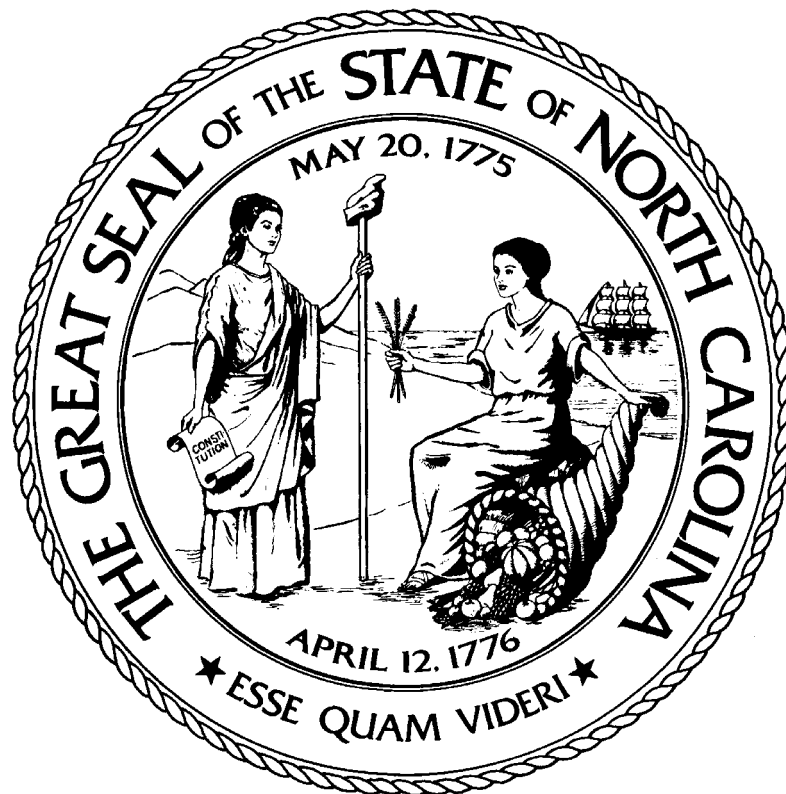


STATE OF  
***NORTH CAROLINA***

*SUMMARY OF FINANCIAL CONDITION*  
*AUGUST 31, 2005*

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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 14, 2005

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the two months ended August 31, 2005. 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.

