	—
	<u>171,831</u>
	—
	—
	—
	3,396
	112,998
	<u>116,394</u>
	<u>288,225</u>
	2,779
	747
	1
	8,207
	—
	30,014
	1,613
	4,960
	—
	325
	<u>48,646</u>
	4,600
	<u>4,600</u>
	<u>53,246</u>
	116,394
	—
	118,585
\$	<u>234,979</u>

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

For the Fiscal Year Ended June 30, 2008

(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	
Operating Revenues:					
Employer unemployment contributions.....	\$ 1,064,643	\$ —	\$ —	\$ —	\$ 1,064,643
Federal funds.....	27,213	—	—	—	27,213
Sales and services.....	—	1,883	1,048,349	1,208	1,051,440
Interest earnings on loans.....	—	15,414	—	—	15,414
Rental and lease earnings.....	—	—	—	7,362	7,362
Fees, licenses, and fines.....	—	—	4,579	49,701	54,280
Insurance premiums.....	—	—	—	16,991	16,991
Miscellaneous.....	—	—	203	419	622
Total operating revenues.....	<u>1,091,856</u>	<u>17,297</u>	<u>1,053,131</u>	<u>75,681</u>	<u>2,237,965</u>
Operating Expenses:					
Personal services.....	—	4,013	13,793	30,914	48,720
Supplies and materials.....	—	59	120	1,332	1,511
Services.....	—	970	105,071	15,851	121,892
Cost of goods sold.....	—	—	—	374	374
Depreciation/amortization.....	—	25	382	1,226	1,633
Lottery prizes.....	—	—	588,485	—	588,485
Claims.....	—	—	—	11,434	11,434
Unemployment benefits.....	1,001,417	—	—	—	1,001,417
Insurance and bonding.....	—	—	4	3,585	3,589
Other.....	—	553	1,791	4,464	6,808
Total operating expenses.....	<u>1,001,417</u>	<u>5,620</u>	<u>709,646</u>	<u>69,180</u>	<u>1,785,863</u>
Operating income (loss).....	<u>90,439</u>	<u>11,677</u>	<u>343,485</u>	<u>6,501</u>	<u>452,102</u>
Nonoperating Revenues (Expenses):					
Noncapital grants.....	—	26,407	—	189	26,596
Noncapital gifts.....	—	—	—	338	338
Investment earnings.....	21,378	18,514	8,350	7,932	56,174
Interest and fees.....	—	(13)	—	—	(13)
Insurance recoveries.....	—	—	—	2	2
Gain (loss) on sale of equipment.....	—	—	—	—	—
Miscellaneous.....	(1,449)	(6,821)	(2,525)	(1,852)	(12,647)
Total nonoperating revenues (expenses).....	<u>19,929</u>	<u>38,087</u>	<u>5,825</u>	<u>6,609</u>	<u>70,450</u>
Income (loss) before contributions.....					
and transfers.....	110,368	49,764	349,310	13,110	522,552
Capital contributions.....	—	—	—	6,589	6,589
Transfers in (Note 9).....	2,006	10,183	—	4,500	16,689
Transfers out (Note 9).....	(10,792)	(263)	(349,310)	(3,172)	(363,537)
Change in net assets.....	101,582	59,684	—	21,027	182,293
Net assets — July 1, as restated (Note 23).....	746,108	863,183	—	105,185	1,714,476
Net assets — June 30.....	<u>\$ 847,690</u>	<u>\$ 922,867</u>	<u>\$ —</u>	<u>\$ 126,212</u>	<u>\$ 1,896,769</u>

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

Exhibit B-4

Governmental Activities — Internal Service Funds	
\$	—
	—
	283,108
	—
	20
	140
	19,257
	422
	<u>302,947</u>
	60,885
	15,936
	113,419
	617
	28,058
	—
	1,170
	—
	18,203
	56,412
	<u>294,700</u>
	<u>8,247</u>
	—
	—
	4,850
	—
	153
	168
	<u>(1,407)</u>
	<u>3,764</u>
	12,011
	29,865
	3,307
	<u>(162)</u>
	45,021
	<u>189,958</u>
\$	<u><u>234,979</u></u>

