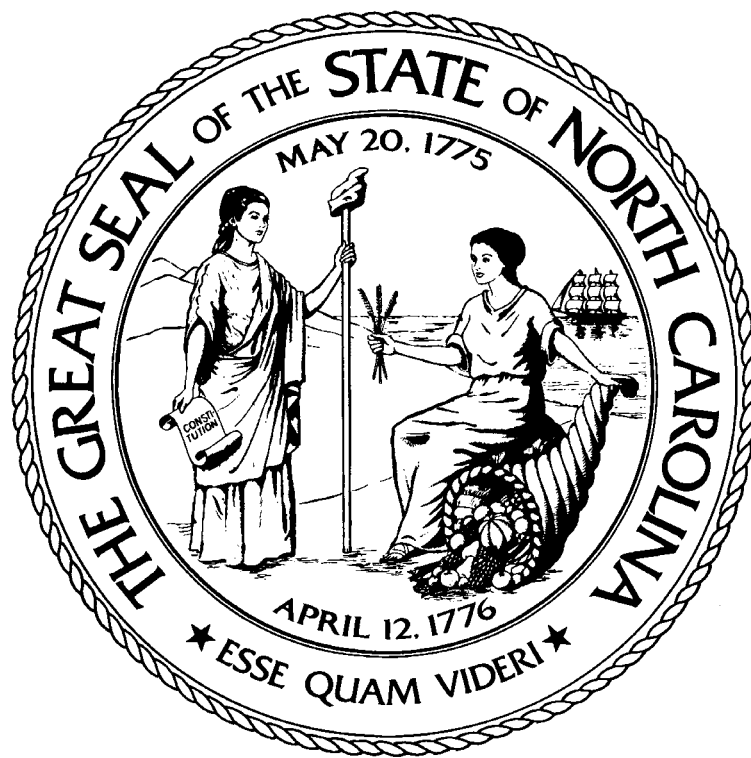


STATE OF  
***NORTH CAROLINA***

*SUMMARY OF FINANCIAL CONDITION*  
*MARCH 31, 2004*

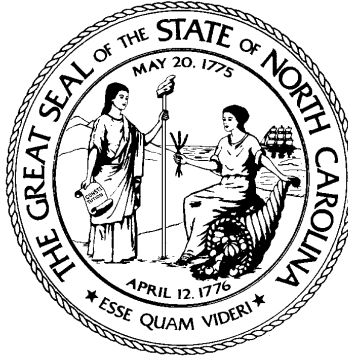
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*OFFICE OF THE STATE CONTROLLER*

# STATE OF NORTH CAROLINA



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

April 27, 2004

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the nine months ended March 31, 2004. 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.

