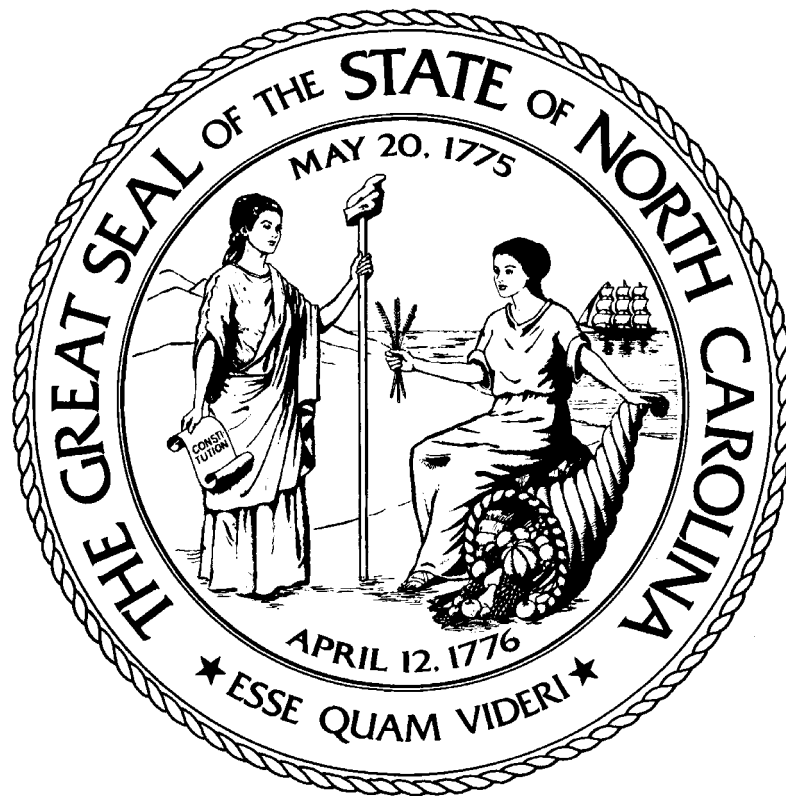


STATE OF  
***NORTH CAROLINA***

*SUMMARY OF FINANCIAL CONDITION*  
*JUNE 30, 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

August 31, 2005

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the twelve months ended June 30, 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.

