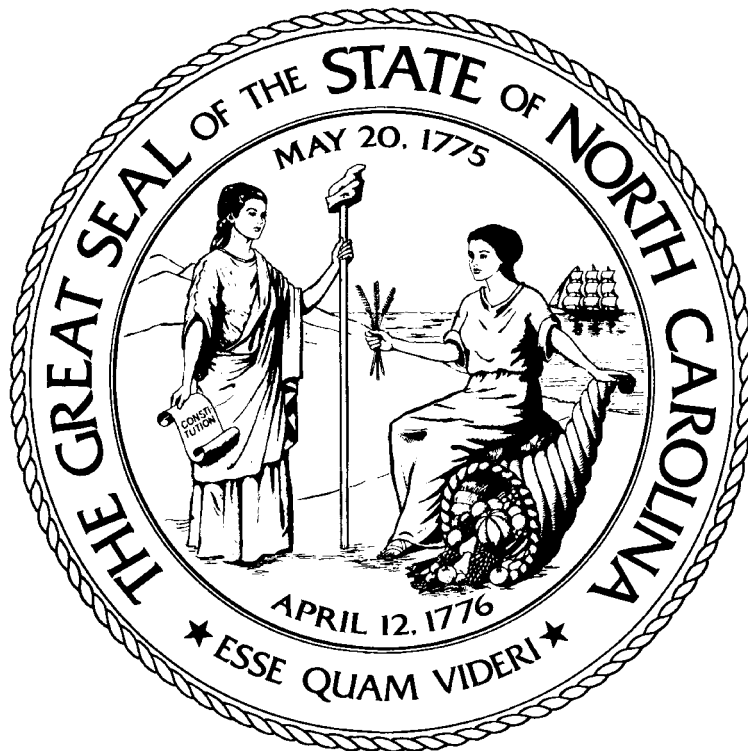


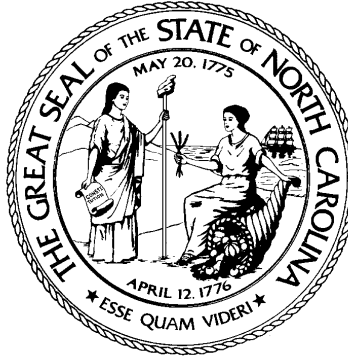
STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
AUGUST 31, 2000



OFFICE OF THE STATE CONTROLLER
OFFICE OF STATE BUDGET AND MANAGEMENT
DEPARTMENT OF REVENUE

STATE OF NORTH CAROLINA



The Honorable James B. Hunt, Jr.
Governor of the State of North Carolina

October 18, 2000

We herewith submit the Summary of Financial Condition for the State of North Carolina for the two months ended August 31, 2000. The financial information 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. In this joint effort between the Office of the State Controller, the Office of State Budget and Management, and the Department of Revenue, we are committed to providing you and the State with the most reliable and timely financial and economic information possible.