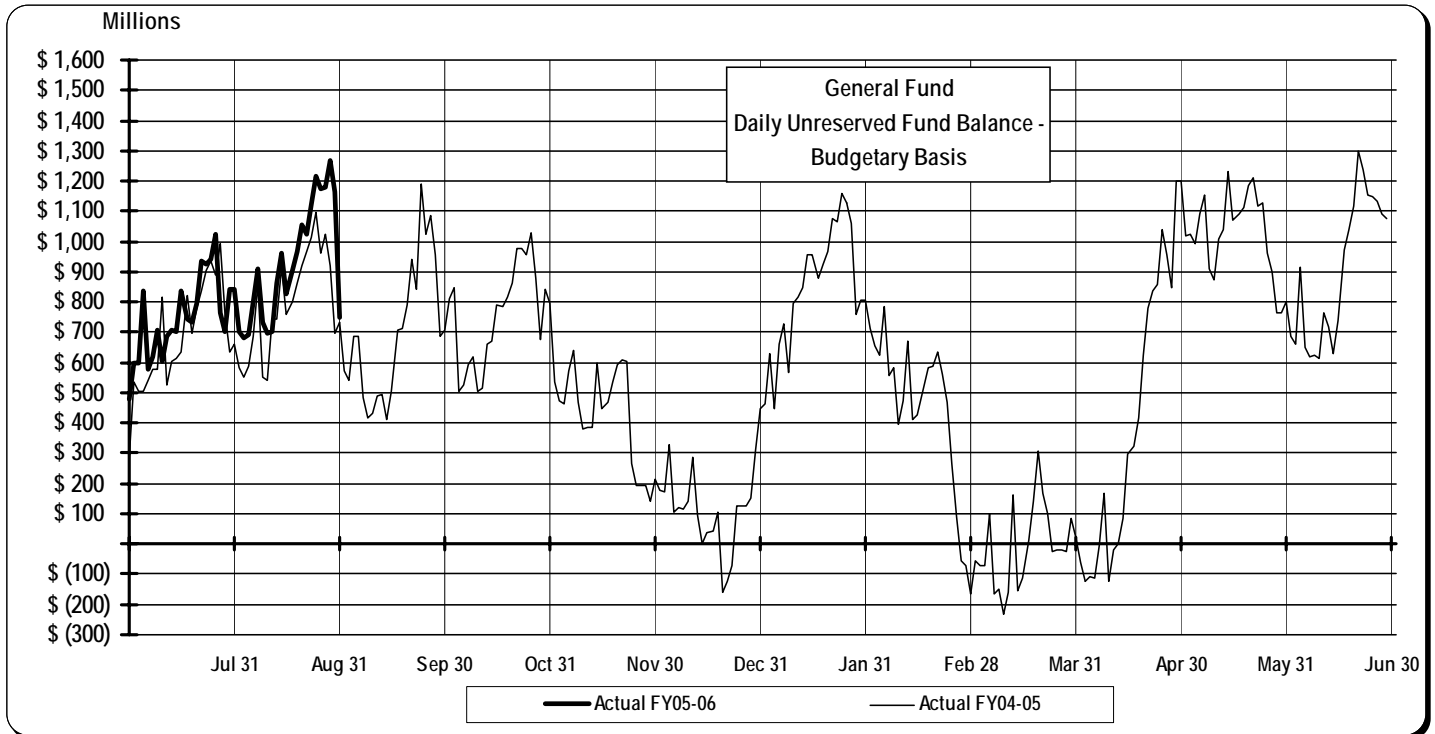
Sincerely,  
Robert L. Powell  
State Controller  
(919) 981-5454

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

August 31, 2005

### Fund Balance



At August 31, 2005 and 2004, the reserved and unreserved fund balance was composed of the following (in millions):

<b>Fund Balance:</b>	<b><u>2005-06</u></b>	<b><u>2004-05</u></b>
<b><u>Reserved:</u></b>		
Savings account (G.S. 143-15.3).....	\$ 312.6	\$ 267.1
Job Development Incentive Grants.....	1.9	—
Retirees' Health Premiums.....	—	44.5
Repairs and Renovations (G.S. 143-15.3A).....	125.0	76.8
Disproportionate Share.....	19.3	1.5
Disaster relief.....	206.9	8.1
One NC Fund.....	1.1	1.1
Budgetary Shortfall Funds.....	—	11.7
Total Reserved.....	<u>666.8</u>	<u>410.8</u>
<b><u>Unreserved:</u></b>		
Fund Balance - July 1.....	478.5	289.4
Transfer from reserves.....	—	—
Transfer to reserves.....	—	—
Excess of revenue over (under) expenditures.....	294.0	358.2
Total Unreserved.....	<u>772.5</u>	<u>647.6</u>
Total Fund Balance.....	<u>\$ 1,439.3</u>	<u>\$ 1,058.4</u>