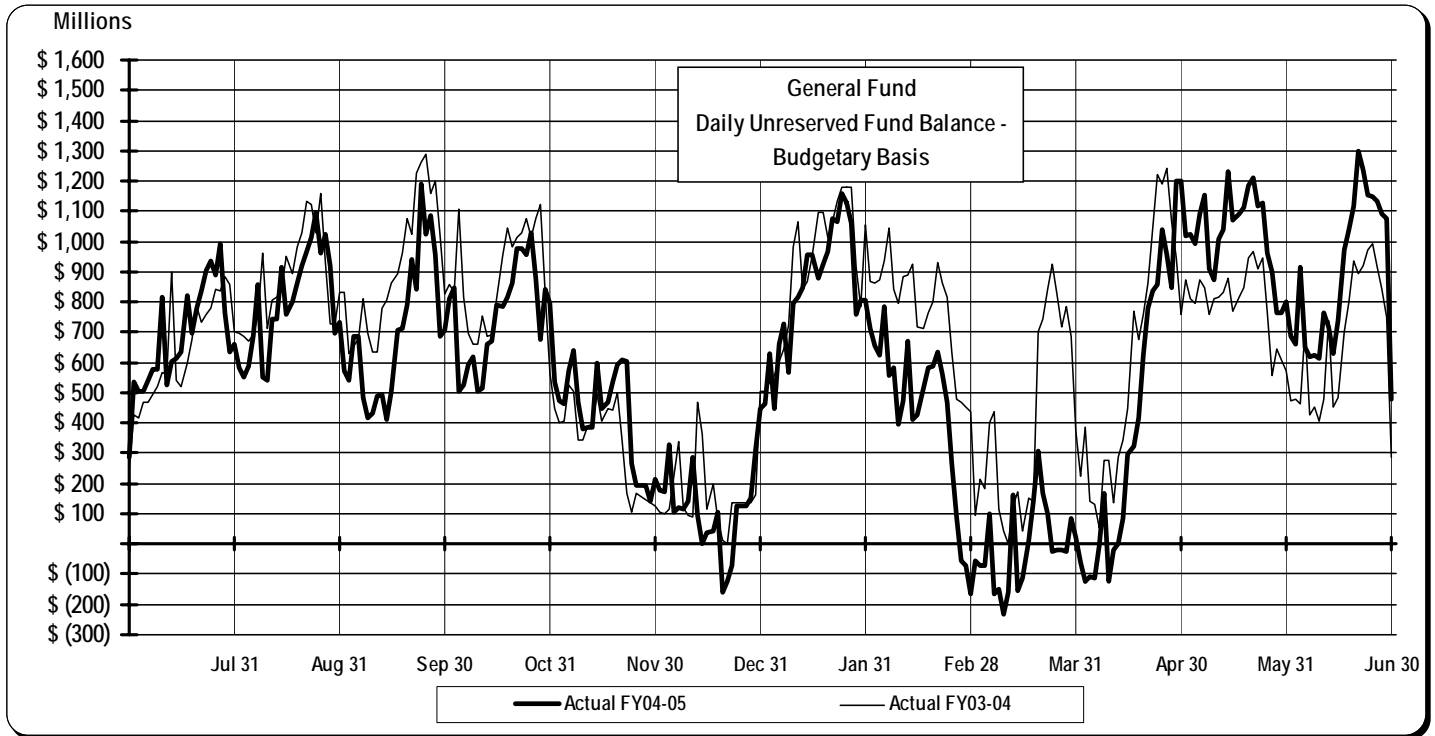
Sincerely,  
Robert L. Powell  
State Controller  
(919) 981-5454

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

June 30, 2005

### Fund Balance



At June 30, 2005 and 2004, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	2004-05	2003-04
<b>Reserved:</b>		
Savings account (G.S. 143-15.3).....	\$ 312.6	\$ 267.1
Job Development Incentive Grants.....	2.5	—
Retirees' Health Premiums.....	—	52.8
Repairs and Renovations (G.S. 143-15.3A).....	125.0	76.8
Disproportionate Share.....	19.3	1.5
Disaster relief.....	211.7	8.1
One NC Fund.....	1.1	1.1
Budgetary Shortfall Funds.....	—	11.7
Total Reserved.....	<u>672.2</u>	<u>419.1</u>
<b>Unreserved:</b>		
Fund Balance - July 1.....	289.4	250.5
Transfer from reserves.....	—	273.7
Transfer to reserves.....	(339.0)	(330.4)
Excess of revenue over (under) expenditures.....	528.1	95.6
Total Unreserved.....	<u>478.5</u>	<u>289.4</u>
Total Fund Balance.....	<u>\$ 1,150.7</u>	<u>\$ 708.5</u>

The Office of State Budget and Management directed the release of One NC reserve funds in May 2004 to provide financial assistance to those businesses or industries deemed by the Governor to be vital to a healthy and growing State economy.

