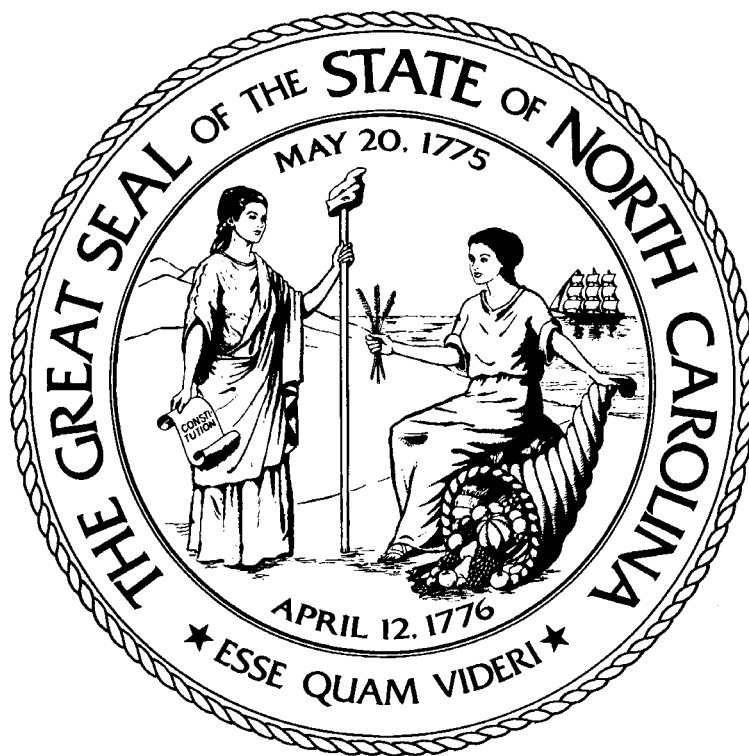


STATE OF  
***NORTH CAROLINA***

*SUMMARY OF FINANCIAL CONDITION*  
*SEPTEMBER 30, 2003*

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*OFFICE OF THE STATE CONTROLLER*

# STATE OF NORTH CAROLINA



The Honorable Michael F. Easley  
Governor of the State of North Carolina

November 17, 2003

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the twelve months ended September 30, 2003. The financial information (*unaudited*) within this report is designed to present the results of financial operations under the budgetary basis of accounting at a summary level.

The *Summary of Financial Condition* is intended to provide specific analysis of revenues and expenditures, and serve to point out particular areas of strength, as well as areas where unusual one-time transactions, changes in accounting, or changes in procedure may result in misleading interpretations by a casual reader.

Please contact us if you have questions or if you would like more detailed information. We are committed to providing you and the State with the most reliable and timely financial and economic information possible.

