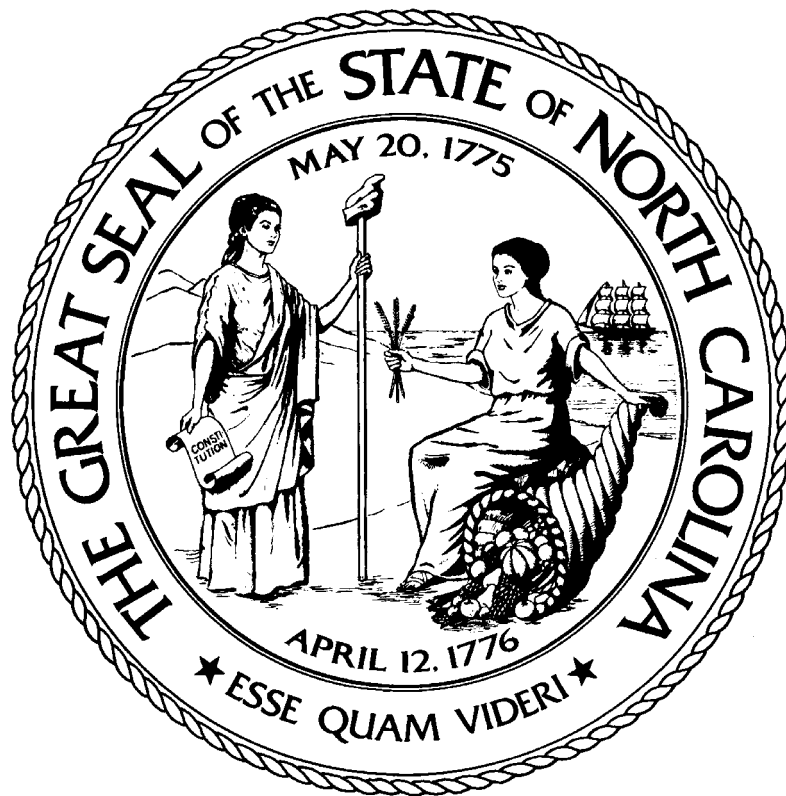


STATE OF  
***NORTH CAROLINA***

*SUMMARY OF FINANCIAL CONDITION*  
*MARCH 31, 2006*

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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

May 5, 2006

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the nine months ended March 31, 2006. 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.