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

August 31, 2005

### Revenues - Tax and Non-Tax

## State of North Carolina General Fund Actual Net Revenues

Expressed In Millions

	August				Year-To-Date Through August			
	2005-06	2004-05	Change	% Change	2005-06	2004-05	Change	% Change
<b>Tax Revenues:</b>								
Individual Income	\$ 701.2	\$ 593.0	\$ 108.2	18.2%	\$ 1,284.3	\$ 1,138.9	\$ 145.4	12.8%
Corporate Income	(25.3)	24.3	(49.6)	(204.1)%	12.6	43.4	(30.8)	(71.0)%
Sales and Use	370.4	367.0	3.4	0.9%	789.0	764.1	24.9	3.3%
Franchise	39.0	41.5	(2.5)	(6.0)%	66.5	70.4	(3.9)	(5.5)%
Insurance	3.7	1.6	2.1	131.3%	7.4	5.7	1.7	29.8%
Piped Natural Gas	2.6	2.4	0.2	8.3%	5.3	5.0	0.3	6.0%
Beverage	19.8	20.0	(0.2)	(1.0)%	32.1	30.7	1.4	4.6%
Inheritance	9.4	10.6	(1.2)	(11.3)%	18.8	24.6	(5.8)	(23.6)%
Privilege License	1.2	1.3	(0.1)	(7.7)%	11.9	11.4	0.5	4.4%
Tobacco Products	3.7	3.7	—	—	8.0	7.6	0.4	5.3%
Real Estate Conveyance Excise	(0.7)	(0.4)	(0.3)	75.0%	6.5	5.1	1.4	27.5%
Gift	0.7	0.4	0.3	75.0%	0.8	0.7	0.1	14.3%
White Goods Disposal	0.5	0.5	—	—	1.0	1.0	—	—
Scrap Tire Disposal	1.2	1.2	—	—	2.4	2.3	0.1	4.3%
Freight Car Lines	—	—	—	—	—	—	—	—
Other	(0.1)	(0.2)	0.1	50.0%	(0.1)	(0.2)	0.1	50.0%
<b>Total Tax Revenue</b>	<b>1,127.3</b>	<b>1,066.9</b>	<b>60.4</b>	<b>5.7%</b>	<b>2,246.5</b>	<b>2,110.7</b>	<b>135.8</b>	<b>6.4%</b>
<b>Non-Tax Revenue:</b>								
Treasurer's Investments	8.0	5.9	2.1	35.6%	17.9	11.3	6.6	58.4%
Judicial Fees	13.2	12.5	0.7	5.6%	24.9	24.8	0.1	0.4%
Insurance	0.8	0.9	(0.1)	(11.1)%	1.9	1.4	0.5	35.7%
Disproportionate Share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	63.1	60.6	2.5	4.1%	63.1	60.6	2.5	4.1%
Other	6.8	10.5	(3.7)	(35.2)%	12.7	17.3	(4.6)	(26.6)%
<b>Total Non-Tax Revenue</b>	<b>91.9</b>	<b>90.4</b>	<b>1.5</b>	<b>1.7%</b>	<b>120.5</b>	<b>115.4</b>	<b>5.1</b>	<b>4.4%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,219.2</b>	<b>\$ 1,157.3</b>	<b>\$ 61.9</b>	<b>5.3%</b>	<b>\$ 2,367.0</b>	<b>\$ 2,226.1</b>	<b>\$ 140.9</b>	<b>6.3%</b>

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 \$140.9 million, or 6.3%. The net, or actual, tax and non-tax revenues through August 2005 of \$2.4 billion were more than the projected revenues by \$22.3 million.

Major components of tax and non-tax revenues that increased or decreased from the prior year through the end of August 2005 included:

#### Increase

- \$145.4 million for Individual Income
- \$ 24.9 million for Sales and Use
- \$6.6 million for Treasurer's Investments

#### Decrease

- \$30.8 million for Corporate Income

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

August 31, 2005

### State of North Carolina

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

For the Month of August 2005, and the Two Months Ended August 31, 2005  
(Expressed In Millions)