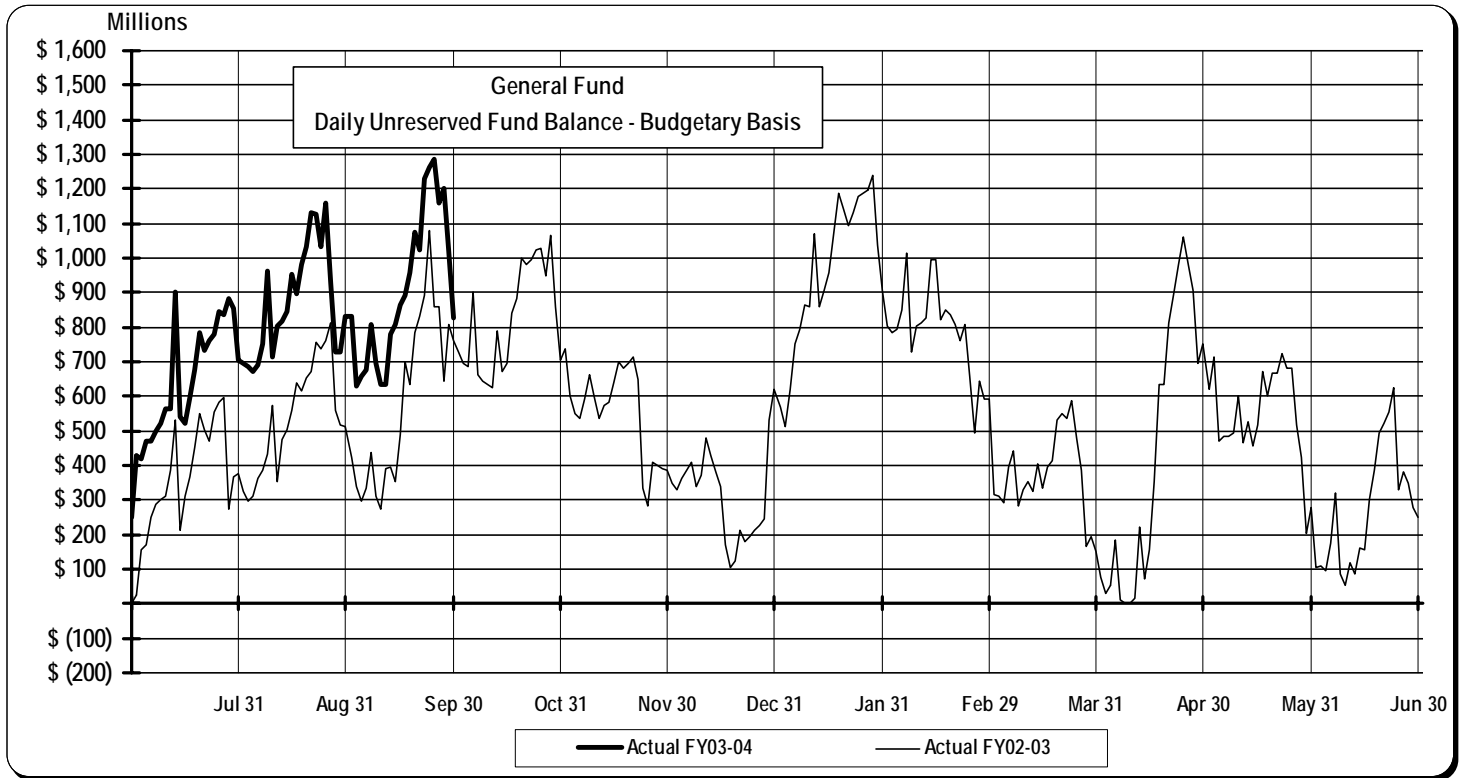
Sincerely,  
Robert L. Powell  
State Controller  
(919) 981-5454

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

September 30, 2003

### Fund Balance



At September 30, 2003 and 2002, the reserved and unreserved fund balance was composed of the following (in millions):

<b>Fund Balance:</b>	<b>2003-04</b>	<b>2002-03</b>
<b>Reserved:</b>		
Savings account (G.S. 143-15.3).....	\$ 150.0	\$ —
Retirees' Health Premiums.....	26.2	40.7
North Carolina Railroad dividend.....	—	22.1
Repairs and Renovations (G.S. 143-15.3A).....	15.0	—
Disproportionate Share.....	1.5	—
Disaster relief.....	—	—
Budgetary Shortfall Funds.....	26.7	244.4
Total Reserved.....	<u>219.4</u>	<u>307.2</u>
<b>Unreserved:</b>		
Fund Balance - July 1.....	250.5	3.8
Transfer from reserves.....	—	21.2
Transfer to reserves.....	—	—
Nonrecurring transfers from other funds.....	—	—
Excess of revenue over (under) expenditures.....	574.0	735.7
Total Unreserved.....	<u>824.5</u>	<u>760.7</u>
Total Fund Balance.....	<u>\$ 1,043.9</u>	<u>\$ 1,067.9</u>

The Office of State Budget and Management directed the release of disaster relief reserved funds in July 2002 to Governor Easley's Executive Order #22 (shown as Budgetary Shortfall Funds in table above).