Sincerely,
Edward Renfrow
State Controller
(919) 981-5454

Marvin K. Dorman, Jr.
State Budget Officer
(919) 733-7061

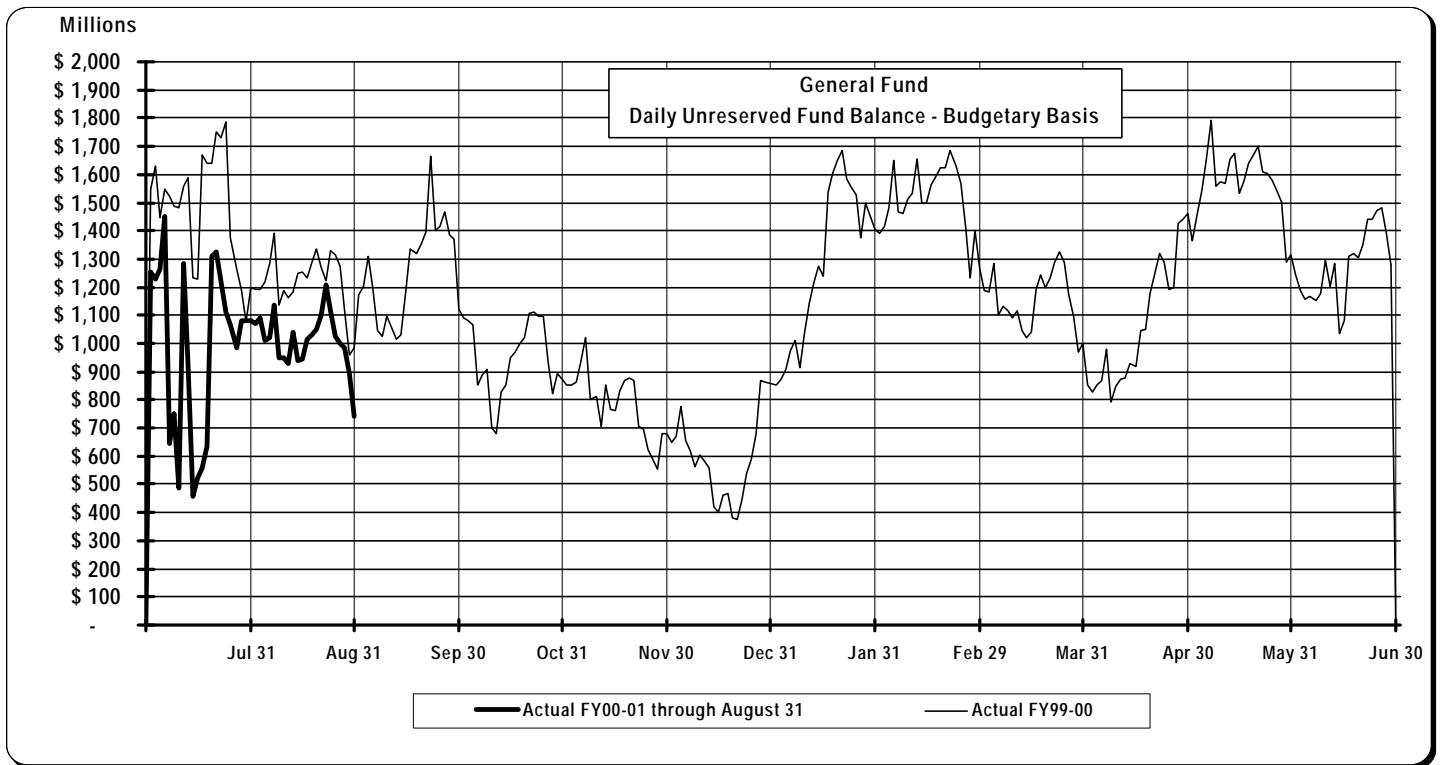
Muriel K. Offerman
Secretary of Revenue
(919) 733-7211

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

August 31, 2000

Fund Balance



At August 31, 2000 and 1999, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	2000-01	1999-00
Reserved:		
Savings account.....	\$ 157.5	\$ 322.5
Retirees health premiums.....	99.7	279.3
Repairs and renovations.....	7.0	13.4
Clean water management.....	1.1	1.1
North Carolina Railroad acquisition.....	42.0	61.0
North Carolina Railroad dividend.....	.9	—
Disproportionate Share.....	1.2	—
Total Reserved.....	<u>309.4</u>	<u>677.3</u>
Unreserved:		
Fund Balance - July 1.....	—	296.7
Transfer from reserves.....	—	380.0
Appropriation from reserves.....	69.5	—
Excess of revenue over (under) expenditures..	672.3	308.2
Total Unreserved.....	<u>741.8</u>	<u>984.9</u>
Total Fund Balance.....	<u>\$ 1,051.2</u>	<u>\$ 1,662.2</u>

Smith v. State – Intangibles tax refunds to non-protesting taxpayers. On February 21, 1996, the U.S. Supreme Court declared North Carolina’s intangibles tax unconstitutional. Subsequently, the State made refunds of intangible taxes paid by all persons who had complied with the provisions of G.S. 105-267, Taxes to be paid; suits for recovery of taxes, for obtaining refunds of unconstitutional taxes. The Smith case is an action aimed principally at recovering intangibles tax refunds for taxpayers who failed to comply with the provisions of G.S. 105-267. On December 4, 1998, the Supreme Court ruled that North Carolina will have to pay refunds to non-protesters who paid intangibles taxes. This case was consolidated with Shaver v. State, another action for refund of intangibles tax paid on shares of stock. The consolidated case was settled and the agreement required the State to pay \$440 million into a settlement fund in two installments, \$200 million by October 1, 1999, and \$240 million by July 10, 2000.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

