

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2011

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Assets				
Current Assets:				
Cash and cash equivalents (Note 3).....	\$ 127,227	\$ 341,029	\$ 15,777	\$ —
Investments (Note 3).....	—	—	3,000	—
Securities lending collateral (Note 3).....	10,280	28,934	1,593	41,712
Receivables: (Note 4)				
Accounts receivable, net.....	46,945	—	9,897	2
Intergovernmental receivable.....	47,799	83	—	6,569
Interest receivable.....	104	5,567	30	—
Premiums receivable.....	—	—	—	—
Contributions receivable, net.....	443,754	—	—	—
Notes receivable, net (Note 4).....	—	57,487	—	—
Due from other funds (Note 10).....	7,048	—	—	—
Due from component units (Note 19).....	—	—	—	—
Inventories.....	—	—	16	—
Prepaid items.....	—	—	32	—
Restricted/designated cash and cash equivalents (Note 3).....	—	—	—	—
Restricted investments (Note 3).....	—	—	—	—
Total current assets.....	<u>683,157</u>	<u>433,100</u>	<u>30,345</u>	<u>48,283</u>
Noncurrent Assets:				
Investments (Note 3).....	—	—	35,620	—
Receivables: (Note 4)				
Contributions receivable, net.....	53,329	—	—	—
Notes receivable, net (Note 4).....	—	769,300	—	—
Deferred charges.....	—	—	148	27,299
Restricted investments (Note 3).....	—	—	—	679,207
Capital assets-nondepreciable (Note 5).....	—	—	—	689,362
Capital assets-depreciable, net (Note 5).....	—	65	819	20
Total noncurrent assets.....	<u>53,329</u>	<u>769,365</u>	<u>36,587</u>	<u>1,395,888</u>
Total Assets.....	<u>736,486</u>	<u>1,202,465</u>	<u>66,932</u>	<u>1,444,171</u>
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities:				
Accounts payable.....	11,048	64	17,559	29,546
Accrued payroll.....	—	—	666	—
Intergovernmental payable.....	12,380	—	—	—
Claims payable.....	—	—	—	—
Unemployment benefits payable.....	74,636	—	—	—
Obligations under securities lending.....	10,907	30,298	1,427	44,491
Interest payable.....	52,718	—	—	23,973
Due to other funds (Note 10).....	3,080	21	7,470	228
Due to component units (Note 10).....	—	—	—	—
Unearned revenue.....	4,241	—	27	—
Deposits payable.....	—	—	—	—
Annuity and life income payable (Note 8).....	—	—	3,000	—
Notes payable (Note 8).....	—	—	—	—
Capital leases payable (Note 8).....	—	—	—	—
Federal unemployment account advances (Note 8).....	800,000	—	—	—
Compensated absences (Note 8).....	—	24	68	9
Total current liabilities.....	<u>969,010</u>	<u>30,407</u>	<u>30,217</u>	<u>98,247</u>

Exhibit B-3

<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities — Internal Service Funds</u>
\$ 41,248	\$ 525,281	\$ 84,607
110,945	113,945	25,330
9,058	91,577	4,862
1,426	58,270	14,666
—	54,451	8
78	5,779	26
1,075	1,075	54
—	443,754	—
7	57,494	—
—	7,048	21,955
—	—	624
515	531	347
3,536	3,568	1,277
98	98	—
1,910	1,910	—
<u>169,896</u>	<u>1,364,781</u>	<u>153,756</u>
2,935	38,555	—
—	53,329	—
75	769,375	—
—	27,447	—
—	679,207	—
7,792	697,154	3,396
<u>40,446</u>	<u>41,350</u>	<u>100,998</u>
<u>51,248</u>	<u>2,306,417</u>	<u>104,394</u>
<u>221,144</u>	<u>3,671,198</u>	<u>258,150</u>
1,791	60,008	9,023
120	786	1,150
—	12,380	—
33,152	33,152	1,484
—	74,636	—
9,433	96,556	5,040
—	76,691	98
76	10,875	765
6,059	6,059	—
24,626	28,894	7,888
94	94	—
—	3,000	—
342	342	—
—	—	667
—	800,000	—
<u>417</u>	<u>518</u>	<u>467</u>
<u>76,110</u>	<u>1,203,991</u>	<u>26,582</u>

