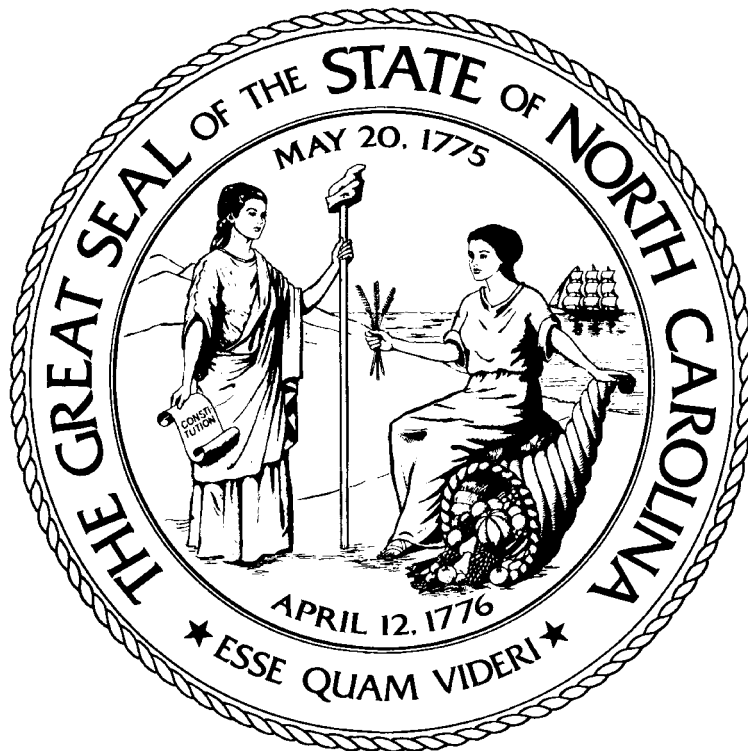


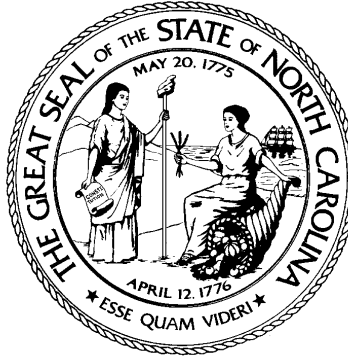
STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
MAY 31, 2001



OFFICE OF THE STATE CONTROLLER
OFFICE OF STATE BUDGET, PLANNING AND MANAGEMENT
DEPARTMENT OF REVENUE

STATE OF NORTH CAROLINA



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

June 20, 2001

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the eleven months ended May 31, 2001. The financial information 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. In this joint effort between the Office of the State Controller, the Office of State Budget, Planning and Management, and the Department of Revenue, we are committed to providing you and the State with the most reliable and timely financial and economic information possible.

Sincerely,
Edward Renfrow
State Controller
(919) 981-5454

David McCoy
State Budget Officer
(919) 733-7061

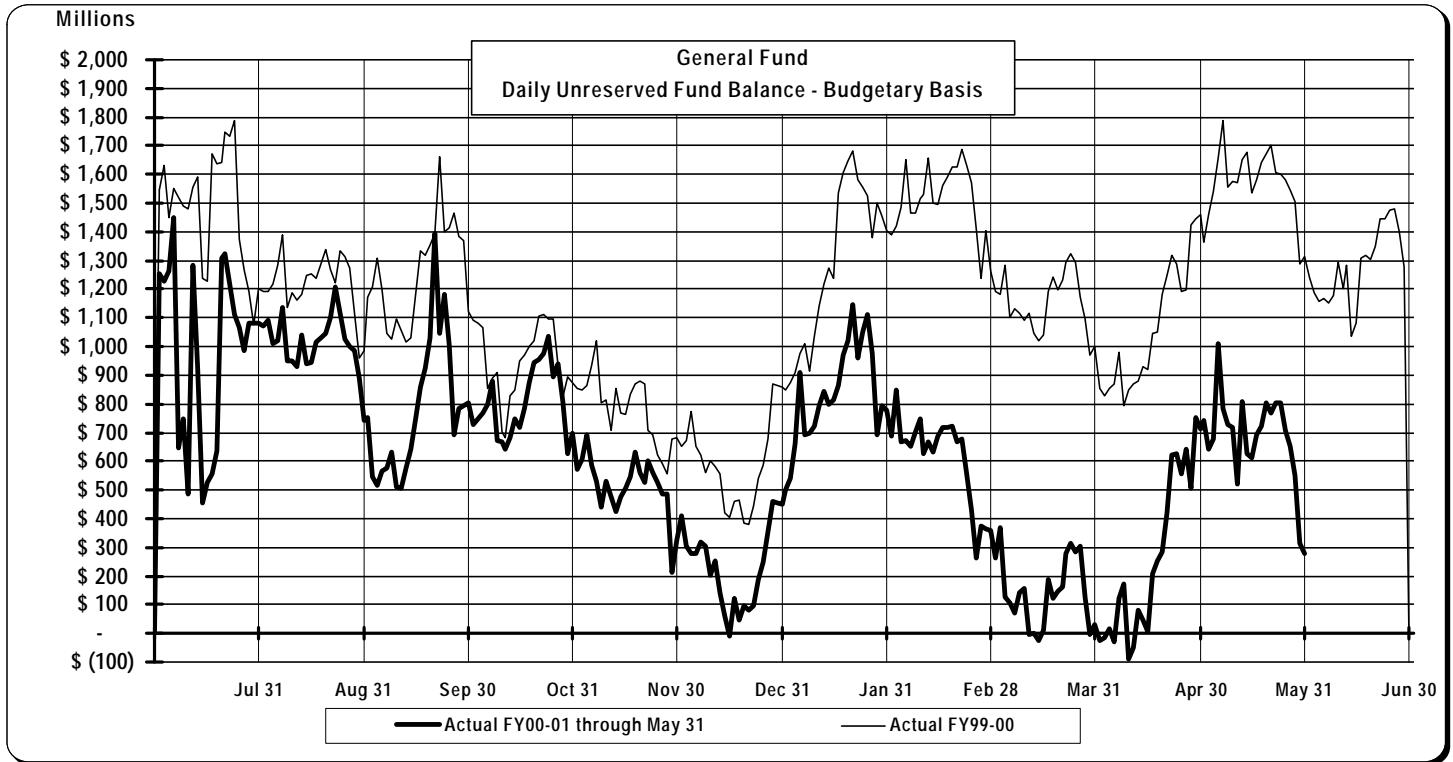
E. Norris Tolson
Secretary of Revenue
(919) 733-7211