August 31, 2000

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues

Expressed In Millions

	August				Year-To-Date Through August			
	2000-01	1999-00	Change	% Change	2000-01	1999-00	Change	% Change
Tax Revenues:								
Individual Income	\$ 395.4	\$ 375.9	\$ 19.5	5.2%	\$ 886.6	\$ 835.8	\$ 50.8	6.1%
Corporate Income	(37.8)	(36.8)	(1.0)	2.7%	(23.5)	(11.9)	(11.6)	97.5%
Sales and Use	280.2	296.2	(16.0)	(5.4)%	606.0	597.1	8.9	1.5%
Franchise	41.0	49.9	(8.9)	(17.8)%	78.3	73.3	5.0	6.8%
Insurance	1.0	1.4	(0.4)	(28.6)%	2.1	2.3	(0.2)	(8.7)%
Piped Natural Gas	9.4	1.0	8.4	840.0%	12.8	1.0	11.8	1180.0%
Beverage	16.7	16.9	(0.2)	(1.2)%	27.4	27.0	0.4	1.5%
Inheritance	8.3	19.2	(10.9)	(56.8)%	17.1	31.9	(14.8)	(46.4)%
Soft Drink	—	0.1	(0.1)	(100.0)%	—	1.2	(1.2)	(100.0)%
Privilege License	1.3	1.2	0.1	8.3%	10.7	13.6	(2.9)	(21.3)%
Tobacco Products	3.6	3.5	0.1	2.9%	7.1	7.6	(0.5)	(6.6)%
Real Estate Conveyance Excise	1.9	0.6	1.3	216.7%	9.4	9.6	(0.2)	(2.1)%
Intangibles	—	—	—	—	—	—	—	—
Gift	0.7	0.4	0.3	75.0%	1.0	1.9	(0.9)	(47.4)%
White Goods Disposal	0.4	0.5	(0.1)	(20.0)%	0.9	0.9	—	—
Scrap Tire Disposal	0.9	0.9	—	—	1.9	1.9	—	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	(0.1)	—	(0.1)	—	—	(0.1)	0.1	100.0%
Total Tax Revenue	722.9	730.9	(8.0)	(1.1)%	1,637.8	1,593.1	44.7	2.8%
Non-Tax Revenue:								
Treasurer's Investments	17.6	20.8	(3.2)	(15.4)%	34.0	41.4	(7.4)	(17.9)%
Judicial Fees	9.6	10.4	(0.8)	(7.7)%	17.9	19.1	(1.2)	(6.3)%
Insurance	—	—	—	—	—	0.2	(0.2)	(100.0)%
Disproportionate Share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	—	—	—	—	170.0	170.0	—	—
Other	10.0	26.6	(16.6)	(62.4)%	15.2	31.6	(16.4)	(51.9)%
Total Non-Tax Revenue	37.2	57.8	(20.6)	(35.6)%	237.1	262.3	(25.2)	(9.6)%
Total Tax and Non-Tax Revenue	\$ 760.1	\$ 788.7	\$ (28.6)	(3.6)%	\$ 1,874.9	\$ 1,855.4	\$ 19.5	1.1%

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through August 31, actual tax and non-tax revenues increased by \$19.5 million, or 1.1%. The net, or actual, tax and non-tax revenues through August 2000 of \$1,874.9 million were less than the projected revenues by \$91.7 million. Major components of tax and non-tax revenues that increased from the prior year through the end of August 2000 included:

- \$50.8 million for Individual Income Tax;
- \$11.8 million for Piped Natural Gas; and
- \$8.9 million for Sales and Use Tax.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