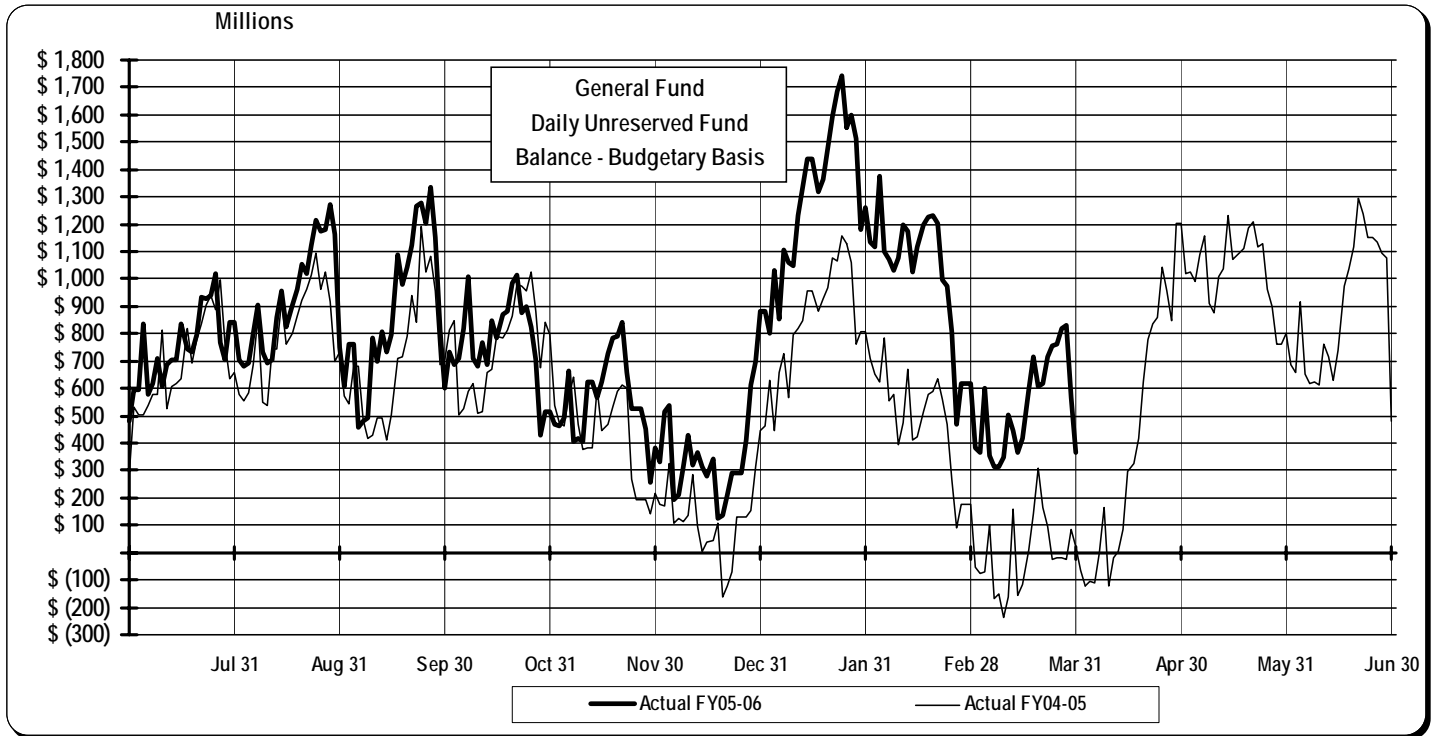
Sincerely,  
Robert L. Powell  
State Controller  
(919) 981-5454

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

March 31, 2006

### Fund Balance



At March 31, 2006 and 2005, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	2005-06	2004-05
<b>Reserved:</b>		
Savings account (G.S. 143-15.3).....	\$ 312.6	\$ 113.5
Job Development Incentive Grants.....	1.1	4.3
Retirees' Health Premiums.....	—	—
Repairs and Renovations (G.S. 143-15.3A).....	125.0	—
Disproportionate Share.....	19.3	1.5
Disaster relief.....	151.4	218.5
One NC Fund.....	1.1	1.1
Budgetary Shortfall Funds.....	—	—
Total Reserved.....	<u>610.5</u>	<u>338.9</u>
<b>Unreserved:</b>		
Fund Balance - July 1.....	478.5	289.4
Transfer from reserves.....	—	—
Transfer to reserves.....	—	(3.8)
Excess of revenue over (under) expenditures.....	(105.1)	(263.8)
Total Unreserved.....	<u>373.4</u>	<u>21.8</u>
Total Fund Balance.....	<u>\$ 983.9</u>	<u>\$ 360.7</u>