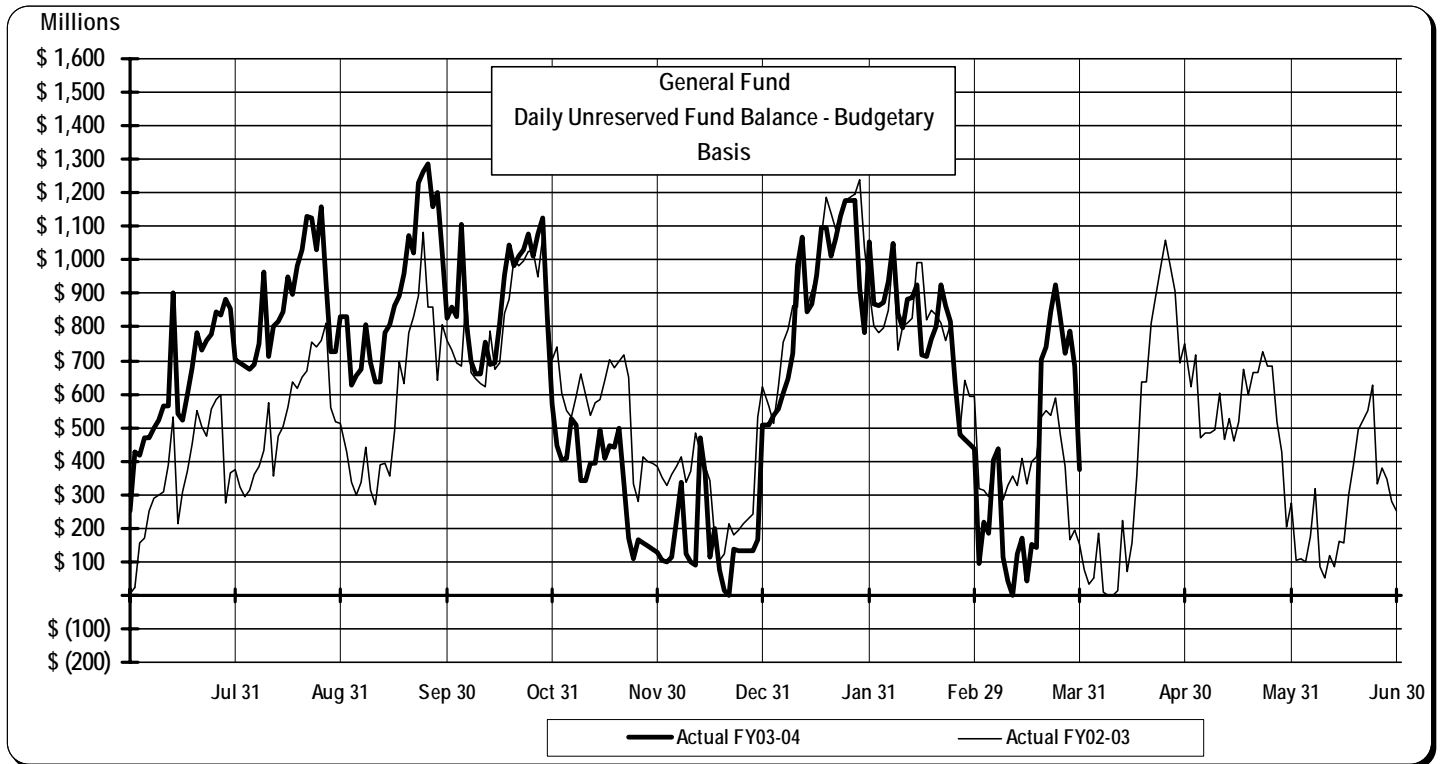
Sincerely,  
Robert L. Powell  
State Controller  
(919) 981-5454

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

March 31, 2004

### Fund Balance



At March 31, 2004 and 2003, 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><u>Reserved:</u></b>		
Savings account (G.S. 143-15.3).....	\$ 150.4	\$ —
Section 401(b) Federal.....	—	—
Retirees' Health Premiums.....	46.5	32.5
Repairs and Renovations (G.S. 143-15.3A).....	15.0	—
Disproportionate Share.....	1.5	—
Disaster relief.....	9.0	—
NC One Fund.....	1.5	—
Budgetary Shortfall Funds.....	11.7	195.5
Total Reserved.....	<u>235.6</u>	<u>228.0</u>
<b><u>Unreserved:</u></b>		
Fund Balance - July 1.....	250.5	3.8
Transfer from reserves.....	273.7	21.2
Transfer to reserves.....	(136.9)	—
Nonrecurring transfers from other funds.....	—	—
Excess of revenue over (under) expenditures.....	(11.4)	137.8
Total Unreserved.....	<u>375.9</u>	<u>162.8</u>
Total Fund Balance.....	<u>\$ 611.5</u>	<u>\$ 390.8</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). The Office of State Budget and Management also directed the release of Section 401(b) Federal reserved funds in March 2004 to fund the third and fourth quarter allotments in the Department of Corrections.