August 31, 2000

GENERAL FUND NET TAX AND NON-TAX REVENUES AND TRANSFERS IN BUDGET VS. ACTUAL								
<i>(Expressed In Millions)</i>								
	Current Month				Year-To-Date			
	Projected Monthly Budget	Actual	Variance	Percent Realized	Projected Monthly Budget	Actual	Variance	Percent Realized
Tax Revenue								
Individual Income [1]	\$ 470.2	\$ 395.4	\$ (74.8)	84.1%	\$ 965.5	\$ 886.6	\$ (78.9)	91.8%
Corporate Income [2]	(44.7)	(37.8)	6.9	84.6%	(8.7)	(23.5)	(14.8)	270.1%
Sales and Use	285.0	280.2	(4.8)	98.3%	595.8	606.0	10.2	101.7%
Franchise	38.6	41.0	2.4	106.2%	75.6	78.3	2.7	103.6%
Insurance	0.8	1.0	0.2	125.0%	1.7	2.1	0.4	123.5%
Piped Natural Gas	6.5	9.4	2.9	144.6%	9.9	12.8	2.9	129.3%
Beverage	18.7	16.7	(2.0)	89.3%	28.9	27.4	(1.5)	94.8%
Inheritance	13.1	8.3	(4.8)	63.4%	25.6	17.1	(8.5)	66.8%
Soft Drink	—	—	—	—	—	—	—	—
Privilege License	1.6	1.3	(0.3)	81.3%	12.6	10.7	(1.9)	84.9%
Tobacco Products	3.7	3.6	(0.1)	97.3%	7.2	7.1	(0.1)	98.6%
Real Estate Conveyance Excise	1.9	1.9	—	100.0%	9.4	9.4	—	100.0%
Gift	0.1	0.7	0.6	700.0%	1.5	1.0	(0.5)	66.7%
White Goods Disposal	0.4	0.4	—	100.0%	0.9	0.9	—	100.0%
Scrap Tire Disposal	0.9	0.9	—	100.0%	1.9	1.9	—	100.0%
Other	—	(0.1)	(0.1)	—	—	—	—	—
Total Tax Revenue	796.8	722.9	(73.9)	90.7%	1,727.8	1,637.8	(90.0)	94.8%
Non-Tax Revenue								
Treasurer's Investments	18.0	17.6	(0.4)	97.8%	35.0	34.0	(1.0)	97.1%
Judicial Fees	9.2	9.6	0.4	104.3%	18.4	17.9	(0.5)	97.3%
Insurance	1.1	—	(1.1)	—	1.1	—	(1.1)	—
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	—	—	—	—	170.0	170.0	—	100.0%
Other	9.4	10.0	0.6	106.4%	14.3	15.2	0.9	106.3%
Total Non-Tax Revenue	37.7	37.2	(0.5)	98.7%	238.8	237.1	(1.7)	99.3%
Total Tax and Non-Tax Revenue	\$ 834.5	\$ 760.1	\$ (74.4)	91.1%	\$ 1,966.6	\$ 1,874.9	\$ (91.7)	95.3%

[1] Individual Income Tax collections are reported net of the following transfer(s) :

	2000-01		1999-00	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Individual Income Tax, Reported Net	\$ 395.4	\$ 886.6	\$ 375.9	\$ 835.8
Local Government Tax Reimbursement	129.0	129.0	129.0	129.0
Individual Income Tax, Adjusted for Transfers	<u>\$ 524.4</u>	<u>\$ 1,015.6</u>	<u>\$ 504.9</u>	<u>\$ 964.8</u>

[2] Corporate Income Tax collections are reported net of the following transfer(s) :

	2000-01		1999-00	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ (37.8)	\$ (23.5)	\$ (36.8)	\$ (11.9)
Public School Building Capital Fund	22.2	22.2	26.1	26.1
Critical School Facility Needs Fund	2.5	2.5	2.5	2.5
Local Government Tax Reimbursement	6.4	6.4	6.4	6.4
	<u>31.1</u>	<u>31.1</u>	<u>35.0</u>	<u>35.0</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ (6.7)</u>	<u>\$ 7.6</u>	<u>\$ (1.8)</u>	<u>\$ 23.1</u>