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

March 31, 2006

### Revenues - Tax and Non-Tax

#### General Fund Actual Net Revenues

Expressed In Millions

	March				Year-To-Date Through March			
	2005-06	2004-05	Change	% Change	2005-06	2004-05	Change	% Change
<b>Tax Revenues:</b>								
Individual Income	\$ 559.0	\$ 430.9	\$ 128.1	29.7%	\$ 6,312.8	\$ 5,689.6	\$ 623.2	11.0%
Corporate Income	254.5	271.5	(17.0)	(6.3)%	803.3	746.1	57.2	7.7%
Sales and Use	345.0	306.7	38.3	12.5%	3,586.2	3,286.9	299.3	9.1%
Franchise	153.5	152.9	0.6	0.4%	424.3	411.7	12.6	3.1%
Insurance	36.7	26.5	10.2	38.5%	176.6	163.1	13.5	8.3%
Piped Natural Gas	1.5	3.3	(1.8)	(54.5)%	30.3	30.9	(0.6)	(1.9)%
Beverage	16.9	15.7	1.2	7.6%	148.9	140.3	8.6	6.1%
Inheritance	13.1	20.3	(7.2)	(35.5)%	98.8	111.5	(12.7)	(11.4)%
Privilege License	0.6	0.8	(0.2)	(25.0)%	28.4	31.6	(3.2)	(10.1)%
Tobacco Products	15.6	3.0	12.6	420.0%	117.5	32.0	85.5	267.2%
Real Estate Conveyance Excise	(1.1)	(0.5)	(0.6)	120.0%	4.7	3.8	0.9	23.7%
Gift	0.9	1.7	(0.8)	(47.1)%	3.8	5.2	(1.4)	(26.9)%
White Goods Disposal	0.3	0.3	—	—	1.1	1.1	—	—
Scrap Tire Disposal	1.0	0.9	0.1	11.1%	3.0	2.9	0.1	3.4%
Mill Machinery	2.0	—	2.0	—	4.0	—	4.0	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	(0.3)	—	(0.3)	—	(0.1)	—	(0.1)	—
<b>Total Tax Revenue</b>	<b>1,399.2</b>	<b>1,234.0</b>	<b>165.2</b>	<b>13.4%</b>	<b>11,743.6</b>	<b>10,656.7</b>	<b>1,086.9</b>	<b>10.2%</b>
<b>Non-Tax Revenue:</b>								
Treasurer's Investments	10.3	4.7	5.6	119.1%	84.6	53.8	30.8	57.2%
Judicial Fees	15.8	13.1	2.7	20.6%	117.1	106.3	10.8	10.2%
Insurance	3.5	1.9	1.6	84.2%	24.3	21.9	2.4	11.0%
Disproportionate Share	—	—	—	—	91.2	100.0	(8.8)	(8.8)%
Highway Fund Transfer In	—	—	—	—	—	12.3	(12.3)	(100.0)%
Highway Trust Fund Transfer In	—	—	—	—	189.4	181.9	7.5	4.1%
Other	16.6	15.7	0.9	5.7%	83.5	103.1	(19.6)	(19.0)%
<b>Total Non-Tax Revenue</b>	<b>46.2</b>	<b>35.4</b>	<b>10.8</b>	<b>30.5%</b>	<b>590.1</b>	<b>579.3</b>	<b>10.8</b>	<b>1.9%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,445.4</b>	<b>\$ 1,269.4</b>	<b>\$ 176.0</b>	<b>13.9%</b>	<b>\$ 12,333.7</b>	<b>\$ 11,236.0</b>	<b>\$ 1,097.7</b>	<b>9.8%</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 \$1.1 billion, or 9.8%. The net, or actual, tax and non-tax revenues through March 31 of \$12.3 billion were more than the projected revenues by \$365 million.

Major components of tax and non-tax revenues that increased or decreased from the prior year through the end of March 2006 included:

#### Increase

- \$623.2 million for Individual Income
- \$299.3 million for Sales and Use
- \$57.2 million for Corporate Income
- \$30.8 million for Treasurer's Investments
- \$85.5 million for Tobacco Products