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

September 30, 2003

### Revenues - Tax and Non-Tax

#### General Fund Actual Net Revenues

Expressed In Millions

	September				Year-To-Date Through September			
	2003-04	2002-03	Change	% Change	2003-04	2002-03	Change	% Change
<b>Tax Revenues:</b>								
Individual Income	\$ 727.7	\$ 716.4	\$ 11.3	1.6%	\$ 1,854.9	\$ 1,842.2	\$ 12.7	0.7%
Corporate Income	159.0	209.7	(50.7)	(24.2)%	167.3	233.1	(65.8)	(28.2)%
Sales and Use	354.2	342.5	11.7	3.4%	1,111.0	1,067.0	44.0	4.1%
Franchise	8.6	11.1	(2.5)	(22.5)%	79.3	76.3	3.0	3.9%
Insurance	1.8	1.3	0.5	38.5%	7.9	6.7	1.2	17.9%
Piped Natural Gas	(1.9)	(1.9)	—	—	2.9	3.4	(0.5)	(14.7)%
Beverage	18.3	17.7	0.6	3.4%	46.6	44.7	1.9	4.3%
Inheritance	10.1	8.9	1.2	13.5%	25.6	32.1	(6.5)	(20.2)%
Soft Drink	—	—	—	—	—	—	—	—
Privilege License	0.8	0.9	(0.1)	(11.1)%	10.5	12.6	(2.1)	(16.7)%
Tobacco Products	3.8	3.7	0.1	2.7%	11.2	11.2	—	—
Real Estate Conveyance Excise	(9.1)	—	(9.1)	—	5.1	10.2	(5.1)	(50.0)%
Gift	0.4	0.4	—	—	1.2	1.2	—	—
White Goods Disposal	0.4	0.4	—	—	1.3	1.4	(0.1)	(7.1)%
Scrap Tire Disposal	1.0	1.0	—	—	3.1	3.1	—	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	0.1	0.2	(0.1)	(50.0)%	0.2	—	0.2	—
<b>Total Tax Revenue</b>	<b>1,275.2</b>	<b>1,312.3</b>	<b>(37.1)</b>	<b>(2.8)%</b>	<b>3,328.1</b>	<b>3,345.2</b>	<b>(17.1)</b>	<b>(0.5)%</b>
<b>Non-Tax Revenue:</b>								
Treasurer's Investments	7.8	9.4	(1.6)	(17.0)%	21.1	28.0	(6.9)	(24.6)%
Judicial Fees	11.4	9.1	2.3	25.3%	34.7	29.0	5.7	19.7%
Insurance	0.8	0.2	0.6	300.0%	3.3	1.9	1.4	73.7%
Disproportionate Share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	2.8	3.8	(1.0)	(26.3)%
Highway Trust Fund Transfer In	—	94.4	(94.4)	(100.0)%	—	94.4	(94.4)	(100.0)%
Other	9.0	4.9	4.1	83.7%	132.6	16.1	116.5	723.6%
<b>Total Non-Tax Revenue</b>	<b>29.0</b>	<b>118.0</b>	<b>(89.0)</b>	<b>(75.4)%</b>	<b>194.5</b>	<b>173.2</b>	<b>21.3</b>	<b>12.3%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,304.2</b>	<b>\$ 1,430.3</b>	<b>\$ (126.1)</b>	<b>(8.8)%</b>	<b>\$ 3,522.6</b>	<b>\$ 3,518.4</b>	<b>\$ 4.2</b>	<b>0.1%</b>

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through September 30, actual tax and non-tax revenues increased by \$4.2 million, or 0.1%. The substantial increase in non-tax revenue is due to a transfer in July 2003, of \$108.8 million from Governor Easley's Executive Order to generate additional funds for the 2004 fiscal year. The net, or actual, tax and non-tax revenues through September 2003 of \$3,522.6 billion were less than the projected revenues by \$35.5 million.

\$95.1 million for inventories reimbursement to local governments, not previously paid in April 2002, was repaid in July 2002 from the Governor Easley escrow fund (Executive Order #3). For fiscal year 2002-03, the local government tax reimbursement was repealed. In addition, no funds were transferred from corporate income tax to the Critical School Facility Needs Fund or the Public School Building Capital Fund. Instead these funds were deposited as a receipt for use in the State Public School Fund (*part of the General Fund*). This receipt indirectly increased available dollars to be appropriated for other uses.

Major components of tax and non-tax revenues that increased from the prior year through the end of September 2003 included:

- \$44.0 million for Sales and Use Tax;
- \$12.7 million for Individual Income Tax; and
- \$116.5 million for Miscellaneous Non-tax