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2008

(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.....	\$ 1,072,174	\$ 1,883	\$ 975,093	\$ 72,267	\$ 2,121,417
Receipts from federal agencies.....	27,212	—	—	—	27,212
Receipts from other funds.....	—	—	—	—	—
Payments to suppliers.....	—	(1,153)	(31,484)	(22,824)	(55,461)
Payments to employees.....	—	(4,007)	(13,117)	(30,401)	(47,525)
Payments for prizes, benefits, and claims.....	(1,005,766)	—	(598,203)	(8,955)	(1,612,924)
Payments to other funds.....	—	—	—	—	—
Other receipts (payments).....	(577)	(423)	548	(2,117)	(2,569)
Net cash flows provided (used) by operating activities.....	<u>93,043</u>	<u>(3,700)</u>	<u>332,837</u>	<u>7,970</u>	<u>430,150</u>
Cash Provided From (Used For)					
Noncapital Financing Activities:					
Grant receipts (refunds).....	—	26,386	—	189	26,575
Interest expense and issuance cost.....	—	(13)	—	—	(13)
Transfers from other funds.....	2,006	10,183	—	4,500	16,689
Transfers to other funds.....	(10,792)	(263)	(348,327)	(3,172)	(362,554)
Gifts.....	—	—	—	367	367
Total cash provided from (used for) noncapital financing activities.....	<u>(8,786)</u>	<u>36,293</u>	<u>(348,327)</u>	<u>1,884</u>	<u>(318,936)</u>
Cash Provided From (Used For)					
Capital and Related Financing Activities:					
Acquisition and construction of capital assets.....	—	(19)	(587)	(306)	(912)
Proceeds from the sale of capital assets.....	—	—	—	157	157
Insurance recoveries.....	—	—	—	—	—
Total cash provided from (used for) capital and related financing activities.....	<u>—</u>	<u>(19)</u>	<u>(587)</u>	<u>(149)</u>	<u>(755)</u>
Cash Provided From (Used For)					
Investment Activities:					
Purchase into State Treasurer investment pool.....	—	(1,489)	—	—	(1,489)
Redemptions from State Treasurer investment pool.....	—	6,140	—	—	6,140
Loan issuances.....	—	(60,909)	—	—	(60,909)
Loan repayments — interest.....	—	14,981	—	—	14,981
Loan repayments — principal.....	—	41,102	—	—	41,102
Investment earnings.....	20,431	11,634	5,266	1,587	38,918
Total cash provided from (used for) investment activities.....	<u>20,431</u>	<u>11,459</u>	<u>5,266</u>	<u>1,587</u>	<u>38,743</u>
Net increase (decrease) in cash and cash equivalents.....	104,688	44,033	(10,811)	11,292	149,202
Cash and cash equivalents at July 1, as restated.....	399,217	217,638	49,566	43,911	710,332
Cash and cash equivalents at June 30.....	<u>\$ 503,905</u>	<u>\$ 261,671</u>	<u>\$ 38,755</u>	<u>\$ 55,203</u>	<u>\$ 859,534</u>

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

**Governmental
Activities —
Internal
Service
Funds**

\$	46,510
	—
	254,354
	(185,302)
	(59,811)
	(3,668)
	(14,573)
	(1,304)
	<u>36,206</u>
	—
	—
	3,307
	(162)
	—
	<u>3,145</u>
	(17,805)
	241
	153
	<u>(17,411)</u>
	—
	—
	—
	—
	—
	<u>1,800</u>
	1,800
	23,740
	54,476
\$	<u><u>78,216</u></u>

Continued

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2008

(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).....	\$ 90,439	\$ 11,677	\$ 343,485	\$ 6,501	\$ 452,102
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation/amortization.....	—	25	382	1,226	1,633
Interest earnings on loans classified as investing activity.....	—	(15,414)	—	—	(15,414)
Restatements and adjustments.....	—	—	—	2,732	2,732
Nonoperating miscellaneous income (expense).....	(577)	—	546	36	5
(Increases) decreases in assets:					
Receivables.....	6,120	—	(2,674)	(1,367)	2,079
Due from other funds.....	(2,851)	—	—	—	(2,851)
Due from fiduciary funds.....	—	—	—	—	—
Due from component units.....	—	—	—	—	—
Inventories.....	—	—	(115)	(49)	(164)
Prepaid items.....	—	—	—	(178)	(178)
Increases (decreases) in liabilities:					
Accounts payable and accrued liabilities.....	4,900	7	(9,074)	1,387	(2,780)
Due to other funds.....	93	2	—	(4)	91
Unemployment benefits payable.....	(6,076)	—	—	—	(6,076)
Compensated absences.....	—	3	288	506	797
Unearned revenue.....	995	—	7	(2,822)	(1,820)
Deposits payable.....	—	—	(8)	2	(6)
Total cash provided from (used for) operations.....	<u>\$ 93,043</u>	<u>\$ (3,700)</u>	<u>\$ 332,837</u>	<u>\$ 7,970</u>	<u>\$ 430,150</u>
Noncash Investing, Capital, and Financing Activities:					
Noncash distributions from the State Treasurer					
Long-Term Investment Portfolio and/or other agents.....	\$ —	\$ —	\$ —	\$ 3,127	\$ 3,127
Donated or transferred assets (fair value).....	—	—	—	6,560	6,560
Assets acquired through the assumption of a liability.....	22,569	165,809	25,633	48,083	262,094
Change in fair value of investments.....	—	—	—	1,148	1,148

**Governmental
Activities —
Internal
Service
Funds**

\$ 8,247

28,058

—

112

37

(268)

(1,867)

4

47

119

3,197

(2,716)

130

—

774

332

—

\$ 36,206

\$ —

29,865

30,014

434