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

March 31, 2006

### State of North Carolina

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

For the Month of March 2006, and the Nine Months Ended March 31, 2006  
(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	\$ 500.3	\$ 559.0	\$ 58.7	111.7%	\$ 6,201.4	\$ 6,312.8	\$ 111.4	101.8%
Corporate Income [1]	174.7	254.5	79.8	145.7%	674.2	803.3	129.1	119.1%
Sales and Use	299.7	345.0	45.3	115.1%	3,461.3	3,586.2	124.9	103.6%
Franchise	175.8	153.5	(22.3)	87.3%	428.5	424.3	(4.2)	99.0%
Insurance	37.8	36.7	(1.1)	97.1%	176.4	176.6	0.2	100.1%
Beverage	17.9	16.9	(1.0)	94.4%	149.8	148.9	(0.9)	99.4%
Inheritance	11.6	13.1	1.5	112.9%	103.4	98.8	(4.6)	95.6%
Privilege License	1.0	0.6	(0.4)	60.0%	31.7	28.4	(3.3)	89.6%
Tobacco Products	16.3	15.6	(0.7)	95.7%	110.5	117.5	7.0	106.3%
Real Estate Conveyance Excise	(1.1)	(1.1)	—	100.0%	4.7	4.7	—	100.0%
Gift	0.8	0.9	0.1	112.5%	3.5	3.8	0.3	108.6%
White Goods Disposal	0.3	0.3	—	100.0%	1.1	1.1	—	100.0%
Scrap Tire Disposal	1.0	1.0	—	100.0%	3.0	3.0	—	100.0%
Freight Car Lines	—	—	—	—	—	—	—	—
Piped Natural Gas	3.7	1.5	(2.2)	40.5%	32.1	30.3	(1.8)	94.4%
Mill Machinery	3.3	2.0	(1.3)	60.6%	6.6	4.0	(2.6)	60.6%
Other	—	(0.3)	(0.3)	—	—	(0.1)	(0.1)	—
<b>Total Tax Revenue</b>	<u>1,243.1</u>	<u>1,399.2</u>	<u>156.1</u>	112.6%	<u>11,388.2</u>	<u>11,743.6</u>	<u>355.4</u>	103.1%
<b>Non-Tax Revenue</b>								
Treasurer's Investments	6.1	10.3	4.2	168.9%	56.4	84.6	28.2	150.0%
Judicial Fees	14.1	15.8	1.7	112.1%	119.4	117.1	(2.3)	98.1%
Insurance	1.9	3.5	1.6	184.2%	21.3	24.3	3.0	114.1%
Disproportionate share	—	—	—	—	91.2	91.2	—	100.0%
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	—	—	—	—	189.4	189.4	—	100.0%
Other	25.0	16.6	(8.4)	66.4%	102.8	83.5	(19.3)	81.2%
<b>Total Non-Tax Revenue</b>	<u>47.1</u>	<u>46.2</u>	<u>(0.9)</u>	98.1%	<u>580.5</u>	<u>590.1</u>	<u>9.6</u>	101.7%
<b>Total Tax and Non-Tax Revenue</b>	<u>\$ 1,290.2</u>	<u>\$ 1,445.4</u>	<u>\$ 155.2</u>	112.0%	<u>\$ 11,968.7</u>	<u>\$ 12,333.7</u>	<u>\$ 365.0</u>	103.0%