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

June 30, 2005

### Revenues - Tax and Non-Tax

## State of North Carolina General Fund Actual Net Revenues

Expressed In Millions

	June				Year-To-Date Through June			
	2004-05	2003-04	Change	% Change	2004-05	2003-04	Change	% Change
<b>Tax Revenues:</b>								
Individual Income	\$ 834.7	\$ 705.2	\$ 129.5	18.4%	\$ 8,409.3	\$ 7,509.9	\$ 899.4	12.0%
Corporate Income	182.4	166.6	15.8	9.5%	1,193.5	777.0	416.5	53.6%
Sales and Use	391.0	336.4	54.6	16.2%	4,477.2	4,222.2	255.0	6.0%
Franchise	10.8	(0.2)	11.0	5500.0%	498.7	445.3	53.4	12.0%
Insurance	139.9	135.7	4.2	3.1%	431.7	423.4	8.3	2.0%
Piped Natural Gas	(8.6)	(9.7)	1.1	11.3%	35.1	39.0	(3.9)	(10.0)%
Beverage	19.4	18.6	0.8	4.3%	189.3	182.4	6.9	3.8%
Inheritance	8.5	10.3	(1.8)	(17.5)%	135.2	128.5	6.7	5.2%
Privilege License	5.9	5.4	0.5	9.3%	45.0	41.6	3.4	8.2%
Tobacco Products	3.8	3.8	—	—	43.0	43.7	(0.7)	(1.6)%
Real Estate Conveyance Excise	(4.4)	(3.7)	(0.7)	18.9%	—	—	—	—
Gift	0.4	0.1	0.3	300.0%	18.9	16.6	2.3	13.9%
White Goods Disposal	(0.7)	(0.8)	0.1	12.5%	—	—	—	—
Scrap Tire Disposal	(2.1)	(2.1)	—	—	—	—	—	—
Freight Car Lines	—	—	—	—	0.4	0.5	(0.1)	(20.0)%
Other	0.2	0.7	(0.5)	(71.4)%	0.3	0.6	(0.3)	(50.0)%
<b>Total Tax Revenue</b>	<b>1,581.2</b>	<b>1,366.3</b>	<b>214.9</b>	<b>15.7%</b>	<b>15,477.6</b>	<b>13,830.7</b>	<b>1,646.9</b>	<b>11.9%</b>
<b>Non-Tax Revenue:</b>								
Treasurer's Investments	7.1	5.9	1.2	20.3%	71.4	78.3	(6.9)	(8.8)%
Judicial Fees	12.0	12.7	(0.7)	(5.5)%	141.6	139.0	2.6	1.9%
Insurance	7.5	7.5	—	—	51.7	51.1	0.6	1.2%
Disproportionate Share	—	—	—	—	111.1	97.1	14.0	14.4%
Highway Fund Transfer In	—	1.4	(1.4)	(100.0)%	16.2	16.4	(0.2)	(1.2)%
Highway Trust Fund Transfer In	—	—	—	—	242.5	252.4	(9.9)	(3.9)%
Other	16.9	10.9	6.0	55.0%	214.4	334.8	(120.4)	(36.0)%
<b>Total Non-Tax Revenue</b>	<b>43.5</b>	<b>38.4</b>	<b>5.1</b>	<b>13.3%</b>	<b>848.9</b>	<b>969.1</b>	<b>(120.2)</b>	<b>(12.4)%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,624.7</b>	<b>\$ 1,404.7</b>	<b>\$ 220.0</b>	<b>15.7%</b>	<b>\$ 16,326.5</b>	<b>\$ 14,799.8</b>	<b>\$ 1,526.7</b>	<b>10.3%</b>

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through June 30, actual tax and non-tax revenues increased by \$1.5 billion, or 10.3%. The substantial decrease in non-tax other revenue is due to a transfer-in of \$108.8 million from reserves to generate additional funds for the 2004 fiscal year that did not occur in fiscal year 2005. The net, or actual, tax and non-tax revenues through June 2005 of \$16.3 billion were more than the projected revenues by \$681.5 million.

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

#### Increase

- \$899.4 million for Individual Tax;
- \$416.5 million for Corporate Income;
- \$255.0 million for Sales and Use Tax and