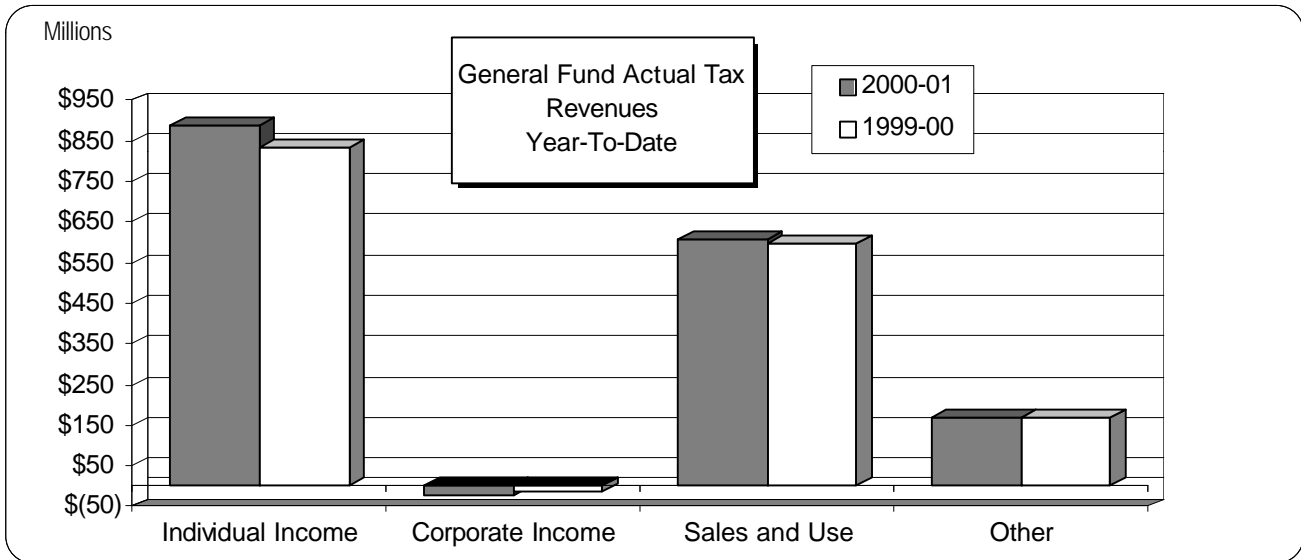
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