	Current Month				Year-To-Date			
	Projected Monthly Budget	Actual	Variance	Percent Realized	Projected Monthly Budget	Actual	Variance	Percent Realized
<b>Tax Revenue</b>								
Individual Income	\$ 694.0	\$ 701.2	\$ 7.2	101.0%	\$ 1,262.5	\$ 1,284.3	\$ 21.8	101.7%
Corporate Income [1]	(20.3)	(25.3)	(5.0)	124.6%	8.2	12.6	4.4	153.7%
Sales and Use	366.7	370.4	3.7	101.0%	790.2	789.0	(1.2)	99.8%
Franchise	42.6	39.0	(3.6)	91.5%	73.0	66.5	(6.5)	91.1%
Insurance	2.6	3.7	1.1	142.3%	6.9	7.4	0.5	107.2%
Beverage	19.2	19.8	0.6	103.1%	30.3	32.1	1.8	105.9%
Inheritance	10.9	9.4	(1.5)	86.2%	21.8	18.8	(3.0)	86.2%
Privilege License	1.5	1.2	(0.3)	80.0%	11.7	11.9	0.2	101.7%
Tobacco Products	3.6	3.7	0.1	102.8%	7.4	8.0	0.6	108.1%
Real Estate Conveyance Excise	(0.7)	(0.7)	—	100.0%	6.5	6.5	—	100.0%
Gift	0.5	0.7	0.2	140.0%	0.8	0.8	—	100.0%
White Goods Disposal	0.5	0.5	—	100.0%	1.0	1.0	—	100.0%
Scrap Tire Disposal	1.2	1.2	—	100.0%	2.4	2.4	—	100.0%
Freight Car Lines	—	—	—	—	—	—	—	—
Piped Natural Gas	2.6	2.6	—	100.0%	5.1	5.3	0.2	103.9%
Other	—	(0.1)	(0.1)	—	—	(0.1)	(0.1)	—
<b>Total Tax Revenue</b>	<u>1,124.9</u>	<u>1,127.3</u>	<u>2.4</u>	100.2%	<u>2,227.8</u>	<u>2,246.5</u>	<u>18.7</u>	100.8%
<b>Non-Tax Revenue</b>								
Treasurer's Investments	6.3	8.0	1.7	127.0%	13.5	17.9	4.4	132.6%
Judicial Fees	11.3	13.2	1.9	116.8%	23.4	24.9	1.5	106.4%
Insurance	1.6	0.8	(0.8)	50.0%	2.2	1.9	(0.3)	86.4%
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	63.1	63.1	—	100.0%	63.1	63.1	—	100.0%
Other	8.7	6.8	(1.9)	78.2%	14.7	12.7	(2.0)	86.4%
<b>Total Non-Tax Revenue</b>	<u>91.0</u>	<u>91.9</u>	<u>0.9</u>	101.0%	<u>116.9</u>	<u>120.5</u>	<u>3.6</u>	103.1%
<b>Total Tax and Non-Tax Revenue</b>	<u>\$ 1,215.9</u>	<u>\$ 1,219.2</u>	<u>\$ 3.3</u>	100.3%	<u>\$ 2,344.7</u>	<u>\$ 2,367.0</u>	<u>\$ 22.3</u>	101.0%