Continued

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS**

June 30, 2011

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Noncurrent Liabilities:				
Accounts payable.....	—	—	—	15,328
Advances from other funds (Note 10).....	—	—	—	21,011
Annuity and life income payable (Note 8).....	—	—	35,620	—
Notes payable (Note 8).....	—	—	—	264,596
Capital leases payable (Note 8).....	—	—	—	—
Bonds payable, net (Note 8).....	—	—	—	854,550
Federal unemployment account advances (Note 8).....	1,736,169	—	—	—
Compensated absences (Note 8).....	—	458	1,095	99
Total noncurrent liabilities.....	<u>1,736,169</u>	<u>458</u>	<u>36,715</u>	<u>1,155,584</u>
Total Liabilities.....	<u>2,705,179</u>	<u>30,865</u>	<u>66,932</u>	<u>1,253,831</u>
Net Assets				
Invested in capital assets, net of related debt.....	—	65	819	249,444
Restricted for:				
Capital outlay.....	—	—	—	—
Other purposes.....	—	—	—	—
Unrestricted.....	(1,968,693)	1,171,535	(819)	(59,104)
Total Net Assets.....	<u>\$ (1,968,693)</u>	<u>\$ 1,171,600</u>	<u>\$ —</u>	<u>\$ 190,340</u>

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

Exhibit B-3

<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities — Internal Service Funds</u>
—	15,328	597
—	21,011	—
—	35,620	—
4,092	268,688	—
—	—	693
—	854,550	—
—	1,736,169	—
<u>4,446</u>	<u>6,098</u>	<u>5,745</u>
<u>8,538</u>	<u>2,937,464</u>	<u>7,035</u>
<u>84,648</u>	<u>4,141,455</u>	<u>33,617</u>
43,830	294,158	103,034
1,933	1,933	—
1,198	1,198	—
89,535	(767,546)	121,499
<u>\$ 136,496</u>	<u>\$ (470,257)</u>	<u>\$ 224,533</u>

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

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Operating Revenues:				
Employer unemployment contributions.....	\$ 1,219,310	\$ —	\$ —	\$ —
Federal funds.....	74,794	—	—	—
Sales and services.....	—	2,063	1,459,578	—
Interest earnings on loans.....	—	18,201	—	—
Rental and lease earnings.....	—	—	—	—
Fees, licenses, and fines.....	—	—	4,962	—
Insurance premiums.....	—	—	—	—
Miscellaneous.....	—	124	99	—
Total operating revenues.....	<u>1,294,104</u>	<u>20,388</u>	<u>1,464,639</u>	<u>—</u>
Operating Expenses:				
Personal services.....	—	4,949	15,824	1,155
Supplies and materials.....	—	29	127	17
Services.....	—	1,460	145,745	736
Cost of goods sold.....	—	—	—	—
Depreciation/amortization.....	—	19	624	15
Lottery prizes.....	—	—	862,996	—
Claims.....	—	—	—	—
Unemployment benefits.....	4,368,015	—	—	—
Insurance and bonding.....	—	—	9	—
Other.....	—	630	3,184	1,873
Total operating expenses.....	<u>4,368,015</u>	<u>7,087</u>	<u>1,028,509</u>	<u>3,796</u>
Operating income (loss).....	<u>(3,073,911)</u>	<u>13,301</u>	<u>436,130</u>	<u>(3,796)</u>
Nonoperating Revenues (Expenses):				
Noncapital grants.....	2,270,783	34,717	—	—
Noncapital gifts, net.....	—	—	—	—
Investment earnings.....	502	3,496	1,176	4,369
Interest and fees.....	(52,718)	—	—	(1,008)
Insurance recoveries.....	—	—	—	—
Grants, aid and subsidies.....	—	(35,667)	—	—
Gain (loss) on sale of equipment.....	—	(48)	(6)	—
Federal interest subsidy on debt.....	—	—	—	10,843
Federal recovery funds.....	599,562	66,243	—	—
Miscellaneous.....	(29)	(95)	(5)	(136)
Total nonoperating revenues (expenses).....	<u>2,818,100</u>	<u>68,646</u>	<u>1,165</u>	<u>14,068</u>
Income (loss) before contributions and transfers.....	(255,811)	81,947	437,295	10,272
Capital contributions.....	—	—	—	11,630
Transfers in (Note 10).....	—	13,532	—	69,153
Transfers out (Note 10).....	(11,816)	(453)	(437,295)	—
Change in net assets.....	(267,627)	95,026	—	91,055
Net assets — July 1, as restated (Note 24).....	(1,701,066)	1,076,574	—	99,285
Net assets — June 30.....	<u>\$ (1,968,693)</u>	<u>\$ 1,171,600</u>	<u>\$ —</u>	<u>\$ 190,340</u>