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 2003

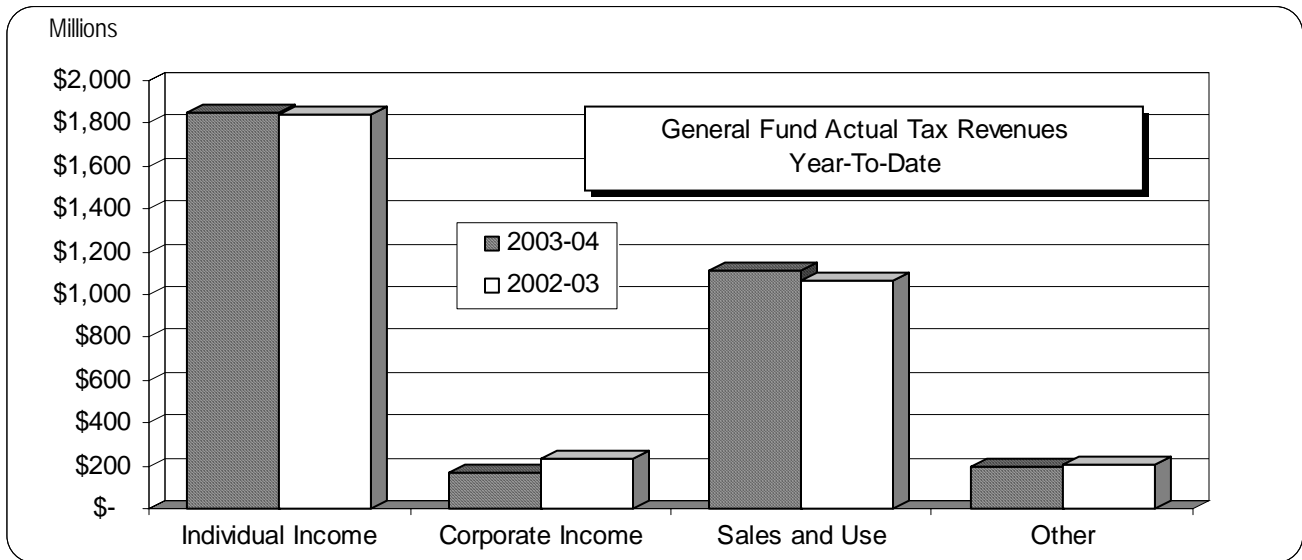
<b>GENERAL FUND NET TAX AND NON-TAX REVENUES AND TRANSFERS IN BUDGET VS. ACTUAL</b>								
<i>(Expressed In Millions)</i>								
	<b>Current Month</b>				<b>Year-To-Date</b>			
	<b>Projected Monthly Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Realized</b>	<b>Projected Monthly Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Realized</b>
<b>Tax Revenue</b>								
Individual Income	\$ 742.5	\$ 727.7	\$ (14.8)	98.0%	\$ 1,889.6	\$ 1,854.9	\$ (34.7)	98.2%
Corporate Income [1]	168.4	159.0	(9.4)	94.4%	173.9	167.3	(6.6)	96.2%
Sales and Use	345.6	354.2	8.6	102.5%	1,101.3	1,111.0	9.7	100.9%
Franchise	11.9	8.6	(3.3)	72.3%	85.1	79.3	(5.8)	93.2%
Insurance	1.1	1.8	0.7	163.6%	6.7	7.9	1.2	117.9%
Piped Natural Gas	(3.3)	(1.9)	1.4	57.6%	5.6	2.9	(2.7)	51.8%
Beverage	17.9	18.3	0.4	102.2%	44.1	46.6	2.5	105.7%
Other :								
Inheritance	8.9	10.1	1.2	113.5%	26.9	25.6	(1.3)	95.2%
Privilege License	1.0	0.8	(0.2)	80.0%	12.7	10.5	(2.2)	82.7%
Tobacco Products	3.4	3.8	0.4	111.8%	10.0	11.2	1.2	112.0%
Real Estate Conveyance Excise	(9.1)	(9.1)	—	100.0%	5.1	5.1	—	100.0%
Gift	0.3	0.4	0.1	133.3%	1.1	1.2	0.1	109.1%
White Goods Disposal	0.4	0.4	—	100.0%	1.3	1.3	—	100.0%
Scrap Tire Disposal	1.0	1.0	—	100.0%	3.1	3.1	—	100.0%
Other	—	0.1	0.1	—	—	0.2	0.2	—
<b>Total Tax Revenue</b>	<b>1,290.0</b>	<b>1,275.2</b>	<b>(14.8)</b>	<b>98.9%</b>	<b>3,366.5</b>	<b>3,328.1</b>	<b>(38.4)</b>	<b>98.9%</b>
<b>Non-Tax Revenue</b>								
Treasurer's Investments	9.0	7.8	(1.2)	86.7%	26.4	21.1	(5.3)	79.9%
Judicial Fees	11.5	11.4	(0.1)	99.1%	34.5	34.7	0.2	100.6%
Insurance	0.5	0.8	0.3	160.0%	2.5	3.3	0.8	132.0%
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	2.8	2.8	—	100.0%
Highway Trust Fund Transfer In	—	—	—	—	—	—	—	—
Other	4.6	9.0	4.4	195.7%	125.4	132.6	7.2	105.7%
<b>Total Non-Tax Revenue</b>	<b>25.6</b>	<b>29.0</b>	<b>3.4</b>	<b>113.3%</b>	<b>191.6</b>	<b>194.5</b>	<b>2.9</b>	<b>101.5%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,315.6</b>	<b>\$ 1,304.2</b>	<b>\$ (11.4)</b>	<b>99.1%</b>	<b>\$ 3,558.1</b>	<b>\$ 3,522.6</b>	<b>\$ (35.5)</b>	<b>99.0%</b>
<b>[1] Corporate Income Tax collections are reported net of the following transfer(s) :</b>								
	2003-04		2002-03					
	Current Month	Year-To-Date	Current Month	Year-To-Date				
Corporate Income Tax, Reported Net	\$ 159.0	\$ 167.3	\$ 209.7	\$ 233.1				
Public School Building Capital Fund	—	17.7	—	—				
Critical School Facility Needs Fund	—	2.5	—	—				
Public School Fund (General Fund receipt to DPI)	—	—	—	—				
	—	20.2	—	—				
Corporate Income Tax, Adjusted for Transfers	\$ 159.0	\$ 187.5	\$ 209.7	\$ 233.1				

