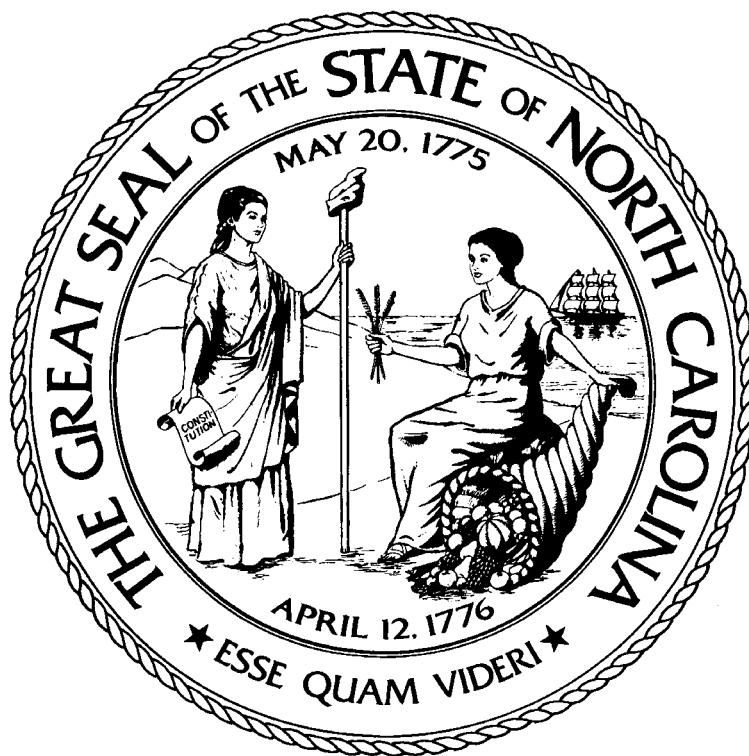


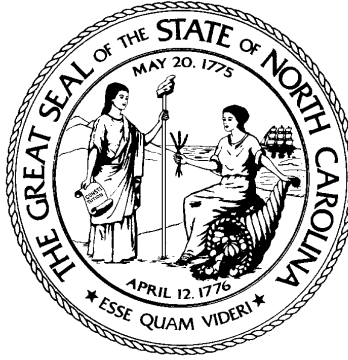
STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
AUGUST 31, 2003



OFFICE OF THE STATE CONTROLLER

STATE OF NORTH CAROLINA



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

October 10, 2003

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the twelve months ended August 31, 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.

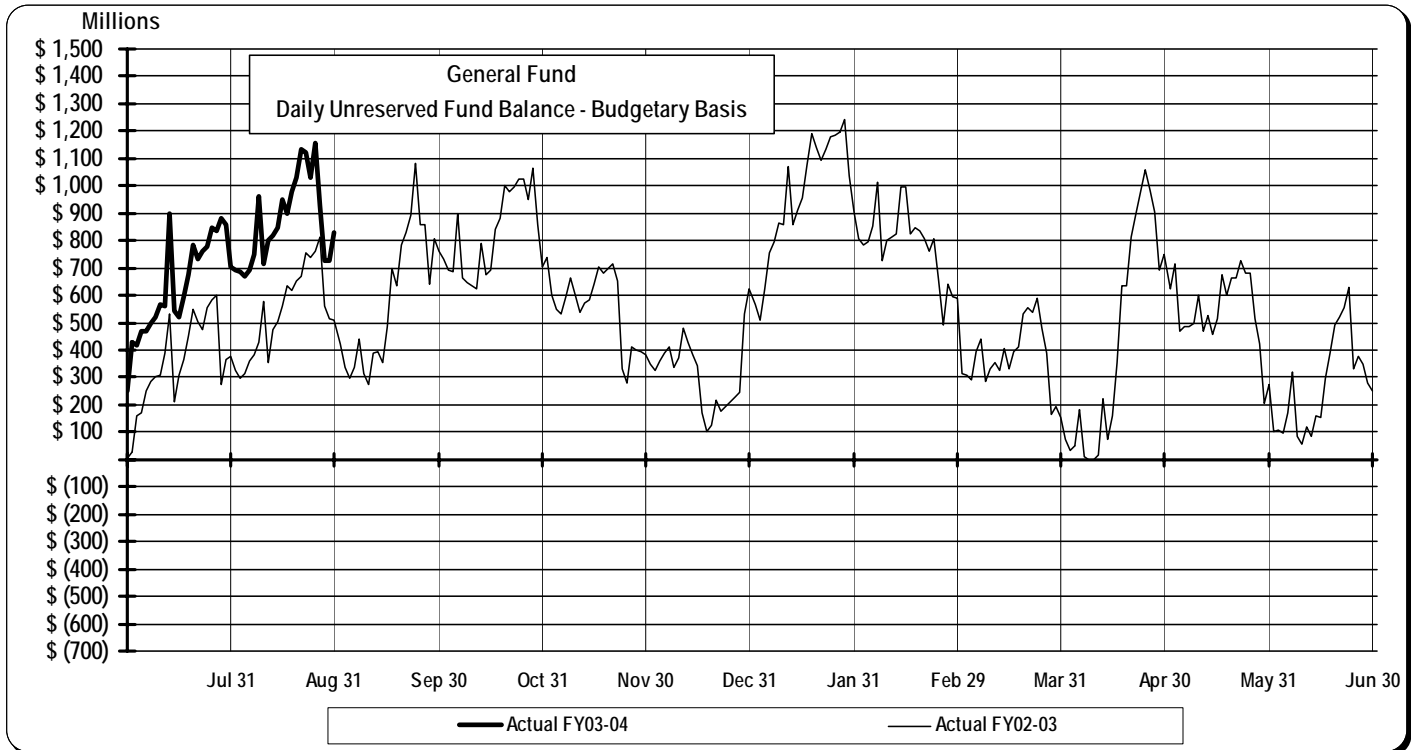
Sincerely,
Robert L. Powell
State Controller
(919) 981-5454