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

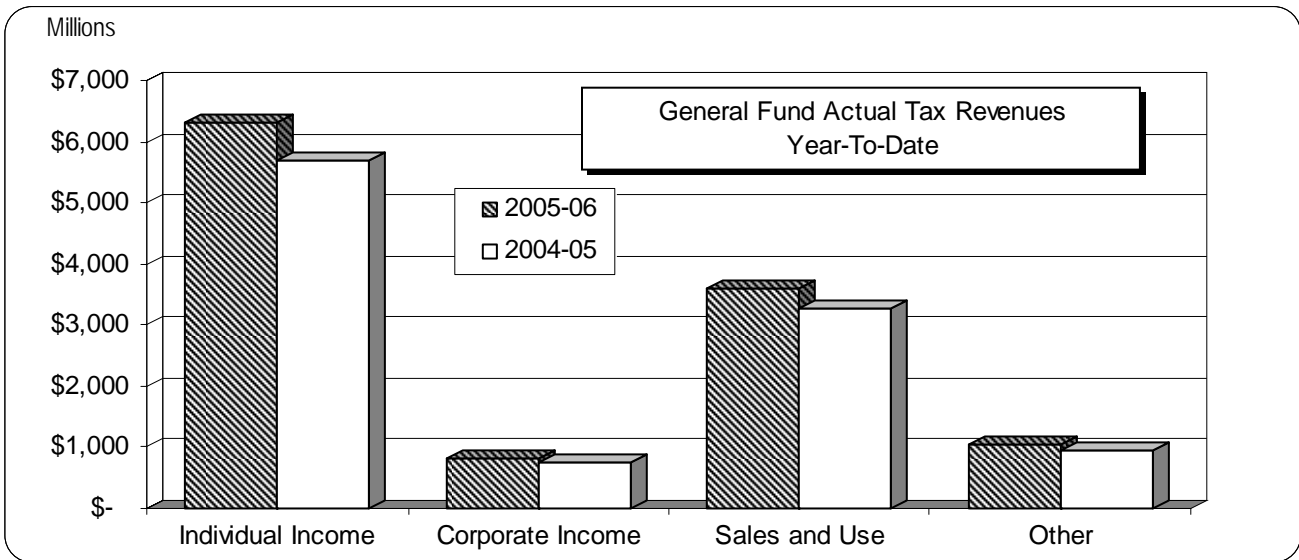
	2005-06		2004-05	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 254.5	\$ 803.3	\$ 271.5	\$ 746.1
Public School Building Capital Fund	—	78.3	—	52.7
Critical School Facility Needs Fund	—	—	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	—
	<u>—</u>	<u>78.3</u>	<u>—</u>	<u>52.7</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 254.5</u>	<u>\$ 881.6</u>	<u>\$ 271.5</u>	<u>\$ 798.8</u>

SUMMARY OF FINANCIAL CONDITION

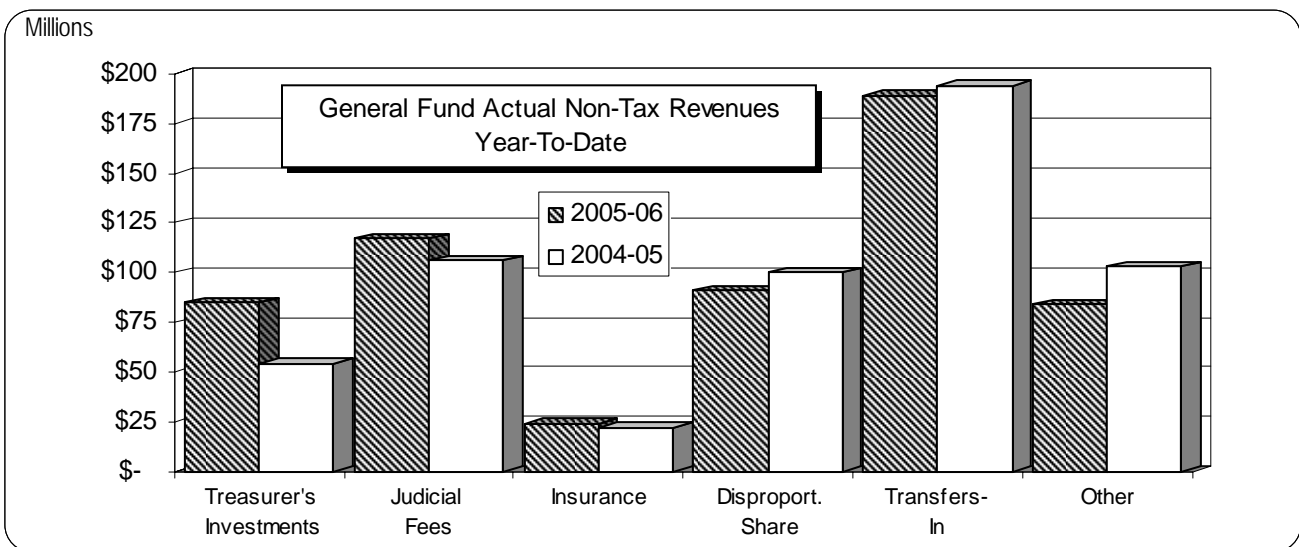
March 31, 2006

Tax revenues through March 2006 were more than the period through March 2005 by \$1.1 billion, or 10.2%. 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 2006 was \$10.8 million more than through the end of March 2005. Investment revenues increased by \$30.8 million from the prior year through the end of February.