#### Decrease

- \$120.4 million for Non-tax Other

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

June 30, 2005

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

For the Month of June 2005, and the Twelve Months Ended June 30, 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	\$ 753.5	\$ 834.7	\$ 81.2	110.8%	\$ 8,105.9	\$ 8,409.3	\$ 303.4	103.7%
Corporate Income [1]	153.3	182.4	29.1	119.0%	881.4	1,193.5	312.1	135.4%
Sales and Use	370.5	391.0	20.5	105.5%	4,358.5	4,477.2	118.7	102.7%
Franchise	(1.6)	10.8	12.4	(675.0%)	478.3	498.7	20.4	104.3%
Insurance	116.0	139.9	23.9	120.6%	448.2	431.7	(16.5)	96.3%
Beverage	17.3	19.4	2.1	112.1%	185.8	189.3	3.5	101.9%
Inheritance	11.3	8.5	(2.8)	75.2%	136.2	135.2	(1.0)	99.3%
Privilege License	5.7	5.9	0.2	103.5%	43.1	45.0	1.9	104.4%
Tobacco Products	4.0	3.8	(0.2)	95.0%	44.9	43.0	(1.9)	95.8%
Real Estate Conveyance Excise	(4.4)	(4.4)	—	100.0%	—	—	—	—
Gift	0.3	0.4	0.1	133.3%	18.2	18.9	0.7	103.8%
White Goods Disposal	(0.7)	(0.7)	—	100.0%	—	—	—	—
Scrap Tire Disposal	(2.1)	(2.1)	—	100.0%	—	—	—	—
Freight Car Lines	—	—	—	—	—	0.4	0.4	—
Piped Natural Gas	(9.8)	(8.6)	1.2	87.8%	38.8	35.1	(3.7)	90.5%
Other	0.6	0.2	(0.4)	33.3%	1.1	0.3	(0.8)	27.3%
<b>Total Tax Revenue</b>	<u>1,413.9</u>	<u>1,581.2</u>	<u>167.3</u>	111.8%	<u>14,740.4</u>	<u>15,477.6</u>	<u>737.2</u>	105.0%
<b>Non-Tax Revenue</b>								
Treasurer's Investments	8.2	7.1	(1.1)	86.6%	86.0	71.4	(14.6)	83.0%
Judicial Fees	11.4	12.0	0.6	105.3%	136.7	141.6	4.9	103.6%
Insurance	9.5	7.5	(2.0)	78.9%	58.0	51.7	(6.3)	89.1%
Disproportionate share	—	—	—	—	100.0	111.1	11.1	111.1%
Highway Fund Transfer In	—	—	—	—	16.2	16.2	—	100.0%
Highway Trust Fund Transfer In	—	—	—	—	242.5	242.5	—	100.0%
Other	57.4	16.9	(40.5)	29.4%	265.4	214.4	(50.8)	80.8%
<b>Total Non-Tax Revenue</b>	<u>86.5</u>	<u>43.5</u>	<u>(43.0)</u>	50.3%	<u>904.8</u>	<u>848.9</u>	<u>(55.7)</u>	93.8%
<b>Total Tax and Non-Tax Revenue</b>	<u>\$ 1,500.4</u>	<u>\$ 1,624.7</u>	<u>\$ 124.3</u>	108.3%	<u>\$ 15,645.2</u>	<u>\$ 16,326.5</u>	<u>\$ 681.5</u>	104.4%

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

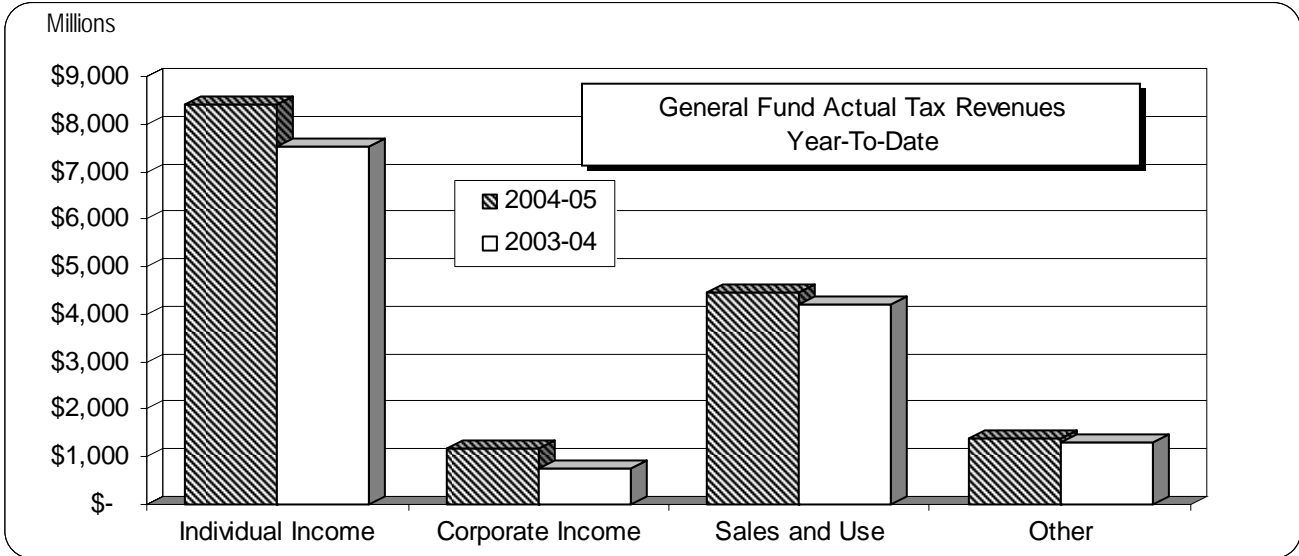
	2004-05		2003-04	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 182.4	\$ 1,193.5	\$ 166.6	\$ 777.0
Public School Building Capital Fund	—	78.4	—	57.6
Critical School Facility Needs Fund	—	—	—	2.5
Public School Fund (General Fund receipt to DPI)	—	—	—	—
	<u>—</u>	<u>78.4</u>	<u>—</u>	<u>60.1</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 182.4</u>	<u>\$ 1,271.9</u>	<u>\$ 166.6</u>	<u>\$ 837.1</u>