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

August 31, 2003

Fund Balance



At August 31, 2003 and 2002, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	2003-04	2002-03
Reserved:		
Savings account (G.S. 143-15.3).....	\$ 150.0	\$ —
Retirees' Health Premiums.....	22.6	43.8
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	271.8
Total Reserved.....	215.8	337.7
Unreserved:		
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.....	581.3	486.4
Total Unreserved.....	831.8	511.4
Total Fund Balance.....	\$ 1,047.6	\$ 849.1

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

August 31, 2003

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues

Expressed In Millions

	August				Year-To-Date Through August			
	2003-04	2002-03	Change	% Change	2003-04	2002-03	Change	% Change
Tax Revenues:								
Individual Income	\$ 551.1	\$ 544.5	\$ 6.6	1.2%	\$ 1,127.2	\$ 1,125.8	\$ 1.4	0.1%
Corporate Income	(16.8)	4.2	(21.0)	(500.0)%	8.3	23.4	(15.1)	(64.5)%
Sales and Use	329.4	354.3	(24.9)	(7.0)%	756.8	724.5	32.3	4.5%
Franchise	32.9	27.4	5.5	20.1%	70.7	65.2	5.5	8.4%
Insurance	0.7	1.4	(0.7)	(50.0)%	6.1	5.4	0.7	13.0%
Piped Natural Gas	2.4	2.7	(0.3)	(11.1)%	4.8	5.3	(0.5)	(9.4)%
Beverage	18.9	17.7	1.2	6.8%	28.3	27.0	1.3	4.8%
Inheritance	7.2	11.9	(4.7)	(39.5)%	15.5	23.2	(7.7)	(33.2)%
Soft Drink	—	—	—	—	—	—	—	—
Privilege License	1.1	1.6	(0.5)	(31.3)%	9.7	11.7	(2.0)	(17.1)%
Tobacco Products	3.9	3.9	—	—	7.4	7.5	(0.1)	(1.3)%
Real Estate Conveyance Excise	3.2	2.1	1.1	52.4%	14.2	10.2	4.0	39.2%
Gift	0.5	0.6	(0.1)	(16.7)%	0.8	0.8	—	—
White Goods Disposal	0.4	0.5	(0.1)	(20.0)%	0.9	1.0	(0.1)	(10.0)%
Scrap Tire Disposal	1.0	1.0	—	—	2.1	2.1	—	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	0.1	(0.2)	0.3	150.0%	—	(0.2)	0.2	100.0%
Total Tax Revenue	936.0	973.6	(37.6)	(3.9)%	2,052.8	2,032.9	19.9	1.0%
Non-Tax Revenue:								
Treasurer's Investments	6.1	10.1	(4.0)	(39.6)%	13.3	18.6	(5.3)	(28.5)%
Judicial Fees	11.5	10.0	1.5	15.0%	23.3	19.9	3.4	17.1%
Insurance	1.8	1.4	0.4	28.6%	2.5	1.7	0.8	47.1%
Disproportionate Share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	2.8	—	2.8	—	2.8	3.8	(1.0)	(26.3)%
Highway Trust Fund Transfer In	—	—	—	—	—	—	—	—
Other	4.6	6.8	(2.2)	(32.4)%	123.7	11.2	112.5	1004.5%
Total Non-Tax Revenue	26.8	28.3	(1.5)	(5.3)%	165.6	55.2	110.4	200.0%
Total Tax and Non-Tax Revenue	\$ 962.8	\$ 1,001.9	\$ (39.1)	(3.9)%	\$ 2,218.4	\$ 2,088.1	\$ 130.3	6.2%