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

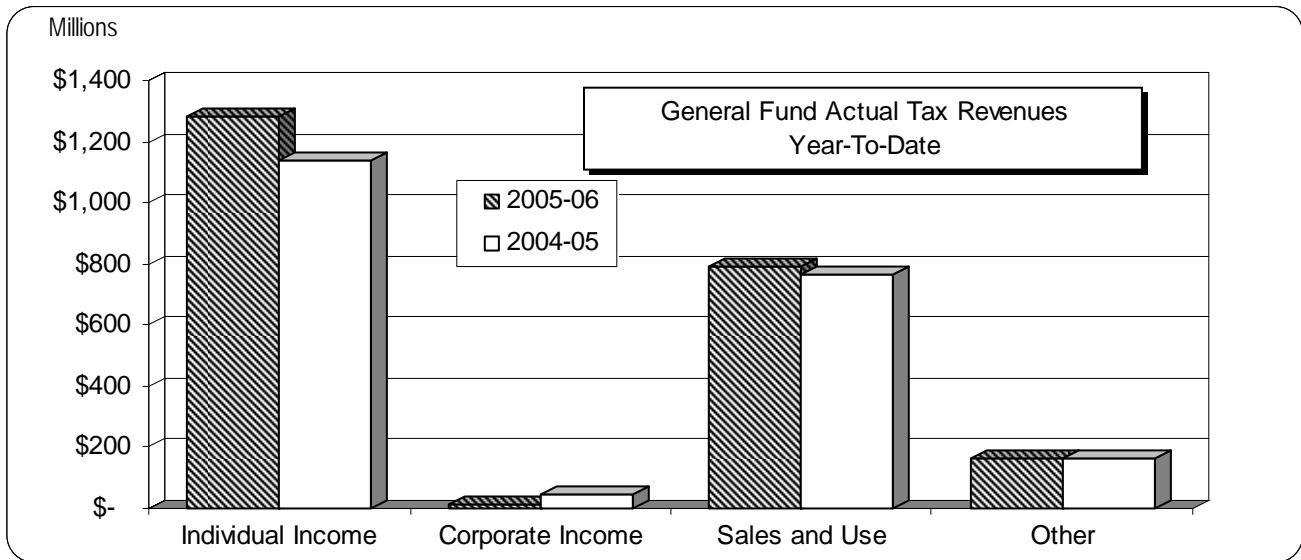
	2005-06		2004-05	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ (25.3)	\$ 12.6	\$ 24.3	\$ 43.4
Public School Building Capital Fund	34.3	34.3	18.5	18.5
Critical School Facility Needs Fund	—	—	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	—
	<u>34.3</u>	<u>34.3</u>	<u>18.5</u>	<u>18.5</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 9.0</u>	<u>\$ 46.9</u>	<u>\$ 42.8</u>	<u>\$ 61.9</u>

SUMMARY OF FINANCIAL CONDITION

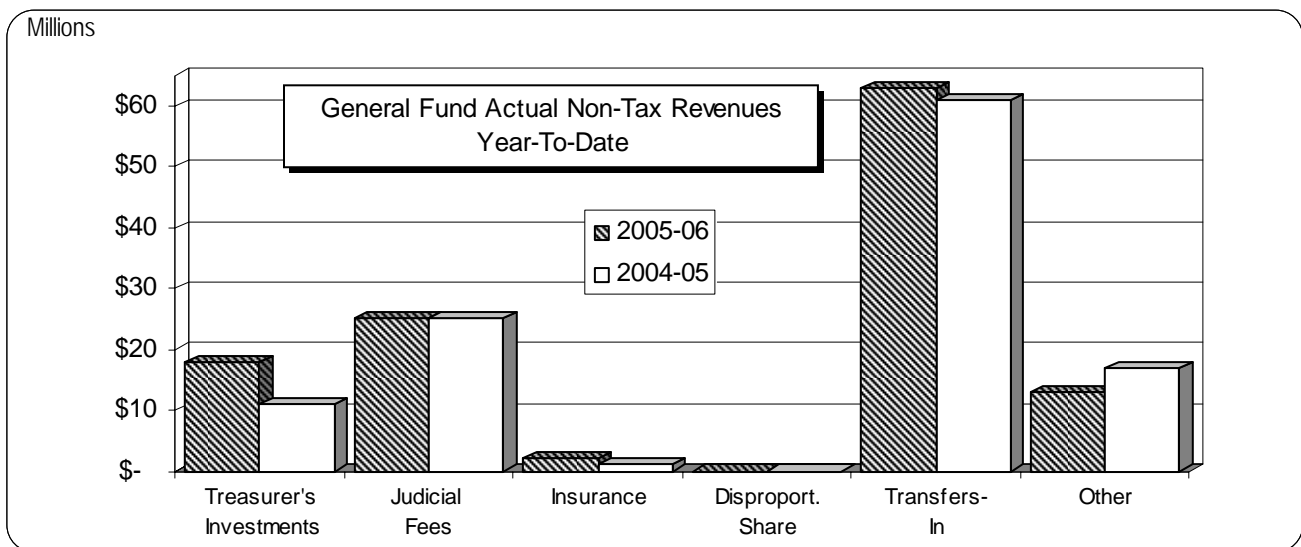
August 31, 2005

Tax revenues through August 2005 were more than the period through August 2004 by \$135.8 million, or 6.4%. 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 2005 was \$5.1 million, or 4.4%, more than through the end of August 2004. Investment revenues increased by \$6.6 million from the prior year through the end of August.