SUMMARY OF FINANCIAL CONDITION

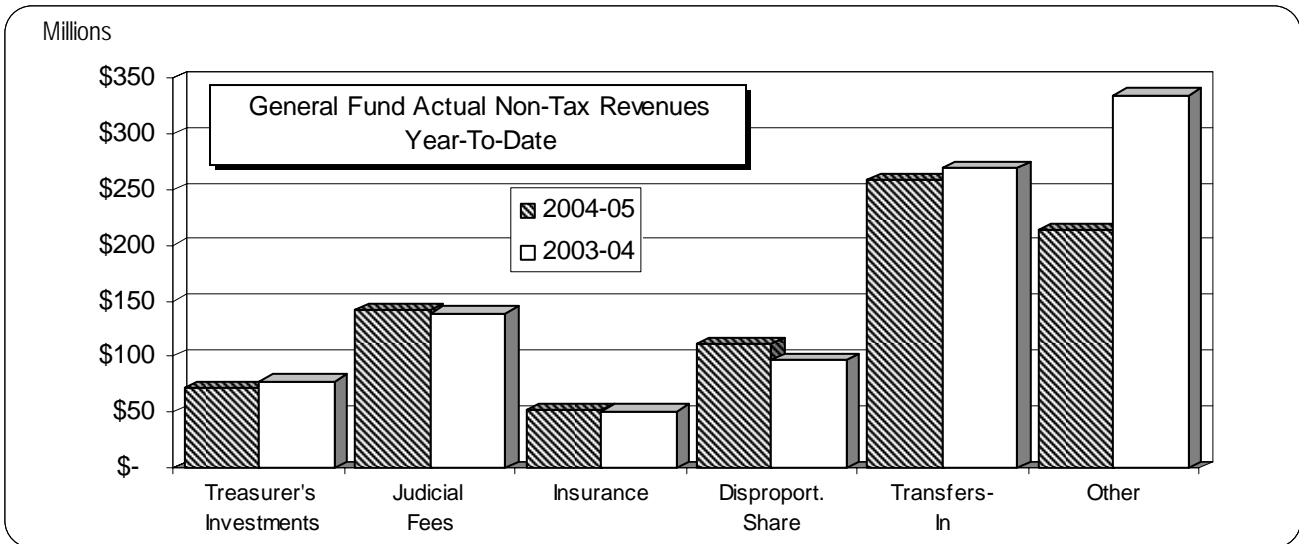
June 30, 2005

Tax revenues through June 2005 were more than the period through June 2004 by \$1.6 billion, or 11.9%. 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 June 2005 was \$120.2 million, or 12.4%, less than through the end of June 2004. The substantial decrease in non-tax other revenue is due to a transfer-in of \$108.8 million from reserves to generate additional funds for the 2004 fiscal year that is not planned for fiscal year 2005. Investment revenues decreased by \$6.9 million from the prior year through the end of June.