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 \$130.3 million, or 6.2%. 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 August 2003 of \$2.218 billion were less than the projected revenues by \$24.1 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 August 2003 included:

- \$32.3 million for Sales and Use Tax;
- \$1.4 million for Individual Income Tax; and
- \$112.5 million for Miscellaneous Non-tax

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

August 31, 2003

GENERAL FUND NET TAX AND NON-TAX REVENUES AND TRANSFERS IN BUDGET VS. ACTUAL

(Expressed In Millions)	Current Month				Year-To-Date			
	Projected Monthly Budget	Actual	Variance	Percent Realized	Projected Monthly Budget	Actual	Variance	Percent Realized
Tax Revenue								
Individual Income [1]	\$ 549.7	\$ 551.1	\$ 1.4	100.3%	\$ 1,147.1	\$ 1,127.2	\$ (19.9)	98.3%
Corporate Income [2]	(14.5)	(16.8)	(2.3)	115.9%	5.5	8.3	2.8	150.9%
Sales and Use	328.9	329.4	0.5	100.2%	755.7	756.8	1.1	100.1%
Franchise	36.0	32.9	(3.1)	91.4%	73.2	70.7	(2.5)	96.6%
Insurance	1.5	0.7	(0.8)	46.7%	5.6	6.1	0.5	108.9%
Piped Natural Gas	6.2	2.4	(3.8)	38.7%	8.9	4.8	(4.1)	53.9%
Beverage	17.0	18.9	1.9	111.2%	26.2	28.3	2.1	108.0%
Inheritance	9.0	7.2	(1.8)	80.0%	18.0	15.5	(2.5)	86.1%
Privilege License	1.4	1.1	(0.3)	78.6%	11.7	9.7	(2.0)	82.9%
Tobacco Products	3.2	3.9	0.7	121.9%	6.6	7.4	0.8	112.1%
Real Estate Conveyance Excise	3.2	3.2	—	100.0%	14.2	14.2	—	100.0%
Gift	0.5	0.5	—	100.0%	0.8	0.8	—	100.0%
White Goods Disposal	0.4	0.4	—	100.0%	0.9	0.9	—	100.0%
Scrap Tire Disposal	1.0	1.0	—	100.0%	2.1	2.1	—	100.0%
Freight Car Lines	—	—	—	—	—	—	—	—
Other	—	0.1	0.1	—	—	—	—	—
Total Tax Revenue	<u>943.5</u>	<u>936.0</u>	<u>(7.5)</u>	<u>99.2%</u>	<u>2,076.5</u>	<u>2,052.8</u>	<u>(23.7)</u>	<u>98.9%</u>
Non-Tax Revenue								
Treasurer's Investments	8.8	6.1	(2.7)	69.3%	17.4	13.3	(4.1)	76.4%
Judicial Fees	11.5	11.5	—	100.0%	23.0	23.3	0.3	101.3%
Insurance	1.5	1.8	0.3	120.0%	2.0	2.5	0.5	125.0%
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	2.8	2.8	—	100.0%	2.8	2.8	—	100.0%
Highway Trust Fund Transfer In	—	—	—	—	—	—	—	—
Other	116.8	4.6	(112.2)	3.9%	120.8	123.7	2.9	102.4%
Total Non-Tax Revenue	<u>141.4</u>	<u>26.8</u>	<u>(114.6)</u>	<u>19.0%</u>	<u>166.0</u>	<u>165.6</u>	<u>(0.4)</u>	<u>99.8%</u>
Total Tax and Non-Tax Revenue	<u>\$ 1,084.9</u>	<u>\$ 962.8</u>	<u>\$ (122.1)</u>	<u>88.7%</u>	<u>\$ 2,242.5</u>	<u>\$ 2,218.4</u>	<u>\$ (24.1)</u>	<u>98.9%</u>