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

March 31, 2004

### Revenues - Tax and Non-Tax

#### General Fund Actual Net Revenues

Expressed In Millions

	March				Year-To-Date Through March			
	2003-04	2002-03	Change	% Change	2003-04	2002-03	Change	% Change
<b>Tax Revenues:</b>								
Individual Income	\$ 368.1	\$ 319.2	\$ 48.9	15.3%	\$ 5,370.0	\$ 5,177.2	\$ 192.8	3.7%
Corporate Income	195.7	141.9	53.8	37.9%	521.2	573.6	(52.4)	(9.1)%
Sales and Use	315.9	261.2	54.7	20.9%	3,184.4	2,942.4	242.0	8.2%
Franchise	150.9	137.1	13.8	10.1%	386.3	368.1	18.2	4.9%
Insurance	39.9	46.1	(6.2)	(13.4)%	171.5	169.7	1.8	1.1%
Piped Natural Gas	4.3	2.8	1.5	53.6%	36.8	34.8	2.0	5.7%
Beverage	14.7	14.1	0.6	4.3%	135.1	126.9	8.2	6.5%
Inheritance	7.4	8.7	(1.3)	(14.9)%	97.1	88.6	8.5	9.6%
Privilege License	0.9	0.8	0.1	12.5%	27.8	28.5	(0.7)	(2.5)%
Tobacco Products	3.2	3.1	0.1	3.2%	32.1	31.7	0.4	1.3%
Real Estate Conveyance Excise	(0.6)	—	(0.6)	—	3.2	10.0	(6.8)	(68.0)%
Gift	1.0	0.8	0.2	25.0%	4.4	3.5	0.9	25.7%
White Goods Disposal	0.3	0.4	(0.1)	(25.0)%	1.0	1.0	—	—
Scrap Tire Disposal	0.9	0.7	0.2	28.6%	2.7	2.4	0.3	12.5%
Freight Car Lines	—	—	—	—	—	—	—	—
Other	—	0.1	(0.1)	(100.0)%	—	0.2	(0.2)	(100.0)%
<b>Total Tax Revenue</b>	<b>1,102.6</b>	<b>937.0</b>	<b>165.6</b>	<b>17.7%</b>	<b>9,973.6</b>	<b>9,558.6</b>	<b>415.0</b>	<b>4.3%</b>
<b>Non-Tax Revenue:</b>								
Treasurer's Investments	6.4	6.5	(0.1)	(1.5)%	61.7	82.3	(20.6)	(25.0)%
Judicial Fees	13.2	11.4	1.8	15.8%	103.0	91.6	11.4	12.4%
Insurance	1.9	2.2	(0.3)	(13.6)%	21.7	19.9	1.8	9.0%
Disproportionate Share	—	—	—	—	97.1	107.3	(10.2)	(9.5)%
Highway Fund Transfer In	—	—	—	—	10.9	11.5	(0.6)	(5.2)%
Highway Trust Fund Transfer In	—	—	—	—	189.3	283.1	(93.8)	(33.1)%
Other	45.4	11.7	33.7	288.0%	235.2	113.4	121.8	107.4%
<b>Total Non-Tax Revenue</b>	<b>66.9</b>	<b>31.8</b>	<b>35.1</b>	<b>110.4%</b>	<b>718.9</b>	<b>709.1</b>	<b>9.8</b>	<b>1.4%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,169.5</b>	<b>\$ 968.8</b>	<b>\$ 200.7</b>	<b>20.7%</b>	<b>\$ 10,692.5</b>	<b>\$ 10,267.7</b>	<b>\$ 424.8</b>	<b>4.1%</b>

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through March 31, actual tax and non-tax revenues increased by \$424.8 million, or 4.1%. The net, or actual, tax and non-tax revenues through March 2004 of \$10.693 billion were more than the projected revenues by \$137.8 million.

For fiscal year 2003-04, the entire amount reserved for Section 401(b) Federal Funds of \$273.7 million was released for availability to specifically fund the third and fourth quarter allotments in the Department of Corrections. For fiscal year 2002-03, the local government tax reimbursement was repealed. In addition in fiscal year 2002-03, 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 March 2004 included:

- \$242.0 million for Sales and Use Tax;
- \$192.8 million for Individual Income Tax; and
- \$121.8 million for Miscellaneous Non-tax

