

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2009

*(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>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents (Note 3).....	\$ 32,169	\$ 279,244	\$ 33,243	\$ 48,092	\$ 392,748
Investments (Note 3).....	—	—	—	63,335	63,335
Securities lending collateral (Note 3).....	9,318	105,953	22,374	34,554	172,199
Receivables: (Note 4)					
Accounts receivable, net.....	70,996	—	4,919	4,519	80,434
Intergovernmental receivable.....	34,451	54	—	—	34,505
Interest receivable.....	36	3,975	138	27	4,176
Premiums receivable.....	—	—	—	1,423	1,423
Contributions receivable, net.....	298,049	—	—	—	298,049
Notes receivable, net (Note 4).....	—	40,451	—	—	40,451
Due from fiduciary funds (Note 9).....	—	—	—	—	—
Due from other funds (Note 9).....	3,000	—	—	—	3,000
Due from component units (Note 18).....	—	—	—	—	—
Inventories.....	—	—	294	528	822
Prepaid items.....	—	—	—	4,393	4,393
Restricted/designated cash and cash equivalents (Note 3).....	—	—	—	271	271
Total current assets.....	<u>448,019</u>	<u>429,677</u>	<u>60,968</u>	<u>157,142</u>	<u>1,095,806</u>
<b>Noncurrent Assets:</b>					
Investments (Note 3).....	—	—	—	3,127	3,127
Receivables: (Note 4)					
Contributions receivable, net.....	57,342	—	—	—	57,342
Notes receivable, net (Note 4).....	—	677,998	—	—	677,998
Restricted investments (Note 3).....	—	—	—	2,134	2,134
Capital assets-nondepreciable (Note 5).....	—	—	—	3,984	3,984
Capital assets-depreciable, net (Note 5).....	—	78	1,310	25,240	26,628
Total noncurrent assets.....	<u>57,342</u>	<u>678,076</u>	<u>1,310</u>	<u>34,485</u>	<u>771,213</u>
Total Assets.....	<u>505,361</u>	<u>1,107,753</u>	<u>62,278</u>	<u>191,627</u>	<u>1,867,019</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued liabilities:					
Accounts payable.....	16,291	30	31,611	790	48,722
Accrued payroll.....	—	1	333	75	409
Intergovernmental payable.....	12,693	—	10	—	12,703
Claims payable.....	—	—	—	15,703	15,703
Unemployment benefits payable.....	20,894	—	—	—	20,894
Obligations under securities lending.....	9,318	105,953	22,374	34,554	172,199
Due to other funds (Note 9).....	75	28	6,625	82	6,810
Unearned revenue.....	16,078	—	51	7,614	23,743
Deposits payable.....	—	—	—	17	17
Short-term debt (Note 6).....	728,773	—	—	—	728,773
Pollution remediation payable - current.....	—	—	—	163	163
Compensated absences.....	—	21	43	283	347
Total current liabilities.....	<u>804,122</u>	<u>106,033</u>	<u>61,047</u>	<u>59,281</u>	<u>1,030,483</u>
<b>Noncurrent Liabilities:</b>					
Pollution remediation payable.....	—	—	—	87	87
Compensated absences.....	—	434	1,231	3,179	4,844
Total noncurrent liabilities.....	<u>—</u>	<u>434</u>	<u>1,231</u>	<u>3,266</u>	<u>4,931</u>
Total Liabilities.....	<u>804,122</u>	<u>106,467</u>	<u>62,278</u>	<u>62,547</u>	<u>1,035,414</u>
<b>Net Assets</b>					
Invested in capital assets.....	—	78	1,310	29,224	30,612
Restricted for:					
Capital outlay.....	—	—	—	2,405	2,405
Unrestricted.....	(298,761)	1,001,208	(1,310)	97,451	798,588
Total Net Assets.....	<u>\$ (298,761)</u>	<u>\$ 1,001,286</u>	<u>\$ —</u>	<u>\$ 129,080</u>	<u>\$ 831,605</u>

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

Exhibit B-3

**Governmental  
Activities —  
Internal  
Service  
Funds**

\$	103,098
	21,152
	19,135
	11,387
	—
	41
	2,797
	—
	—
	3
	28,440
	975
	153
	2,070
	—
	<u>189,251</u>
	—
	—
	—
	—
	6,524
	<u>102,703</u>
	<u>109,227</u>
	<u>298,478</u>
	8,923
	517
	—
	2,090
	—
	19,135
	1,556
	3,799
	—
	—
	—
	441
	<u>36,461</u>
	—
	<u>5,390</u>
	<u>5,390</u>
	<u>41,851</u>
	109,227
	—
	147,400
\$	<u><u>256,627</u></u>