SUMMARY OF FINANCIAL CONDITION

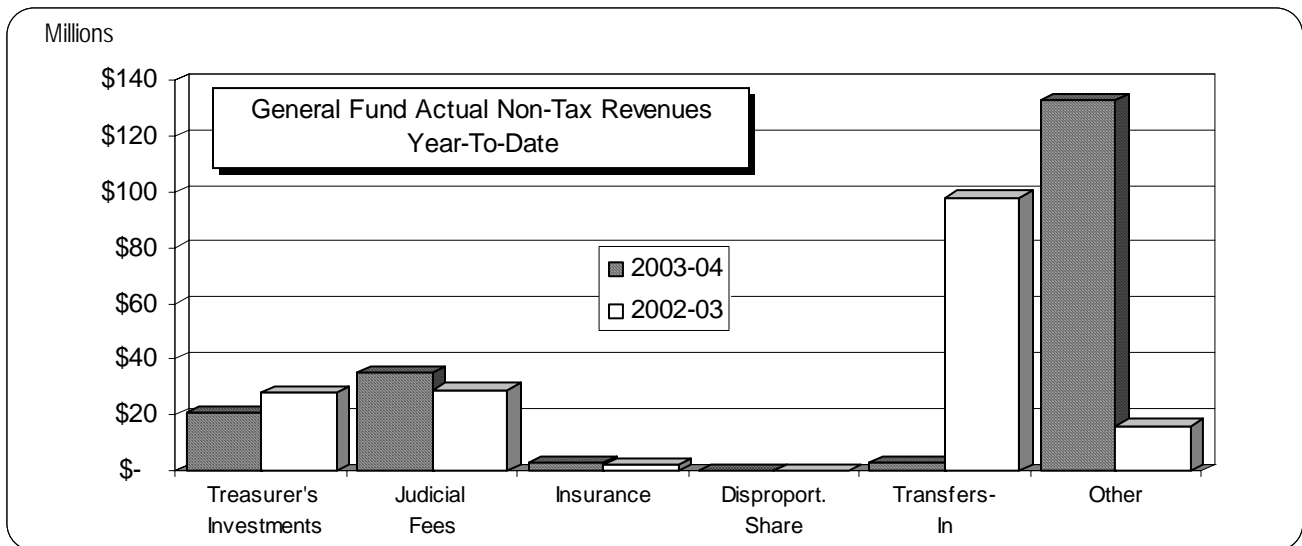
September 30, 2003

Tax revenues through September 2003 were greater than the period through September 2002 by \$17.1 million, or .5%. Tax revenues are presented net of refunds to taxpayers and various transfers. Comparisons of current and prior year tax revenues are difficult due to legislative changes and netting of various transfer expenditures against the tax revenue sources. Examples of such transfers include:

- reimbursements to local governments;
- reimbursements for costs of administration of sales and use tax for local governments; and
- transfers to the Public School Building Capital Fund and Critical School Facility Needs Fund.