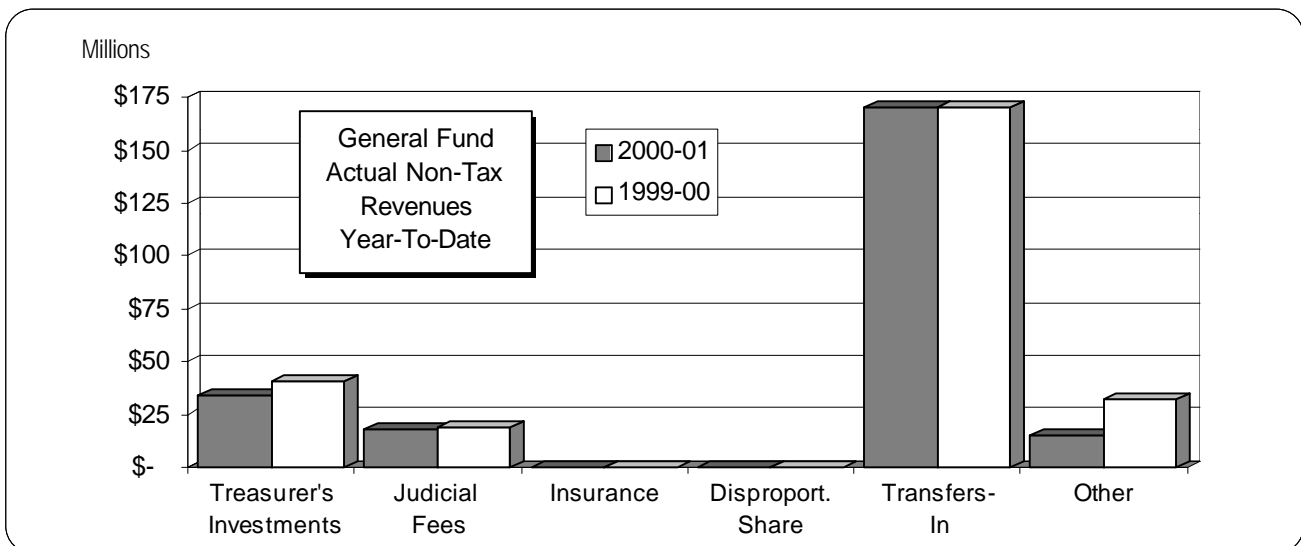
August 31, 2000

Tax revenues through August 2000 were greater than the period through August 1999 by \$44.7 million, or 2.8%. 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 August 2000 was \$25.2 million less, or 9.6% less, than through the end of August 1999.



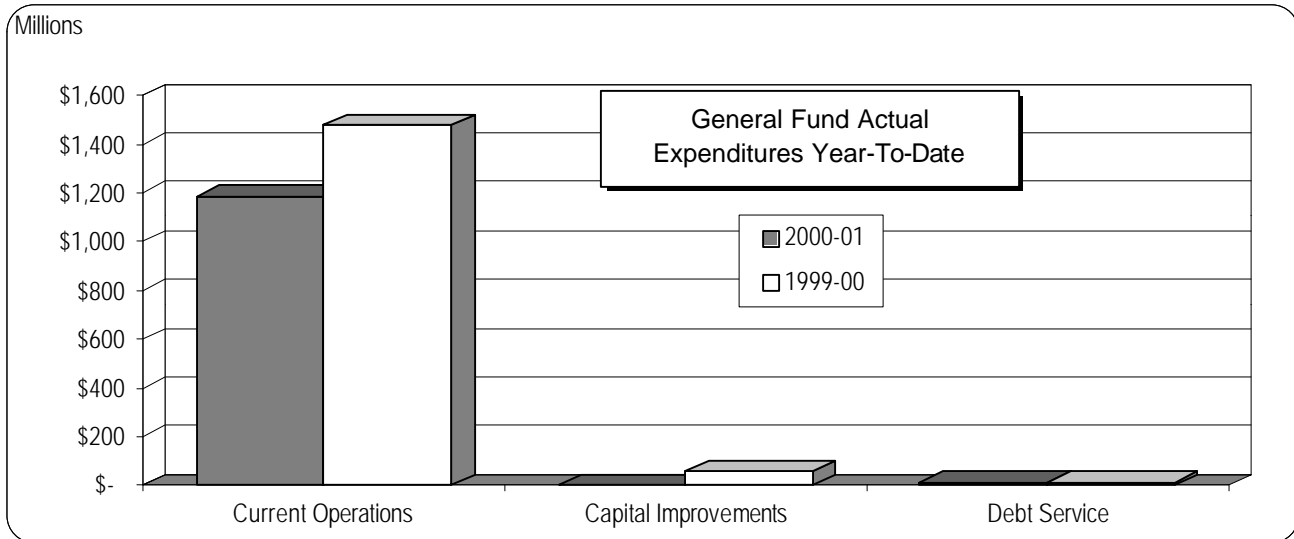
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

August 31, 2000

Expenditures

Actual appropriation expenditures through August 31, 2000, exclusive of appropriation expenditures for capital improvements funded by bond proceeds, were less than actual appropriation expenditures through August 1999 by \$344.6 million, or 22.3%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through August 2000 were less than such expenditures through August 1999 by \$289.1 million, or 19.6%. General Government appropriation expenditures of \$(514.5) million include a disaster relief carryforward receipt of \$541.9 million.