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

Exhibit B-4

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
\$ —	\$ 1,219,310	\$ —
—	74,794	72
1,216	1,462,857	316,450
—	18,201	—
6,597	6,597	21
94,206	99,168	151
16,046	16,046	17,713
1,649	1,872	323
<u>119,714</u>	<u>2,898,845</u>	<u>334,730</u>
59,161	81,089	75,829
2,325	2,498	18,343
23,342	171,283	125,231
400	400	592
2,726	3,384	25,819
—	862,996	—
31,120	31,120	74
—	4,368,015	—
4,809	4,818	16,257
8,162	13,849	57,325
<u>132,045</u>	<u>5,539,452</u>	<u>319,470</u>
<u>(12,331)</u>	<u>(2,640,607)</u>	<u>15,260</u>
421	2,305,921	340
395	395	3
5,424	14,967	1,857
(158)	(53,884)	—
—	—	121
(6,050)	(41,717)	—
2	(52)	214
—	10,843	—
139	665,944	—
1	(264)	152
<u>174</u>	<u>2,902,153</u>	<u>2,687</u>
(12,157)	261,546	17,947
57	11,687	52
1,546	84,231	14,605
(6,089)	(455,653)	(76,432)
(16,643)	(98,189)	(43,828)
153,139	(372,068)	268,361
<u>\$ 136,496</u>	<u>\$ (470,257)</u>	<u>\$ 224,533</u>

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Cash Flows From Operating Activities:				
Receipts from customers.....	\$ 1,140,370	\$ 2,063	\$ 1,359,272	\$ —
Receipts from federal agencies.....	101,385	—	—	—
Receipts from other funds.....	—	—	—	—
Payments to suppliers.....	—	(1,532)	(44,973)	(1,262)
Payments to employees.....	—	(4,940)	(15,468)	(1,188)
Payments for prizes, benefits, and claims.....	(4,555,831)	—	(873,500)	—
Payments to other funds.....	—	—	—	—
Other receipts.....	—	124	17	—
Other payments.....	—	(554)	(1,147)	(1,765)
Net cash flows provided (used) by operating activities.....	<u>(3,314,076)</u>	<u>(4,839)</u>	<u>424,201</u>	<u>(4,215)</u>
Cash Provided From (Used For)				
Noncapital Financing Activities:				
Grant receipts.....	2,350,917	34,668	—	—
Federal recovery funds.....	679,556	66,253	—	—
Subsidy to other governments.....	—	(35,667)	—	—
Principal payments on borrowing.....	—	—	—	—
Advances from federal unemployment account.....	1,430,322	—	—	—
Payments to federal unemployment account.....	(1,043,677)	—	—	—
Interest expense and issuance cost.....	—	—	—	—
Advances from other funds.....	—	—	—	2,732
Transfers from other funds.....	—	13,532	—	—
Transfers to other funds.....	(11,816)	(453)	(447,952)	—
Gifts.....	—	—	—	—
Total cash provided from (used for) noncapital financing activities.....	<u>3,405,302</u>	<u>78,333</u>	<u>(447,952)</u>	<u>2,732</u>
Cash Provided From (Used For)				
Capital and Related Financing Activities:				
Acquisition and construction of capital assets.....	—	(16)	(211)	(326,406)
Proceeds from the sale of capital assets.....	—	—	—	—
Proceeds from capital debt.....	—	—	—	429,716
Transfers from other funds.....	—	—	—	69,153
Capital grants.....	—	—	—	11,600
Capital contributions.....	—	—	—	—
Principal paid on capital debt.....	—	—	—	—
Interest paid on capital debt.....	—	—	—	(37,869)
Federal subsidy for interest on debt.....	—	—	—	8,691
Insurance recoveries.....	—	—	—	—
Debt issuance costs paid.....	—	—	—	(1,689)
Total cash provided from (used for) capital and related financing activities.....	<u>—</u>	<u>(16)</u>	<u>(211)</u>	<u>153,196</u>
Cash Provided From (Used For)				
Investment Activities:				
Proceeds from the sale/maturities of non-State Treasurer investments.....	—	—	—	747,335
Purchase of non-State Treasurer investments.....	—	—	—	(908,094)
Purchase into State Treasurer investment pool.....	—	—	—	—
Redemptions from State Treasurer investment pool.....	—	—	—	—
Loan issuances.....	—	(101,793)	—	—
Loan repayments — interest.....	—	17,858	—	—
Loan repayments — principal.....	—	57,440	—	—
Investment earnings.....	879	3,013	979	8,108
Total cash provided from (used for) investment activities.....	<u>879</u>	<u>(23,482)</u>	<u>979</u>	<u>(152,651)</u>
Net increase (decrease) in cash and cash equivalents.....	92,105	49,996	(22,983)	(938)
Cash and cash equivalents at July 1, as restated.....	35,122	291,033	38,760	938
Cash and cash equivalents at June 30.....	<u>\$ 127,227</u>	<u>\$ 341,029</u>	<u>\$ 15,777</u>	<u>\$ —</u>