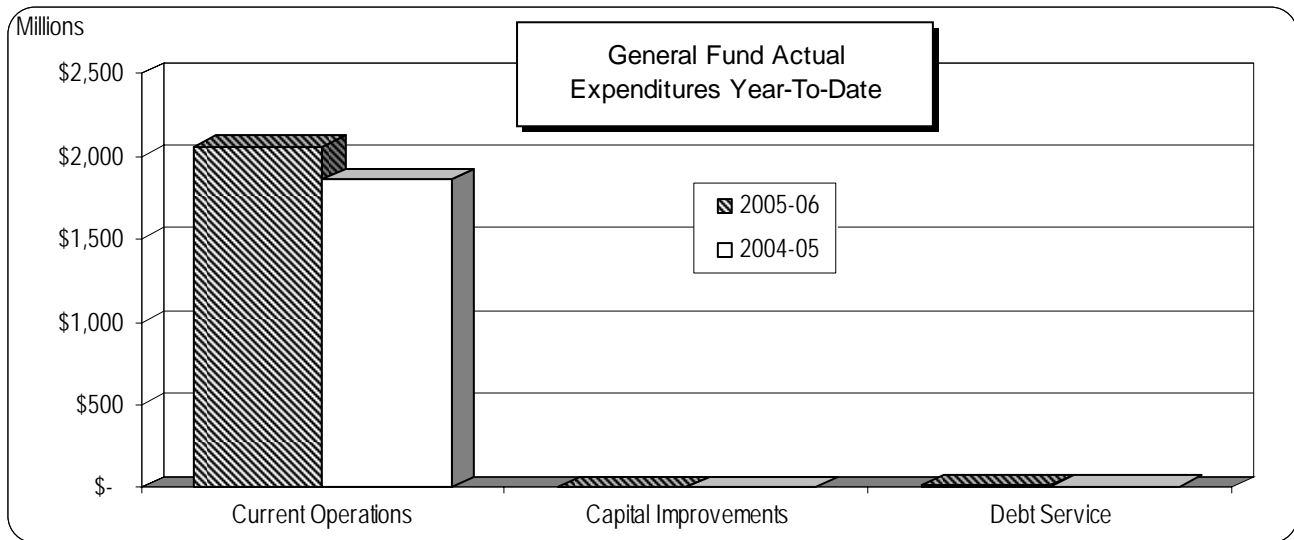
# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

August 31, 2005

### Expenditures

Actual appropriation expenditures through August 2005 were more than actual appropriation expenditures through August 2004 by \$205.1 million, or 11.0%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through August 2005 were more than such expenditures through August 2004 by \$199.4 million, or 10.7%.

### State of North Carolina

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

*Expressed in Millions*

	2005-06	2004-05	Change	Percent Change	Percent of Total Expenditures	
					2005-06	2004-05
<b>Current Operations:</b>						
General Government	\$ 23.6	\$ 37.1	\$ (13.5)	(36.4%)	1.1%	2.0%
Education	1,109.1	954.7	154.4	16.2%	53.5%	51.1%
Health and Human Services	617.5	594.0	23.5	4.0%	29.8%	31.8%
Economic Development	6.3	(11.2)	17.5	(156.3%)	0.3%	(0.6%)
Environment and Natural Resources	34.0	34.0	—	—	1.6%	1.8%
Public Safety, Correction, and Regulation	264.9	234.5	30.4	13.0%	12.8%	12.6%
Agriculture	6.7	6.8	(0.1)	(1.5%)	0.3%	0.4%
Operating Reserves/Rounding	(2.2)	10.6	(12.8)	(120.8%)	(0.1%)	0.6%
<b>Total Current Operations</b>	<b>2,059.9</b>	<b>1,860.5</b>	<b>199.4</b>	<b>10.7%</b>	<b>99.4%</b>	<b>99.6%</b>
<b>Capital Improvements:</b>						
Funded by General Fund	—	—	—	—	—	—
<b>Debt Service</b>	<b>13.1</b>	<b>7.4</b>	<b>5.7</b>	<b>77.0%</b>	<b>0.6%</b>	<b>0.4%</b>
<b>Total Expenditures</b>	<b>\$ 2,073.0</b>	<b>\$ 1,867.9</b>	<b>\$ 205.1</b>	<b>11.0%</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