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

	2003-04		2002-03	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Individual Income Tax, Reported Net	\$ 551.1	\$ 1,127.2	\$ 544.5	\$ 1,125.8
Local Government Tax Reimbursement	—	—	—	—
Individual Income Tax, Adjusted for Transfers	<u>\$ 551.1</u>	<u>\$ 1,127.2</u>	<u>\$ 544.5</u>	<u>\$ 1,125.8</u>

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

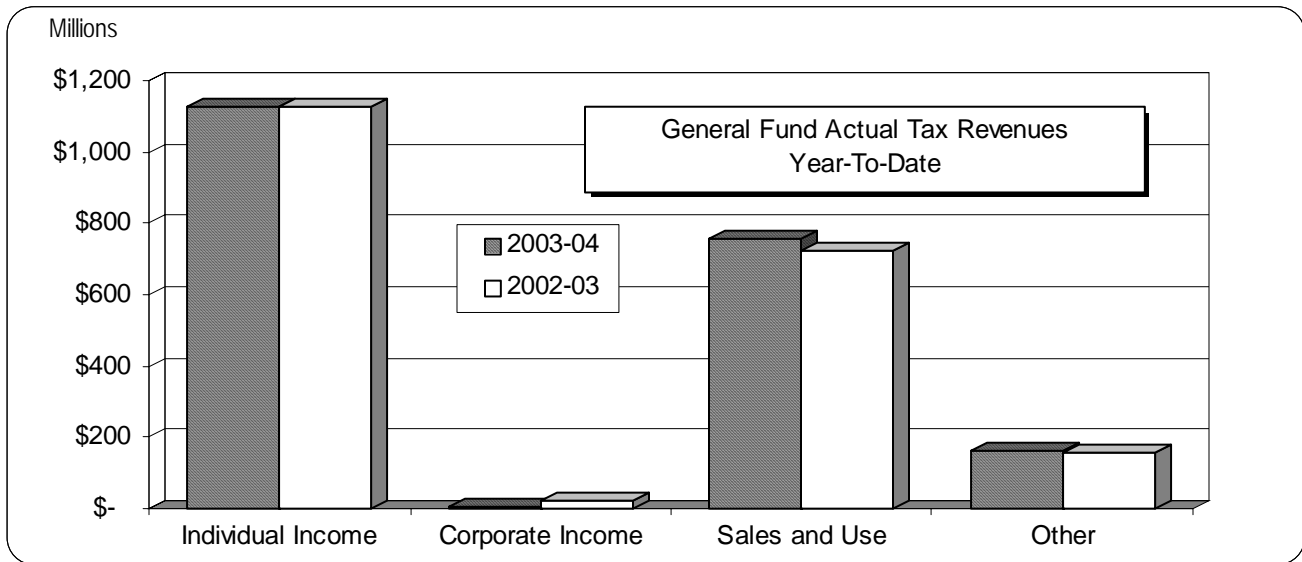
	2003-04		2002-03	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ (16.8)	\$ 8.3	\$ 4.2	\$ 23.4
Public School Building Capital Fund	17.7	17.7	—	—
Critical School Facility Needs Fund	2.5	2.5	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	—
Local Government Tax Reimbursement	—	—	—	—
Executive Order #3	—	—	—	—
	<u>20.2</u>	<u>20.2</u>	<u>—</u>	<u>—</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 3.4</u>	<u>\$ 28.5</u>	<u>\$ 4.2</u>	<u>\$ 23.4</u>