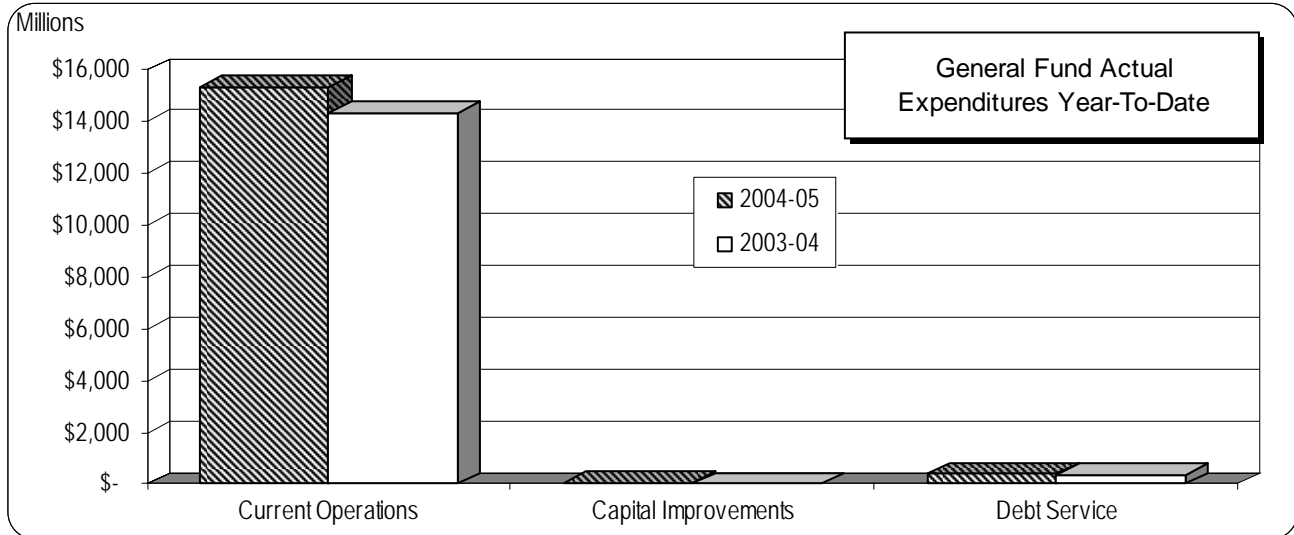
# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

June 30, 2005

### Expenditures

Actual appropriation expenditures through June 2005 were more than actual appropriation expenditures through June 2004 by \$1.1 billion, or 7.4%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through June 2005 were more than such expenditures through June 2004 by \$1.0 billion, or 7.2%.

### State of North Carolina

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

Expressed in Millions

	2004-05	2003-04	Change	Percent Change	Percent of Total Expenditures	
					2004-05	2003-04
<b>Current Operations:</b>						
General Government	\$ 318.7	\$ 288.2	\$ 30.5	10.6%	2.0%	2.0%
Education	9,185.9	8,631.0	554.9	6.4%	58.1%	58.7%
Health and Human Services <sub>1</sub>	3,922.9	3,476.2	446.7	12.9%	24.8%	23.6%
Economic Development	74.1	142.6	(68.5)	(48.0%)	0.5%	1.0%
Environment and Natural Resources	212.6	204.5	8.1	4.0%	1.3%	1.4%
Public Safety, Correction, and Regulation	1,563.6	1,479.7	83.9	5.7%	9.9%	10.1%
Agriculture	48.6	46.3	2.3	5.0%	0.3%	0.3%
Operating Reserves/Rounding <sub>2</sub>	21.3	45.1	(23.8)	(52.8%)	0.1%	0.3%
<b>Total Current Operations</b>	<b>15,347.7</b>	<b>14,313.6</b>	<b>1,034.1</b>	<b>7.2%</b>	<b>97.1%</b>	<b>97.3%</b>
<b>Capital Improvements:</b>						
Funded by General Fund	45.2	27.6	17.6	63.8%	0.3%	0.2%
<b>Debt Service</b>	<b>405.5</b>	<b>363.0</b>	<b>42.5</b>	<b>11.7%</b>	<b>2.6%</b>	<b>2.5%</b>
<b>Total Expenditures</b>	<b>\$ 15,798.4</b>	<b>\$ 14,704.2</b>	<b>\$ 1,094.2</b>	<b>7.4%</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.