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

March 31, 2004

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

For the Month of March 2004, and the Nine Months Ended March 31, 2004  
(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	\$ 365.3	\$ 368.1	\$ 2.8	100.8%	\$ 5,359.6	\$ 5,370.0	\$ 10.4	100.2%
Corporate Income [1]	148.7	195.7	47.0	131.6%	489.3	521.2	31.9	106.5%
Sales and Use	294.5	315.9	21.4	107.3%	3,069.0	3,184.4	115.4	103.8%
Franchise	138.6	150.9	12.3	108.9%	386.4	386.3	(0.1)	100.0%
Insurance	51.2	39.9	(11.3)	77.9%	191.4	171.5	(19.9)	89.6%
Beverage	15.1	14.7	(0.4)	97.4%	131.4	135.1	3.7	102.8%
Inheritance	8.9	7.4	(1.5)	83.1%	80.3	97.1	16.8	120.9%
Privilege License	1.0	0.9	(0.1)	90.0%	30.4	27.8	(2.6)	91.4%
Tobacco Products	2.8	3.2	0.4	114.3%	29.0	32.1	3.1	110.7%
Real Estate Conveyance Excise	(0.6)	(0.6)	—	100.0%	3.2	3.2	—	100.0%
Gift	0.5	1.0	0.5	200.0%	3.6	4.4	0.8	122.2%
White Goods Disposal	0.3	0.3	—	100.0%	1.0	1.0	—	100.0%
Scrap Tire Disposal	0.9	0.9	—	100.0%	—	—	—	—
Freight Car Lines	—	—	—	—	2.7	2.7	—	100.0%
Piped Natural Gas	1.3	4.3	3.0	330.8%	34.0	36.8	2.8	108.2%
Other	—	—	—	—	—	—	—	—
<b>Total Tax Revenue</b>	<u>1,028.5</u>	<u>1,102.6</u>	<u>74.1</u>	107.2%	<u>9,811.3</u>	<u>9,973.6</u>	<u>162.3</u>	101.7%
<b>Non-Tax Revenue</b>								
Treasurer's Investments	9.8	6.4	(3.4)	65.3%	83.3	61.7	(21.6)	74.1%
Judicial Fees	11.5	13.2	1.7	114.8%	103.5	103.0	(0.5)	99.5%
Insurance	4.5	1.9	(2.6)	42.2%	21.7	21.7	—	100.0%
Disproportionate share	—	—	—	—	100.0	97.1	(2.9)	97.1%
Highway Fund Transfer In	—	—	—	—	10.9	10.9	—	100.0%
Highway Trust Fund Transfer In	—	—	—	—	189.3	189.3	—	100.0%
Other	44.3	45.4	1.1	102.5%	234.7	235.2	0.5	100.2%
<b>Total Non-Tax Revenue</b>	<u>70.1</u>	<u>66.9</u>	<u>(3.2)</u>	95.4%	<u>743.4</u>	<u>718.9</u>	<u>(24.5)</u>	96.7%
<b>Total Tax and Non-Tax Revenue</b>	<u>\$ 1,098.6</u>	<u>\$ 1,169.5</u>	<u>\$ 70.9</u>	106.5%	<u>\$ 10,554.7</u>	<u>\$ 10,692.5</u>	<u>\$ 137.8</u>	101.3%