SUMMARY OF FINANCIAL CONDITION

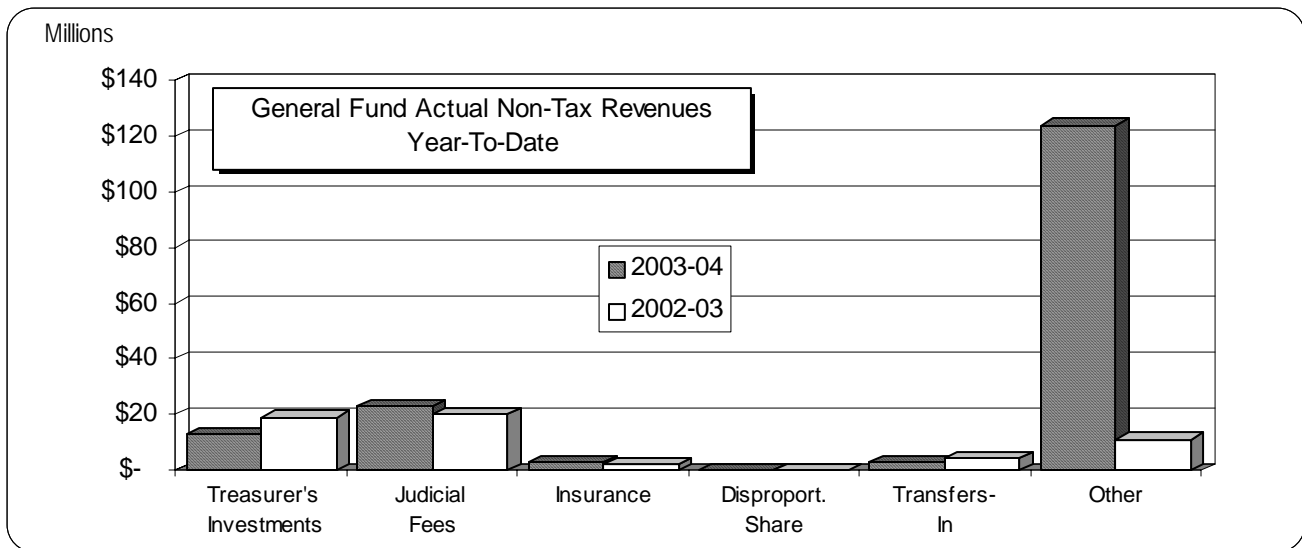
August 31, 2003

Tax revenues through August 2003 were greater than the period through August 2002 by \$19.9 million, or 1%. 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 2003 was \$110.4 million, or 200%, more than through the end of August 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 \$5.3 million from the prior year through the end of August 2003.



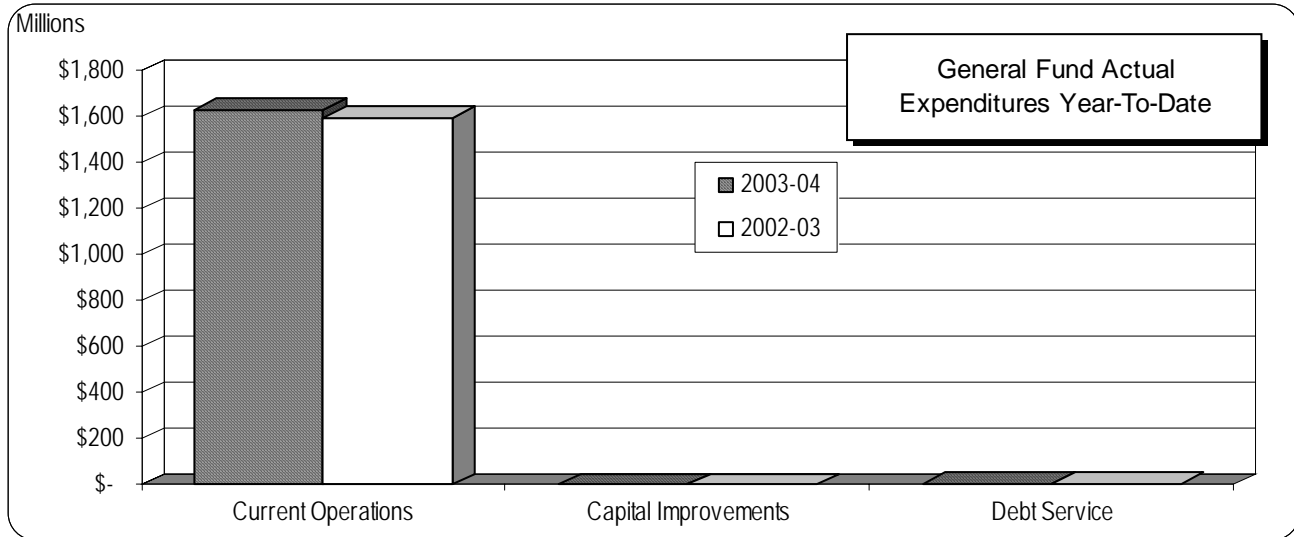
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

August 31, 2003

Expenditures

Actual appropriation expenditures through August 2003, were greater than actual appropriation expenditures through August 2002 by \$35.4 million, or 2.2%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through August 2003 were greater than such expenditures through August 2002 by \$37.5 million, or 2.4%.