General Fund Actual Appropriation Expenditures — Year-To-Date Through August

Expressed in Millions

	2000-01	1999-00	Change	Percent Change	Percent of Total Expenditures	
					2000-01	1999-00
Current Operations:						
General Government	\$ (514.5)	\$ 341.4	\$ (855.9)	(250.7%)	(42.8%)	22.1%
Education	973.7	606.6	367.1	60.5%	81.0%	39.2%
Health and Human Services	433.5	251.6	181.9	72.3%	36.0%	16.3%
Economic Development	6.5	11.5	(5.0)	(43.5%)	0.5%	0.7%
Environment and Natural Resources	52.7	47.9	4.8	10.0%	4.4%	3.1%
Public Safety, Correction, and Regulation	226.4	204.5	21.9	10.7%	18.8%	13.2%
Agriculture	7.7	9.6	(1.9)	(19.8%)	0.6%	0.6%
Operating Reserves/Rounding	1.2	3.2	(2.0)	(62.5%)	0.1%	0.2%
Total Current Operations	<u>1,187.2</u>	<u>1,476.3</u>	<u>(289.1)</u>	<u>(19.6%)</u>	<u>98.7%</u>	<u>95.4%</u>
Capital Improvements:						
Funded by General Fund	—	57.6	(57.6)	(100.0%)	—	3.7%
Debt Service	<u>15.4</u>	<u>13.3</u>	<u>2.1</u>	<u>15.8%</u>	<u>1.3%</u>	<u>0.9%</u>
	<u>1,202.6</u>	<u>1,547.2</u>	<u>(344.6)</u>	<u>(22.3%)</u>	<u>100.0%</u>	<u>100.0%</u>
Capital Improvements:						
Funded by Bond Proceeds	—	—	—	—	—	—
Total Expenditures	<u>\$ 1,202.6</u>	<u>\$ 1,547.2</u>	<u>\$ (344.6)</u>	<u>(22.3%)</u>	<u>100.0%</u>	<u>100.0%</u>

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

August 31, 2000

General Obligation Debt - General Fund and Highway Fund

The following schedule presents principal payment requirements for the General Fund and the Highway Fund. This schedule is exclusive of defeased debt involving advance refundings where the proceeds were placed in an irrevocable trust with an escrow agent in an amount sufficient to provide for all future debt service payments on the refunded bonds. The amount of authorized, but unissued bonds was \$1.95 billion as of August 31, 2000.

The first bond issue related to the \$1 million of public improvement bonds which were approved in November 1996 was issued on September 1, 1999 in the amount of \$197.4 million. The bonds in Series 1999A were issued at rates ranging from 5.0% to 5.4% with a final maturity of March 1, 2019. The bonds in Series 1999B were issued at rates ranging from 6.7% to 6.75% with a final maturity of March 1, 2007.

The second bond issue related to the \$1 million of public improvement bonds was issued on October 1, 1999 in the amount of \$2.6 million. The bonds were issued at rates ranging from 4.5% to 4.7% with a final maturity of March 1, 2007.

The schedule below includes only bonds issued through August 31, 2000.

SCHEDULE OF BOND PRINCIPAL PAYMENT REQUIREMENTS GENERAL OBLIGATION BONDS (Expressed in Thousands)			
	Payable from:		Total Principal Requirements
	General Fund Revenues	Highway Fund Revenues	
2000-01 Requirements:			
February 2001	\$ 28,000	\$ —	\$ 28,000
March 2001	36,465	—	36,465
April 2001	40,700	—	40,700
May 2001	1,910	16,675	18,585
June 2001	28,410	—	28,410
Totals — 2000-01	135,485	16,675	152,160
Future Years' Requirements:			
2002	135,570	16,675	152,245
2003	135,605	16,675	152,280
2004	135,505	16,675	152,180
2005	135,910	16,675	152,585
2006	135,770	16,675	152,445
2007	135,655	16,675	152,330
2008	135,965	16,675	152,640
2009	135,815	16,675	152,490
2010	134,550	16,675	151,225
2011	134,525	16,675	151,200
2012	134,500	16,675	151,175
2013	134,480	16,550	151,030
2014	134,465	—	134,465
2015	134,450	—	134,450
2016	134,430	—	134,430
2017	86,500	—	86,500
2018	32,500	—	32,500
2019	16,400	—	16,400
Totals — All Years	\$ 2,298,080	\$ 216,650	\$ 2,514,730
Less			
Unamortized Discount	(3,877)	—	(3,877)
Total Principal, Net	\$ 2,294,203	\$ 216,650	\$ 2,510,853
Outstanding Principal June 30, 2001			\$ 2,358,693

Bonds Authorized But Unissued August 31, 2000

(Expressed in Thousands)