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

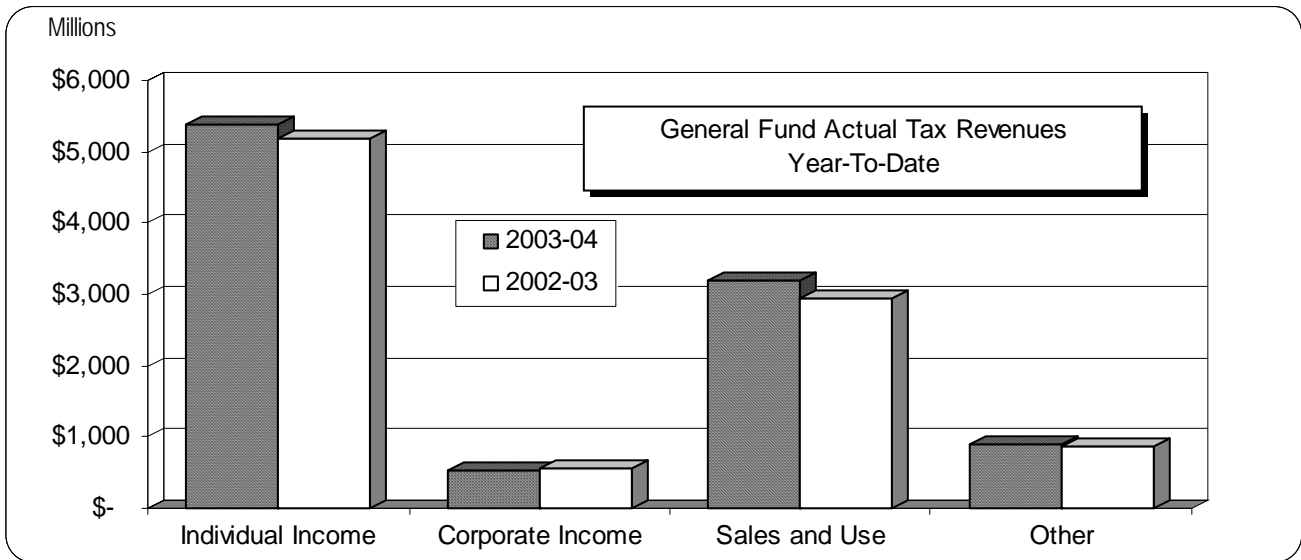
	2003-04		2002-03	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 195.7	\$ 521.2	\$ 141.9	\$ 573.6
Public School Building Capital Fund	—	44.3	—	—
Critical School Facility Needs Fund	—	2.5	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	45.9
	<u>—</u>	<u>46.8</u>	<u>—</u>	<u>45.9</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 195.7</u>	<u>\$ 568.0</u>	<u>\$ 141.9</u>	<u>\$ 619.5</u>

SUMMARY OF FINANCIAL CONDITION

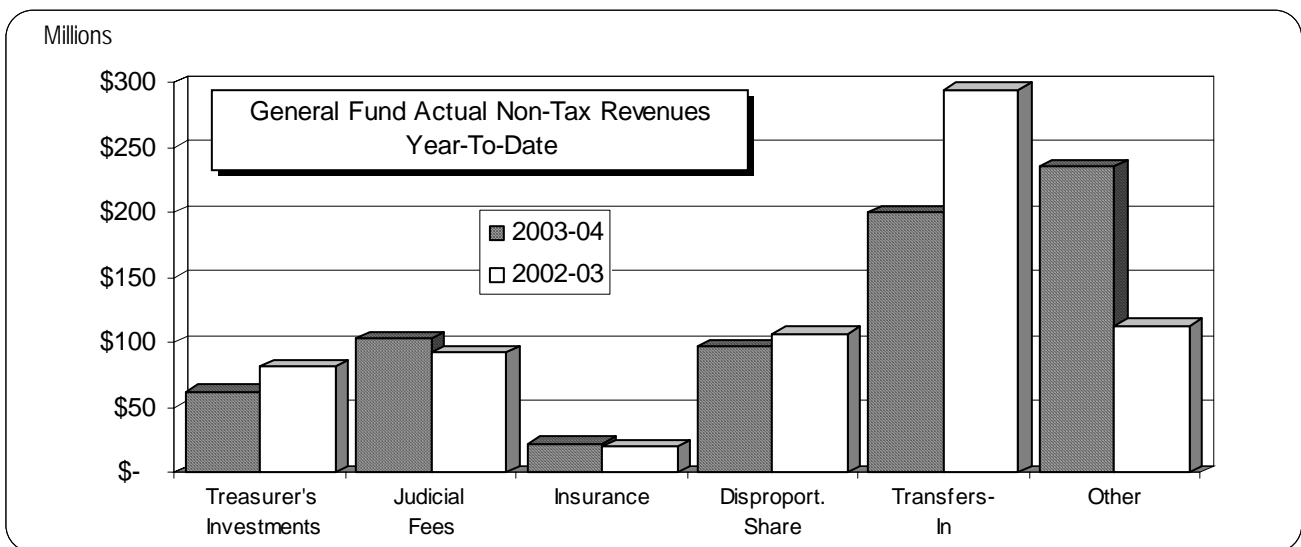
March 31, 2004

Tax revenues through March 2004 were more than the period through March 2003 by \$415.0 million, or 4.3%. 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 March 2004 was \$9.8 million, or 1.4%, more than through the end of March 2003. Investment revenues decreased by \$20.6 million from the prior year through the end of March.