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

For the Fiscal Year Ended June 30, 2009

*(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>Operating Revenues:</b>					
Employer unemployment contributions.....	\$ 1,013,405	\$ —	\$ —	\$ —	\$ 1,013,405
Federal funds.....	62,889	—	—	—	62,889
Sales and services.....	—	1,696	1,283,440	1,149	1,286,285
Interest earnings on loans.....	—	15,674	—	—	15,674
Rental and lease earnings.....	—	—	—	6,147	6,147
Fees, licenses, and fines.....	—	—	4,589	45,050	49,639
Insurance premiums.....	—	—	—	17,208	17,208
Miscellaneous.....	—	—	73	701	774
Total operating revenues.....	<u>1,076,294</u>	<u>17,370</u>	<u>1,288,102</u>	<u>70,255</u>	<u>2,452,021</u>
<b>Operating Expenses:</b>					
Personal services.....	—	4,316	14,673	34,113	53,102
Supplies and materials.....	—	32	133	1,408	1,573
Services.....	—	1,307	126,862	17,679	145,848
Cost of goods sold.....	—	—	—	370	370
Depreciation/amortization.....	—	20	544	1,355	1,919
Lottery prizes.....	—	—	731,690	—	731,690
Claims.....	—	—	—	8,667	8,667
Unemployment benefits.....	3,253,159	—	—	19	3,253,178
Insurance and bonding.....	—	1	7	4,868	4,876
Other.....	—	569	2,859	4,308	7,736
Total operating expenses.....	<u>3,253,159</u>	<u>6,245</u>	<u>876,768</u>	<u>72,787</u>	<u>4,208,959</u>
Operating income (loss).....	<u>(2,176,865)</u>	<u>11,125</u>	<u>411,334</u>	<u>(2,532)</u>	<u>(1,756,938)</u>
<b>Nonoperating Revenues (Expenses):</b>					
Noncapital grants.....	851,175	49,602	—	225	901,002
Noncapital gifts.....	—	—	—	485	485
Investment earnings.....	12,209	10,696	4,243	5,755	32,903
Insurance recoveries.....	—	—	—	—	—
Gain (loss) on sale of equipment.....	—	(7)	—	—	(7)
Federal recovery funds.....	186,072	239	—	—	186,311
Miscellaneous.....	(2,289)	(1,616)	(627)	(436)	(4,968)
Total nonoperating revenues (expenses).....	<u>1,047,167</u>	<u>58,914</u>	<u>3,616</u>	<u>6,029</u>	<u>1,115,726</u>
Income (loss) before contributions.....					
and transfers.....	(1,129,698)	70,039	414,950	3,497	(641,212)
Capital contributions.....	—	—	—	125	125
Transfers in (Note 9).....	—	8,684	—	3,116	11,800
Transfers out (Note 9).....	(16,753)	(304)	(414,950)	(3,401)	(435,408)
Change in net assets.....	(1,146,451)	78,419	—	3,337	(1,064,695)
Net assets — July 1, as restated (Note 23).....	847,690	922,867	—	125,743	1,896,300
Net assets — June 30.....	<u>\$ (298,761)</u>	<u>\$ 1,001,286</u>	<u>\$ —</u>	<u>\$ 129,080</u>	<u>\$ 831,605</u>

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

**Governmental  
Activities —  
Internal  
Service  
Funds**

\$	—
	—
	306,071
	—
	23
	42
	20,547
	330
	<u>327,013</u>
	67,990
	18,495
	126,787
	643
	26,553
	—
	1,785
	—
	16,958
	54,379
	<u>313,590</u>
	<u>13,423</u>
	—
	—
	3,190
	158
	393
	—
	<u>(326)</u>
	<u>3,415</u>
	16,838
	368
	5,475
	<u>(536)</u>
	22,145
	234,482
\$	<u><u>256,627</u></u>