August 31, 2005

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

#### HIGHWAY FUND AND HIGHWAY TRUST FUND COMPARATIVE STATEMENT OF NET COLLECTIONS

For the Months of August 2005 and 2004, and the Two Months Ended August 31, 2005 and 2004

(Expressed in Millions)

	Month				Year-To-Date			
	2005-06	2004-05	Change	Percent Change	2005-06	2004-05	Change	Percent Change
<b>Highway Fund</b>								
Motor Fuels Tax	\$ 92.6	\$ 82.3	\$ 10.3	12.5%	\$ 178.1	\$ 155.2	\$ 22.9	14.8%
Motor Vehicle License Fees	20.1	16.0	4.1	25.6%	34.5	32.7	1.8	5.5%
Driver License Fees	8.0	6.9	1.1	15.9%	14.0	13.6	0.4	2.9%
Motor Fuels and Oil Inspection Fees	1.3	1.3	-	-	2.6	2.7	(0.1)	(3.7%)
Other	4.8	4.9	(0.1)	(2.0%)	9.4	9.6	(0.2)	(2.1%)
<b>Subtotal - Highway Fund</b>	<b>126.8</b>	<b>111.4</b>	<b>15.4</b>	<b>13.8%</b>	<b>238.6</b>	<b>213.8</b>	<b>24.8</b>	<b>11.6%</b>
<b>Highway Trust Fund</b>								
Highway Use Tax	56.9	49.6	7.3	14.7%	108.2	97.7	10.5	10.7%
Motor Fuels Tax	30.8	27.6	3.2	11.6%	59.3	51.8	7.5	14.5%
Title Fee	8.1	7.5	0.6	8.0%	15.4	14.8	0.6	4.1%
Motor Vehicle Lease	2.6	2.4	0.2	8.3%	4.6	5.3	(0.7)	(13.2%)
Registration	1.0	0.9	0.1	11.1%	1.8	1.8	-	-
Lien Recording	0.2	0.2	-	-	0.4	0.4	-	-
Repayment Fee	0.1	-	0.1	-	0.2	0.1	0.1	100.0%
<b>Subtotal - Highway Trust Fund</b>	<b>99.7</b>	<b>88.2</b>	<b>11.5</b>	<b>13.0%</b>	<b>189.9</b>	<b>171.9</b>	<b>18.0</b>	<b>10.5%</b>
<b>Payables and Receipts</b>								
Special Registration Plate Fund	0.4	0.3	0.1	33.3%	0.7	0.7	-	-
Safety Inspection and Exhaust Emission	0.4	0.3	0.1	33.3%	0.8	0.7	0.1	14.3%
Transportation Authority/TransPark	0.5	0.5	-	-	0.9	0.9	-	-
Recreation and Natural Heritage Trust Fund	0.3	0.3	-	-	0.6	0.7	(0.1)	(14.3%)
Other Receipts	2.6	1.4	1.2	85.7%	4.4	3.1	1.3	41.9%
<b>Subtotal - Payables and Receipts</b>	<b>4.2</b>	<b>2.8</b>	<b>1.4</b>	<b>50.0%</b>	<b>7.4</b>	<b>6.1</b>	<b>1.3</b>	<b>21.3%</b>
	<b>\$ 230.7</b>	<b>\$ 202.4</b>	<b>\$ 28.3</b>	<b>14.0%</b>	<b>\$ 435.9</b>	<b>\$ 391.8</b>	<b>\$ 44.1</b>	<b>11.3%</b>