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

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
\$ 121,412	\$ 2,623,117	\$ 44,679
—	101,385	72
—	—	291,392
(25,832)	(73,599)	(201,216)
(55,826)	(77,422)	(75,237)
(14,602)	(5,443,933)	(323)
—	—	(16,203)
1,212	1,353	490
<u>(17,522)</u>	<u>(20,988)</u>	<u>(863)</u>
<u>8,842</u>	<u>(2,890,087)</u>	<u>42,791</u>
431	2,386,016	340
139	745,948	—
—	(35,667)	—
—	—	(505)
—	1,430,322	—
—	(1,043,677)	—
—	—	(64)
—	2,732	—
1,546	15,078	14,551
(6,089)	(466,310)	(76,432)
<u>395</u>	<u>395</u>	<u>3</u>
<u>(3,578)</u>	<u>3,034,837</u>	<u>(62,107)</u>
(1,555)	(328,188)	(13,476)
3	3	811
—	429,716	—
—	69,153	—
—	11,600	—
58	58	—
(1,902)	(1,902)	(640)
(44)	(37,913)	(81)
—	8,691	—
—	—	121
<u>—</u>	<u>(1,689)</u>	<u>—</u>
<u>(3,440)</u>	<u>149,529</u>	<u>(13,265)</u>
9,827	757,162	—
(10,006)	(918,100)	—
(10,000)	(10,000)	—
4,000	4,000	—
—	(101,793)	—
—	17,858	—
—	57,440	—
<u>823</u>	<u>13,802</u>	<u>359</u>
<u>(5,356)</u>	<u>(179,631)</u>	<u>359</u>
(3,532)	114,648	(32,222)
<u>44,878</u>	<u>410,731</u>	<u>116,829</u>
<u>\$ 41,346</u>	<u>\$ 525,379</u>	<u>\$ 84,607</u>

Continued

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Reconciliation of Operating Income to Net Cash Provided From (Used For) Operating Activities:				
Operating income (loss).....	\$ (3,073,911)	\$ 13,301	\$ 436,130	\$ (3,796)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation/amortization.....	—	19	624	15
Interest earnings on loans classified as investing activity.....	—	(18,201)	—	—
Restatements and adjustments.....	—	—	—	—
Nonoperating miscellaneous income (expense).....	—	—	23	—
(Increases) decreases in assets:				
Receivables.....	(31,663)	—	(3,249)	(2)
Due from other funds.....	(2,041)	—	—	—
Due from component units.....	—	—	—	—
Inventories.....	—	—	193	—
Prepaid items.....	—	—	18	—
Increases (decreases) in liabilities:				
Accounts payable and accrued liabilities.....	(164,560)	29	(9,617)	(624)
Due to other funds.....	3,035	4	—	225
Unemployment benefits payable.....	(31,197)	—	—	—
Compensated absences.....	—	9	70	(33)
Unearned revenue.....	(13,739)	—	9	—
Deposits payable.....	—	—	—	—
Total cash provided from (used for) operations.....	<u>\$ (3,314,076)</u>	<u>\$ (4,839)</u>	<u>\$ 424,201</u>	<u>\$ (4,215)</u>
Noncash Investing, Capital, and Financing Activities:				
Noncash distributions from the State Treasurer				
Long-Term Investment Portfolio and/or other agents.....	\$ —	\$ —	\$ —	\$ —
Donated or transferred assets	—	—	—	—
Change in construction in progress as a result of accrual of accounts payable.....	—	—	—	29,490
Capital asset write-off.....	—	—	—	—
Assets acquired through the assumption of a liability.....	10,280	28,934	13,055	41,712
Increase in payables related to nonoperating expenses.....	—	—	—	—
Change in fair value of investments.....	(627)	(1,363)	165	(1,544)

Exhibit B-5

<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities — Internal Service Funds</u>
\$ (12,331)	\$ (2,640,607)	\$ 15,260
2,726	3,384	25,819
—	(18,201)	—
166	166	—
40	63	168
3,139	(31,775)	(643)
—	(2,041)	2,288
—	—	271
38	231	(224)
(514)	(496)	(146)
15,767	(159,005)	127
(26)	3,238	(135)
—	(31,197)	—
73	119	184
(290)	(14,020)	(178)
54	54	—
<u>\$ 8,842</u>	<u>\$ (2,890,087)</u>	<u>\$ 42,791</u>
\$ 4,108	\$ 4,108	\$ 1,441
—	—	106
—	29,490	—
46	46	—
8,932	102,913	4,862
6,059	6,059	—
179	(3,190)	(257)