Authorized:	Date	Payable from:				Total
		School Construction	Highway Construction	Clean Water	Natural Gas	
School Construction	11/05/1996	\$ 1,800,000	\$ —	\$ —	\$ —	\$ 1,800,000
Highway Construction	11/05/1996	—	950,000	—	—	950,000
Clean Water	11/03/1998	—	—	800,000	—	800,000
Natural Gas	11/03/1998	—	—	—	200,000	200,000
Total Authorized		1,800,000	950,000	800,000	200,000	3,750,000
Issued:						
Public School Building Series 1997A	03/01/1997	450,000	—	—	—	450,000
Highway Bonds, Series 1997A	11/01/1997	—	250,000	—	—	250,000
Public School Building Series 1998A	04/01/1998	450,000	—	—	—	450,000
Public School Building Series 1999	04/01/1999	450,000	—	—	—	450,000
Public Improvement, Series 1999A	09/01/1999	—	—	172,400	5,000	177,400
Public Improvement, Series 1999B	09/01/1999	—	—	—	20,000	20,000
Public Improvement, Series 1999C	10/01/1999	—	—	2,600	—	2,600
Total Issued		1,350,000	250,000	175,000	25,000	1,800,000
Unissued — August 31, 2000		\$ 450,000	\$ 700,000	\$ 625,000	\$ 175,000	\$ 1,950,000

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

August 31, 2000

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND								
COMPARATIVE STATEMENT OF NET COLLECTIONS								
For the Months of August 2000 and 1999, and the Two Months Ended August 31, 2000 and 1999								
(Expressed in Millions)								
	Month				Year-To-Date			
	2000-01	1999-00	Change	Percent Change	2000-01	1999-00	Change	Percent Change
Highway Fund								
Motor Fuels Tax	\$ 70.2	\$ 66.6	\$ 3.6	5.4%	\$ 142.4	\$ 132.9	\$ 9.5	7.1%
Motor Vehicle License Fees	16.3	15.5	0.8	5.2%	29.2	30.8	(1.6)	(5.2%)
Driver License Fees	5.5	4.9	0.6	12.2%	10.4	9.3	1.1	11.8%
Motor Fuels and Oil Inspection Fees	1.1	0.9	0.2	22.2%	2.2	1.9	0.3	15.8%
Title Fee	-	-	-	-	-	-	-	-
Other	3.2	2.2	1.0	45.5%	5.7	4.7	1.0	21.3%
Subtotal - Highway Fund	96.3	90.1	6.2	6.9%	189.9	179.6	10.3	5.7%
Highway Trust Fund								
Highway Use Tax	46.8	42.0	4.8	11.4%	88.0	82.0	6.0	7.3%
Motor Fuels Tax	23.5	22.2	1.3	5.9%	47.5	44.3	3.2	7.2%
Title Fee	7.5	7.0	0.5	7.1%	13.9	13.5	0.4	3.0%
Motor Vehicle Lease	3.4	3.3	0.1	3.0%	7.0	7.5	(0.5)	(6.7%)
Registration	0.9	0.9	-	-	1.7	1.7	-	-
Lien Recording	0.2	0.2	-	-	0.4	0.4	-	-
Subtotal - Highway Trust Fund	82.3	75.6	6.7	8.9%	158.5	149.4	9.1	6.1%
Payables and Receipts								
Special Registration Plate Fund	0.3	0.3	-	-	0.5	0.5	-	-
Safety Inspection and Exhaust Emission	0.2	0.2	-	-	0.4	0.4	-	-
Transportation Authority/TransPark	0.4	0.4	-	-	0.8	0.7	0.1	14.3%
Recreation and Natural Heritage Trust Fund	0.2	0.2	-	-	0.4	0.4	-	-
Other Receipts	0.3	0.8	(0.5)	(62.5%)	0.7	1.2	(0.5)	(41.7%)
Subtotal - Payables and Receipts	1.4	1.9	(0.5)	(26.3%)	2.8	3.2	(0.4)	(12.5%)
	\$ 180.0	\$ 167.6	\$ 12.4	7.4%	\$ 351.2	\$ 332.2	\$ 19.0	5.7%