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2009

(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.....	\$ 1,016,859	\$ 1,696	\$ 1,206,590	\$ 69,716	\$ 2,294,861
Receipts from federal agencies.....	28,438	—	—	—	28,438
Receipts from other funds.....	—	—	—	—	—
Payments to suppliers.....	—	(1,457)	(37,689)	(29,244)	(68,390)
Payments to employees.....	—	(4,240)	(14,623)	(33,848)	(52,711)
Payments for prizes, benefits, and claims.....	(3,276,321)	—	(751,430)	(8,299)	(4,036,050)
Payments to other funds.....	—	—	—	—	—
Other receipts (payments).....	(2,042)	(543)	8	(707)	(3,284)
Net cash flows provided (used) by operating activities.....	<u>(2,233,066)</u>	<u>(4,544)</u>	<u>402,856</u>	<u>(2,382)</u>	<u>(1,837,136)</u>
<b>Cash Provided From (Used For)</b>					
<b>Noncapital Financing Activities:</b>					
Grant receipts (refunds).....	851,175	49,683	—	225	901,083
Federal recovery funds.....	186,072	234	—	—	186,306
Proceeds from short-term borrowing.....	1,080,851	—	—	—	1,080,851
Principal payments from short-term borrowing.....	(352,078)	—	—	—	(352,078)
Transfers from other funds.....	—	8,684	—	3,116	11,800
Transfers to other funds.....	(16,753)	(304)	(411,889)	(3,401)	(432,347)
Gifts.....	—	—	—	485	485
Total cash provided from (used for) noncapital financing activities.....	<u>1,749,267</u>	<u>58,297</u>	<u>(411,889)</u>	<u>425</u>	<u>1,396,100</u>
<b>Cash Provided From (Used For)</b>					
<b>Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets.....	—	(22)	(367)	(8)	(397)
Proceeds from the sale of capital assets.....	—	—	—	—	—
Capital contributions.....	—	—	—	43	43
Insurance recoveries.....	—	—	—	—	—
Total cash provided from (used for) capital and related financing activities.....	<u>—</u>	<u>(22)</u>	<u>(367)</u>	<u>35</u>	<u>(354)</u>
<b>Cash Provided From (Used For)</b>					
<b>Investment Activities:</b>					
Purchase of non-State Treasurer investments.....	—	—	—	(1,310)	(1,310)
Purchase into State Treasurer investment pool.....	—	(991)	—	(5,000)	(5,991)
Redemptions from State Treasurer investment pool.....	—	3,234	—	—	3,234
Loan issuances.....	—	(106,960)	—	—	(106,960)
Loan repayments — interest.....	—	14,951	—	—	14,951
Loan repayments — principal.....	—	43,959	—	—	43,959
Investment earnings.....	12,063	9,649	3,888	1,392	26,992
Total cash provided from (used for) investment activities.....	<u>12,063</u>	<u>(36,158)</u>	<u>3,888</u>	<u>(4,918)</u>	<u>(25,125)</u>
Net increase (decrease) in cash and cash equivalents.....	<u>(471,736)</u>	<u>17,573</u>	<u>(5,512)</u>	<u>(6,840)</u>	<u>(466,515)</u>
Cash and cash equivalents at July 1.....	503,905	261,671	38,755	55,203	859,534
Cash and cash equivalents at June 30.....	<u>\$ 32,169</u>	<u>\$ 279,244</u>	<u>\$ 33,243</u>	<u>\$ 48,363</u>	<u>\$ 393,019</u>

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

**Governmental  
Activities —  
Internal  
Service  
Funds**

\$	43,497
	—
	276,064
	(185,537)
	(67,427)
	(6,392)
	(21,365)
	(1,468)
	<u>37,372</u>
	—
	—
	—
	—
	5,475
	(536)
	—
	<u>4,939</u>
	(20,897)
	1,889
	—
	<u>158</u>
	(18,850)
	—
	—
	—
	—
	—
	<u>1,421</u>
	1,421
	24,882
	78,216
\$	<u><u>103,098</u></u>

**Continued**

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2009

*(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).....	\$ (2,176,865)	\$ 11,125	\$ 411,334	\$ (2,532)	\$ (1,756,938)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation/amortization.....	—	20	544	1,355	1,919
Interest earnings on loans classified as investing activity.....	—	(15,674)	—	—	(15,674)
Restatements and adjustments.....	—	—	—	(17)	(17)
Nonoperating miscellaneous income (expense).....	(2,042)	—	8	27	(2,007)
(Increases) decreases in assets:					
Receivables.....	(73,796)	—	8,809	(18)	(65,005)
Due from other funds.....	25	—	—	—	25
Due from fiduciary funds.....	—	—	—	—	—
Due from component units.....	—	—	—	—	—
Inventories.....	—	—	616	(30)	586
Prepaid items.....	—	—	—	(1,731)	(1,731)
Increases (decreases) in liabilities:					
Accounts payable and accrued liabilities.....	7,546	(87)	(18,621)	8	(11,154)
Due to other funds.....	(34)	(2)	—	41	5
Unemployment benefits payable.....	8,678	—	—	—	8,678
Pollution remediation payable.....	—	—	—	250	250
Compensated absences.....	—	74	122	314	510
Unearned revenue.....	3,422	—	44	(64)	3,402
Deposits payable.....	—	—	—	15	15
Total cash provided from (used for) operations.....	<u>\$ (2,233,066)</u>	<u>\$ (4,544)</u>	<u>\$ 402,856</u>	<u>\$ (2,382)</u>	<u>\$ (1,837,136)</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Noncash distributions from the State Treasurer					
Long-Term Investment Portfolio and/or other agents.....	\$ —	\$ —	\$ —	\$ 3,491	\$ 3,491
Donated or transferred assets (fair value).....	—	—	—	82	82
Assets acquired through the assumption of a liability.....	9,318	105,953	22,374	34,554	172,199
Change in fair value of investments.....	—	—	—	1,573	1,573

**Governmental  
Activities —  
Internal  
Service  
Funds**

---

\$ 13,423

26,553

—

(112)

1

1,489

(7,769)

4

136

62

4,103

(206)

(57)

—

—

906

(1,161)

—

---

\$ 37,372

\$ 1,303

368

19,135

209