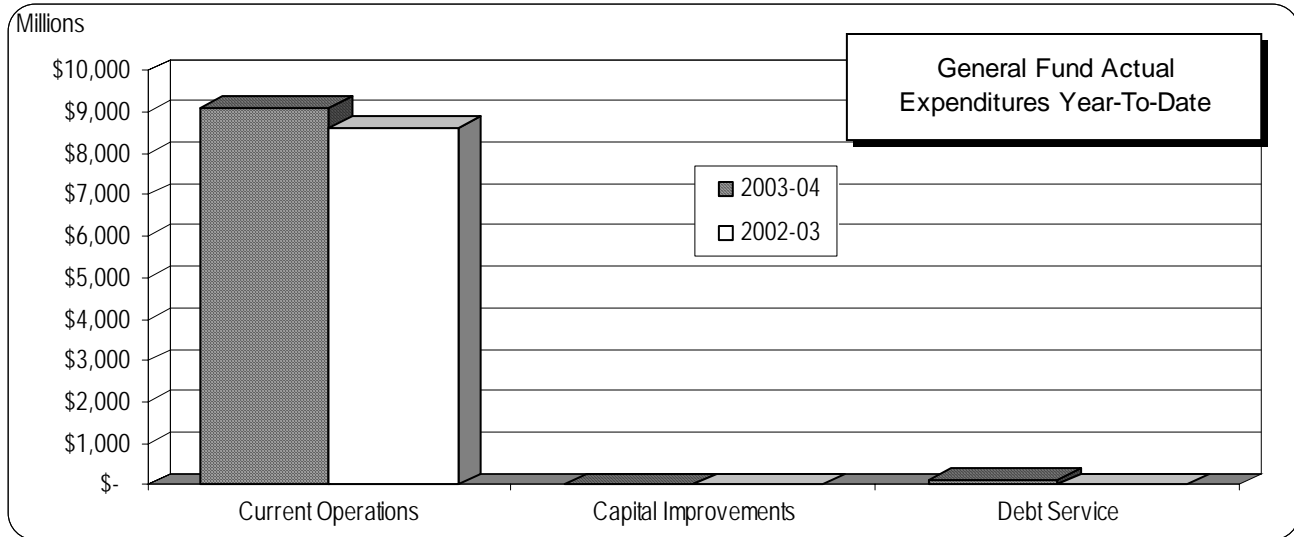
# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

March 31, 2004

### Expenditures

Actual appropriation expenditures through March 2004 were greater than actual appropriation expenditures through March 2003 by \$574.0 million, or 5.7%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through March 2004 were greater than such expenditures through March 2003 by \$498.8 million, or 5.0%.