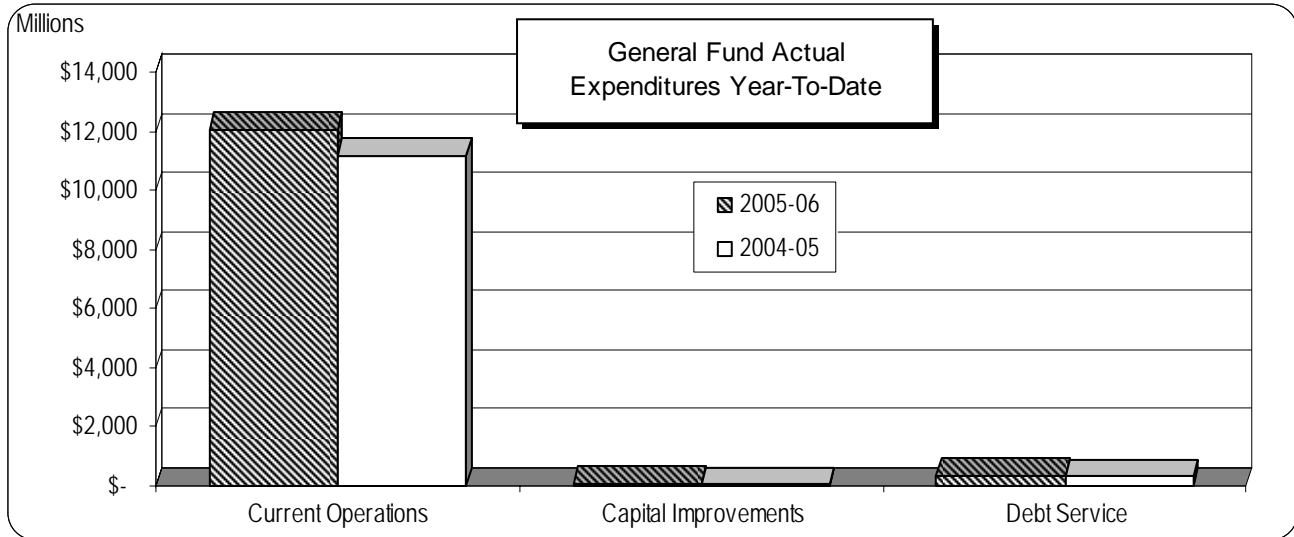
# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

March 31, 2006

### Expenditures

Actual appropriation expenditures through March 2006 were more than actual appropriation expenditures through March 2005 by \$939 million, or 8.2%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through March 2006 were more than such expenditures through March 2005 by \$891.9 million, or 8.0%.

### State of North Carolina

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

Expressed in Millions

	2005-06	2004-05	Change	Percent Change	Percent of Total Expenditures	
					2005-06	2004-05
<b>Current Operations:</b>						
General Government	\$ 227.9	\$ 223.8	\$ 4.1	1.8%	1.8%	1.9%
Education	7,160.9	6,645.0	515.9	7.8%	57.6%	57.8%
Health and Human Services	3,031.6	2,858.7	172.9	6.0%	24.4%	24.9%
Economic Development	77.4	54.0	23.4	43.3%	0.6%	0.5%
Environment and Natural Resources	209.6	166.2	43.4	26.1%	1.7%	1.4%
Public Safety, Correction, and Regulation	1,240.4	1,158.0	82.4	7.1%	10.0%	10.1%
Agriculture	36.8	34.1	2.7	7.9%	0.3%	0.3%
Operating Reserves/Rounding	65.6	18.5	47.1	254.6%	0.5%	0.2%
<b>Total Current Operations</b>	<b>12,050.2</b>	<b>11,158.3</b>	<b>891.9</b>	<b>8.0%</b>	<b>96.9%</b>	<b>97.0%</b>
<b>Capital Improvements:</b>						
Funded by General Fund	41.2	33.9	7.3	21.5%	0.3%	0.3%
<b>Debt Service</b>	<b>347.4</b>	<b>307.6</b>	<b>39.8</b>	<b>12.9%</b>	<b>2.8%</b>	<b>2.7%</b>
<b>Total Expenditures</b>	<b>\$ 12,438.8</b>	<b>\$ 11,499.8</b>	<b>\$ 939.0</b>	<b>8.2%</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, 2006