<sub>1</sub> The substantial variance with prior year authorized is due primarily to a \$300 million increase in budget for Medicaid in fiscal year 2

<sub>2</sub> The substantial variance with prior year is due to a \$10 million retirement reimbursement in fiscal year 2004.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

June 30, 2005

Summary Information - Highway Fund and Highway Trust Fund

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

For the Months of June 2005 and 2004, and the Twelve Months Ended June 30, 2005 and 2004

(Expressed in Millions)

	Month				Year-To-Date			
	2004-05	2003-04	Change	Percent Change	2004-05	2003-04	Change	Percent Change
<b>Highway Fund</b>								
Motor Fuels Tax	\$ 86.8	\$ 83.1	\$ 3.7	4.5%	\$ 959.9	\$ 934.6	\$ 25.3	2.7%
Motor Vehicle License Fees	17.5	19.5	(2.0)	(10.3%)	279.9	271.8	8.1	3.0%
Driver License Fees	7.5	6.5	1.0	15.4%	79.4	74.8	4.6	6.1%
Motor Fuels and Oil Inspection Fees	1.2	1.1	0.1	9.1%	15.2	13.9	1.3	9.4%
Other	5.6	5.3	0.3	5.7%	58.1	51.8	6.3	12.2%
<b>Subtotal - Highway Fund</b>	<b>118.6</b>	<b>115.5</b>	<b>3.1</b>	<b>2.7%</b>	<b>1,392.5</b>	<b>1,346.9</b>	<b>45.6</b>	<b>3.4%</b>
<b>Highway Trust Fund</b>								
Highway Use Tax	50.2	50.3	(0.1)	(0.2%)	551.4	547.7	3.7	0.7%
Motor Fuels Tax	28.9	27.6	1.3	4.7%	320.4	311.8	8.6	2.8%
Title Fee	7.7	7.7	-	-	85.0	83.7	1.3	1.6%
Motor Vehicle Lease	2.8	2.3	0.5	21.7%	28.7	30.6	(1.9)	(6.2%)
Registration	0.9	0.9	-	-	10.0	10.1	(0.1)	(1.0%)
Lien Recording	0.3	0.2	0.1	50.0%	2.3	2.1	0.2	9.5%
Repayment Fee	0.1	0.1	-	-	0.9	0.7	0.2	28.6%
<b>Subtotal - Highway Trust Fund</b>	<b>90.9</b>	<b>89.1</b>	<b>1.8</b>	<b>2.0%</b>	<b>998.7</b>	<b>986.7</b>	<b>12.0</b>	<b>1.2%</b>
<b>Payables and Receipts</b>								
Special Registration Plate Fund	0.4	0.3	0.1	33.3%	3.9	3.5	0.4	11.4%
Safety Inspection and Exhaust Emission	0.5	0.4	0.1	25.0%	4.5	4.0	0.5	12.5%
Transportation Authority/TransPark	0.4	0.4	-	-	4.9	4.7	0.2	4.3%
Recreation and Natural Heritage Trust Fund	0.3	0.4	(0.1)	(25.0%)	3.9	3.2	0.7	21.9%
Other Receipts	1.6	1.9	(0.3)	(15.8%)	20.1	15.2	4.9	32.2%
<b>Subtotal - Payables and Receipts</b>	<b>3.2</b>	<b>3.4</b>	<b>(0.2)</b>	<b>(5.9%)</b>	<b>37.3</b>	<b>30.6</b>	<b>6.7</b>	<b>21.9%</b>
	<b>\$ 212.7</b>	<b>\$ 208.0</b>	<b>\$ 4.7</b>	<b>2.3%</b>	<b>\$ 2,428.5</b>	<b>\$ 2,364.2</b>	<b>\$ 64.3</b>	<b>2.7%</b>