### State of North Carolina

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

*Expressed in Millions*

	2003-04	2002-03	Change	Percent Change	Percent of Total Expenditures	
					2003-04	2002-03
<b>Current Operations:</b>						
General Government	\$ 213.5	\$ 197.4	\$ 16.1	8.2%	2.0%	1.9%
Education	6,334.3	6,013.9	320.4	5.3%	59.2%	59.4%
Health and Human Services	2,525.1	2,520.8	4.3	0.2%	23.6%	24.9%
Economic Development	48.3	15.7	32.6	207.6%	0.5%	0.2%
Environment and Natural Resources	172.4	153.2	19.2	12.5%	1.6%	1.5%
Public Safety, Correction, and Regulation	1,085.3	994.4	90.9	9.1%	10.1%	9.8%
Agriculture	32.3	33.3	(1.0)	(3.0%)	0.3%	0.3%
Operating Reserves/Rounding	24.8	8.5	16.3	191.8%	0.2%	0.1%
<b>Total Current Operations</b>	<b>10,436.0</b>	<b>9,937.2</b>	<b>498.8</b>	<b>5.0%</b>	<b>97.5%</b>	<b>98.1%</b>
<b>Capital Improvements:</b>						
Funded by General Fund	13.8	15.6	(1.8)	(11.5%)	0.1%	0.2%
<b>Debt Service</b>	<b>254.1</b>	<b>177.1</b>	<b>77.0</b>	<b>43.5%</b>	<b>2.4%</b>	<b>1.7%</b>
<b>Total Expenditures</b>	<b>\$ 10,703.9</b>	<b>\$ 10,129.9</b>	<b>\$ 574.0</b>	<b>5.7%</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

March 31, 2004

### 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 March 2004 and 2003, and the Nine Months Ended March 31, 2004 and 2003								
(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	\$ 69.4	\$ 58.9	\$ 10.5	17.8%	\$ 691.1	\$ 629.9	\$ 61.2	9.7%
Motor Vehicle License Fees	25.2	22.0	3.2	14.5%	215.0	201.4	13.6	6.8%
Driver License Fees	7.2	6.1	1.1	18.0%	55.2	52.3	2.9	5.5%
Motor Fuels and Oil Inspection Fees	1.2	1.1	0.1	9.1%	10.3	10.0	0.3	3.0%
Other	5.1	4.3	0.8	18.6%	37.2	33.8	3.4	10.1%
<b>Subtotal - Highway Fund</b>	<b>108.1</b>	<b>92.4</b>	<b>15.7</b>	<b>17.0%</b>	<b>1,008.8</b>	<b>927.4</b>	<b>81.4</b>	<b>8.8%</b>
<b>Highway Trust Fund</b>								
Highway Use Tax	49.5	40.3	9.2	22.8%	406.2	379.5	26.7	7.0%
Motor Fuels Tax	23.1	24.2	(1.1)	(4.5%)	230.8	210.0	20.8	9.9%
Title Fee	8.2	6.7	1.5	22.4%	61.6	57.7	3.9	6.8%
Motor Vehicle Lease	3.7	3.2	0.5	15.6%	23.5	26.9	(3.4)	(12.6%)
Registration	1.0	0.8	0.2	25.0%	7.5	7.1	0.4	5.6%
Lien Recording	0.2	0.1	0.1	100.0%	1.6	1.6	-	-
Repayment Fee	0.1	-	0.1	-	0.5	0.1	0.4	400.0%
<b>Subtotal - Highway Trust Fund</b>	<b>85.8</b>	<b>75.3</b>	<b>10.5</b>	<b>13.9%</b>	<b>731.7</b>	<b>682.9</b>	<b>48.8</b>	<b>7.1%</b>
<b>Payables and Receipts</b>								
Special Registration Plate Fund	0.3	0.3	-	-	2.6	2.4	0.2	8.3%
Safety Inspection and Exhaust Emission	0.4	0.3	0.1	33.3%	2.9	2.6	0.3	11.5%
Transportation Authority/TransPark	0.4	0.4	-	-	3.4	3.3	0.1	3.0%
Recreation and Natural Heritage Trust Fund	0.4	0.2	0.2	100.0%	2.2	1.8	0.4	22.2%
Other Receipts	0.7	1.1	(0.4)	(36.4%)	9.9	10.2	(0.3)	(2.9%)
<b>Subtotal - Payables and Receipts</b>	<b>2.2</b>	<b>2.3</b>	<b>(0.1)</b>	<b>(4.3%)</b>	<b>21.0</b>	<b>20.3</b>	<b>0.7</b>	<b>3.4%</b>
	<b>\$ 196.1</b>	<b>\$ 170.0</b>	<b>\$ 26.1</b>	<b>15.4%</b>	<b>\$ 1,761.5</b>	<b>\$ 1,630.6</b>	<b>\$ 130.9</b>	<b>8.0%</b>