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

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

For the Months of March 2006 and 2005, and the Nine Months Ended March 31, 2006 and 2005

(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	\$ 77.8	\$ 74.7	\$ 3.1	4.1%	\$ 779.8	\$ 699.3	\$ 80.5	11.5%
Motor Vehicle License Fees	36.6	23.9	12.7	53.1%	293.1	223.4	69.7	31.2%
Driver License Fees	11.6	7.0	4.6	65.7%	81.0	58.5	22.5	38.5%
Motor Fuels and Oil Inspection Fees	1.0	1.2	(0.2)	(16.7%)	10.7	11.3	(0.6)	(5.3%)
Other	6.2	5.3	0.9	17.0%	47.2	43.3	3.9	9.0%
<b>Subtotal - Highway Fund</b>	<b>133.2</b>	<b>112.1</b>	<b>21.1</b>	<b>18.8%</b>	<b>1,211.8</b>	<b>1,035.8</b>	<b>176.0</b>	<b>17.0%</b>
<b>Highway Trust Fund</b>								
Highway Use Tax	49.9	48.8	1.1	2.3%	406.3	410.8	(4.5)	(1.1%)
Motor Fuels Tax	25.9	25.0	0.9	3.6%	260.3	233.6	26.7	11.4%
Title Fee	8.9	7.9	1.0	12.7%	66.6	62.8	3.8	6.1%
Motor Vehicle Lease	2.6	2.4	0.2	8.3%	20.9	21.5	(0.6)	(2.8%)
Registration	1.3	0.8	0.5	62.5%	9.3	7.4	1.9	25.7%
Lien Recording	0.3	0.2	0.1	50.0%	2.2	1.7	0.5	29.4%
Repayment Fee	0.1	0.1	-	-	0.7	0.6	0.1	16.7%
<b>Subtotal - Highway Trust Fund</b>	<b>89.0</b>	<b>85.2</b>	<b>3.8</b>	<b>4.5%</b>	<b>766.3</b>	<b>738.4</b>	<b>27.9</b>	<b>3.8%</b>
<b>Payables and Receipts</b>								
Special Registration Plate Fund	0.4	0.3	0.1	33.3%	3.0	2.8	0.2	7.1%
Safety Inspection and Exhaust Emission	0.4	0.4	-	-	3.5	3.3	0.2	6.1%
Transportation Authority/TransPark	0.5	0.4	0.1	25.0%	3.8	3.6	0.2	5.6%
Recreation and Natural Heritage Trust Fund	0.4	0.4	-	-	2.9	2.9	-	-
Other Receipts	2.5	1.7	0.8	47.1%	18.6	14.5	4.1	28.3%
<b>Subtotal - Payables and Receipts</b>	<b>4.2</b>	<b>3.2</b>	<b>1.0</b>	<b>31.3%</b>	<b>31.8</b>	<b>27.1</b>	<b>4.7</b>	<b>17.3%</b>
	<b>\$ 226.4</b>	<b>\$ 200.5</b>	<b>\$ 25.9</b>	<b>12.9%</b>	<b>\$ 2,009.9</b>	<b>\$ 1,801.3</b>	<b>\$ 208.6</b>	<b>11.6%</b>