Non-tax revenue through the end of September 2003 was \$21.3 million, or 12.3%, more than through the end of September 2002. The substantial increase in non-tax revenue is due to a transfer in July 2003, of \$108.8 million from Governor Easley's Executive Order to generate additional funds for the 2004 fiscal year. Investment revenues decreased by \$6.9 million from the prior year through the end of September 2003.



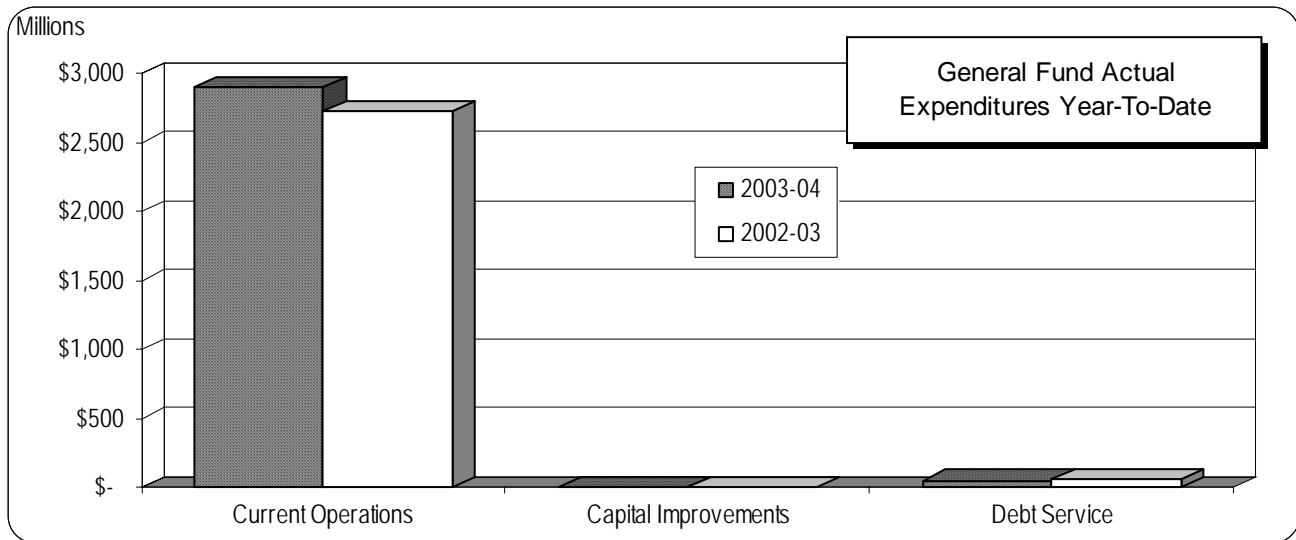
# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

September 30, 2003

### Expenditures

Actual appropriation expenditures through September 2003, were greater than actual appropriation expenditures through September 2002 by \$165.9 million, or 6.0%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through September 2003 were greater than such expenditures through September 2002 by \$171.8 million, or 6.3%.

## State of North Carolina

### General Fund Actual Appropriation Expenditures — Year-To-Date Through September

*Expressed in Millions*

	2003-04	2002-03	Change	Percent Change	Percent of Total Expenditures	
					2003-04	2002-03
<b>Current Operations:</b>						
General Government	\$ 69.7	\$ 56.8	\$ 12.9	22.7%	2.4%	2.0%
Education	1,698.0	1,646.4	51.6	3.1%	57.6%	59.2%
Health and Human Services	701.1	670.8	30.3	4.5%	23.8%	24.1%
Economic Development	23.1	(8.5)	31.6	(371.8%)	0.8%	(0.3%)
Environment and Natural Resources	51.5	43.7	7.8	17.8%	1.7%	1.6%
Public Safety, Correction, and Regulation	340.9	310.6	30.3	9.8%	11.6%	11.2%
Agriculture	10.6	11.2	(0.6)	(5.4%)	0.4%	0.4%
Operating Reserves/Rounding	1.3	(6.6)	7.9	(119.7%)	—	(0.2%)
<b>Total Current Operations</b>	<b>2,896.2</b>	<b>2,724.4</b>	<b>171.8</b>	<b>6.3%</b>	<b>98.2%</b>	<b>97.9%</b>
<b>Capital Improvements:</b>						
Funded by General Fund	—	—	—	—	—	—
<b>Debt Service</b>	<b>52.4</b>	<b>58.3</b>	<b>(5.9)</b>	<b>(10.1%)</b>	<b>1.8%</b>	<b>2.1%</b>
<b>Total Expenditures</b>	<b>\$ 2,948.6</b>	<b>\$ 2,782.7</b>	<b>\$ 165.9</b>	<b>6.0%</b>	<b>100.0%</b>	<b>100.0%</b>