State of North Carolina

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

Expressed in Millions

	2003-04	2002-03	Change	Percent Change	Percent of Total Expenditures	
					2003-04	2002-03
Current Operations:						
General Government	\$ 40.1	\$ 29.1	\$ 11.0	37.8%	2.4%	1.8%
Education	926.7	933.4	(6.7)	(0.7%)	56.6%	58.3%
Health and Human Services	410.6	424.2	(13.6)	(3.2%)	25.1%	26.5%
Economic Development	6.8	(12.1)	18.9	(156.2%)	0.4%	(0.8%)
Environment and Natural Resources	32.8	26.1	6.7	25.7%	2.0%	1.6%
Public Safety, Correction, and Regulation	209.7	193.9	15.8	8.1%	12.8%	12.1%
Agriculture	6.1	6.1	—	—	0.4%	0.4%
Operating Reserves/Rounding	(1.5)	(6.9)	5.4	(78.3%)	(0.1%)	(0.4%)
Total Current Operations	1,631.3	1,593.8	37.5	2.4%	99.6%	99.5%
Capital Improvements:						
Funded by General Fund	—	—	—	—	—	—
Debt Service	5.8	7.9	(2.1)	(26.6%)	0.4%	0.5%
Total Expenditures	\$ 1,637.1	\$ 1,601.7	\$ 35.4	2.2%	100.0%	100.0%

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, 2003

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND								
COMPARATIVE STATEMENT OF NET COLLECTIONS								
For the Months of August 2003 and 2002, and the Two Months Ended August 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
Highway Fund								
Motor Fuels Tax	\$ 82.1	\$ 72.3	\$ 9.8	13.6%	\$ 156.1	\$ 148.2	\$ 7.9	5.3%
Motor Vehicle License Fees	16.7	14.2	2.5	17.6%	32.7	30.1	2.6	8.6%
Driver License Fees	5.7	6.2	(0.5)	(8.1%)	12.0	12.3	(0.3)	(2.4%)
Motor Fuels and Oil Inspection Fees	1.2	1.2	-	-	2.3	2.3	-	-
Title Fee	-	-	-	-	-	-	-	-
Other	3.8	3.7	0.1	2.7%	7.9	7.3	0.6	8.2%
Subtotal - Highway Fund	109.5	97.6	11.9	12.2%	211.0	200.2	10.8	5.4%
Highway Trust Fund								
Highway Use Tax	47.9	48.8	(0.9)	(1.8%)	99.8	94.1	5.7	6.1%
Motor Fuels Tax	27.3	24.1	3.2	13.3%	52.0	49.6	2.4	4.8%
Title Fee	7.1	7.1	-	-	14.7	14.0	0.7	5.0%
Motor Vehicle Lease	2.5	2.9	(0.4)	(13.8%)	5.8	6.6	(0.8)	(12.1%)
Registration	0.9	0.9	-	-	1.8	1.7	0.1	5.9%
Lien Recording	0.2	0.2	-	-	0.4	0.4	-	-
Repayment Fee	-	-	-	-	0.1	-	0.1	-
Subtotal - Highway Trust Fund	85.9	84.0	1.9	2.3%	174.6	166.4	8.2	4.9%
Payables and Receipts								
Special Registration Plate Fund	0.3	0.3	-	-	0.6	0.6	-	-
Safety Inspection and Exhaust Emission	0.4	0.3	0.1	33.3%	0.7	0.6	0.1	16.7%
Transportation Authority/TransPark	0.4	0.4	-	-	0.8	0.8	-	-
Recreation and Natural Heritage Trust Fund	0.3	0.2	0.1	50.0%	0.5	0.4	0.1	25.0%
Other Receipts	1.3	1.4	(0.1)	(7.1%)	2.4	2.5	(0.1)	(4.0%)
Subtotal - Payables and Receipts	2.7	2.6	0.1	3.8%	5.0	4.9	0.1	2.0%
	\$ 198.1	\$ 184.2	\$ 13.9	7.5%	\$ 390.6	\$ 371.5	\$ 19.1	5.1%