A negative appropriation expenditure indicates that a budget code has non-appropriated authorized receipts that exceed authorized expenditures.

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

September 30, 2003

### Summary Information - Highway Fund and Highway Trust Fund

<b>HIGHWAY FUND AND HIGHWAY TRUST FUND</b>								
<b>COMPARATIVE STATEMENT OF NET COLLECTIONS</b>								
For the Months of September 2003 and 2002, and the Three Months Ended September 30, 2003 and 2002								
(Expressed in Millions)								
	Month				Year-To-Date			
	2003-04	2002-03	Change	Percent Change	2003-04	2002-03	Change	Percent Change
<b>Highway Fund</b>								
Motor Fuels Tax	\$ 84.1	\$ 72.7	\$ 11.4	15.7%	\$ 240.2	\$ 220.9	\$ 19.3	8.7%
Motor Vehicle License Fees	14.7	15.1	(0.4)	(2.6%)	47.4	45.2	2.2	4.9%
Driver License Fees	6.0	5.3	0.7	13.2%	18.0	17.6	0.4	2.3%
Motor Fuels and Oil Inspection Fees	1.2	1.2	-	-	3.5	3.5	-	-
Title Fee	-	-	-	-	-	-	-	-
Other	4.4	3.6	0.8	22.2%	12.3	10.9	1.4	12.8%
<b>Subtotal - Highway Fund</b>	<b>110.4</b>	<b>97.9</b>	<b>12.5</b>	<b>12.8%</b>	<b>321.4</b>	<b>298.1</b>	<b>23.3</b>	<b>7.8%</b>
<b>Highway Trust Fund</b>								
Highway Use Tax	47.7	44.6	3.1	7.0%	147.5	138.7	8.8	6.3%
Motor Fuels Tax	28.0	24.2	3.8	15.7%	80.0	73.8	6.2	8.4%
Title Fee	7.0	6.5	0.5	7.7%	21.7	20.5	1.2	5.9%
Motor Vehicle Lease	2.4	3.4	(1.0)	(29.4%)	8.2	10.0	(1.8)	(18.0%)
Registration	0.8	0.8	-	-	2.6	2.5	0.1	4.0%
Lien Recording	0.1	0.1	-	-	0.5	0.5	-	-
Repayment Fee	0.1	-	0.1	-	0.2	-	0.2	-
<b>Subtotal - Highway Trust Fund</b>	<b>86.1</b>	<b>79.6</b>	<b>6.5</b>	<b>8.2%</b>	<b>260.7</b>	<b>246.0</b>	<b>14.7</b>	<b>6.0%</b>
<b>Payables and Receipts</b>								
Special Registration Plate Fund	0.3	0.3	-	-	0.9	0.9	-	-
Safety Inspection and Exhaust Emission	0.3	0.3	-	-	1.0	0.9	0.1	11.1%
Transportation Authority/TransPark	0.4	0.4	-	-	1.2	1.2	-	-
Recreation and Natural Heritage Trust Fund	0.2	0.3	(0.1)	(33.3%)	0.7	0.7	-	-
Other Receipts	0.7	1.1	(0.4)	(36.4%)	3.1	3.6	(0.5)	(13.9%)
<b>Subtotal - Payables and Receipts</b>	<b>1.9</b>	<b>2.4</b>	<b>(0.5)</b>	<b>(20.8%)</b>	<b>6.9</b>	<b>7.3</b>	<b>(0.4)</b>	<b>(5.5%)</b>
	<b>\$ 198.4</b>	<b>\$ 179.9</b>	<b>\$ 18.5</b>	<b>10.3%</b>	<b>\$ 589.0</b>	<b>\$ 551.4</b>	<b>\$ 37.6</b>	<b>6.8%</b>