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

May 31, 2001

Fund Balance



At May 31, 2001 and 2000, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	2000-01	1999-00
Reserved:		
Savings account.....	\$ 157.5	\$ 36.6
Retirees health premiums.....	58.8	133.6
Repairs and renovations.....	1.6	4.6
Clean water management.....	—	1.1
North Carolina Railroad acquisition.....	32.5	42.0
North Carolina Railroad dividend.....	—	.9
Disproportionate Share.....	1.2	1.2
Budgetary Shortfall Funds (Executive Order #3).....	222.7	—
Total Reserved.....	<u>474.3</u>	<u>220.0</u>
Unreserved:		
Fund Balance - July 1.....	—	296.7
Transfer from reserves.....	—	666.0
Excess of revenue over (under) expenditures.....	279.9	353.1
Total Unreserved.....	<u>279.9</u>	<u>1,315.8</u>
Total Fund Balance.....	<u>\$ 754.2</u>	<u>\$ 1,535.8</u>

Smith v. State – Intangibles tax refunds to non-protesting taxpayers. On February 21, 1996, the U.S. Supreme Court declared North Carolina's intangibles tax unconstitutional. Subsequently, the State made refunds of intangible taxes paid by all persons who had complied with the provisions of G.S. 105-267, Taxes to be paid; suits for recovery of taxes, for obtaining refunds of unconstitutional taxes. The Smith case is an action aimed principally at recovering intangibles tax refunds for taxpayers who failed to comply with the provisions of G.S. 105-267. On December 4, 1998, the Supreme Court ruled that North Carolina will have to pay refunds to non-protesters who paid intangibles taxes. This case was consolidated with Shaver v. State, another action for refund of intangibles tax paid on shares of stock. The consolidated case was settled and the agreement required the State to pay \$440 million into a settlement fund in two installments, \$200 million by October 1, 1999, and \$240 million by July 10, 2000.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

May 31, 2001

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues

Expressed In Millions

	May				Year-To-Date Through May			
	2000-01	1999-00	Change	% Change	2000-01	1999-00	Change	% Change
Tax Revenues:								
Individual Income	\$ 393.3	\$ 591.9	\$ (198.6)	(33.6)%	\$ 6,662.0	\$ 6,563.7	\$ 98.3	1.5%
Corporate Income	(18.9)	(7.6)	(11.3)	148.7%	317.8	718.5	(400.7)	(55.8)%
Sales and Use	278.2	305.3	(27.1)	(8.9)%	3,147.6	3,073.6	74.0	2.4%
Franchise	34.5	37.1	(2.6)	(7.0)%	582.4	318.6	263.8	82.8%
Insurance	(0.6)	4.4	(5.0)	(113.6)%	224.8	204.7	20.1	9.8%
Piped Natural Gas	6.5	5.4	1.1	20.4%	48.3	37.2	11.1	29.8%
Beverage	10.4	9.2	1.2	13.0%	154.5	149.0	5.5	3.7%
Inheritance	15.9	7.9	8.0	101.3%	115.3	153.7	(38.4)	(25.0)%
Soft Drink	—	—	—	—	—	1.3	(1.3)	(100.0)%
Privilege License	2.0	3.4	(1.4)	(41.2)%	17.3	38.6	(21.3)	(55.2)%
Tobacco Products	3.2	3.5	(0.3)	(8.6)%	38.2	39.5	(1.3)	(3.3)%
Real Estate Conveyance Excise	1.3	0.7	0.6	85.7%	7.6	7.4	0.2	2.7%
Intangibles	—	—	—	—	—	—	—	—
Gift	0.8	2.4	(1.6)	(66.7)%	19.9	24.5	(4.6)	(18.8)%
White Goods Disposal	0.4	0.3	0.1	33.3%	0.8	0.7	0.1	14.3%
Scrap Tire Disposal	0.9	0.9	—	—	1.8	1.8	—	—
Freight Car Lines	0.2	0.4	(0.2)	(50.0)%	0.5	0.4	0.1	25.0%
Other	(0.1)	(0.1)	—	—	(0.1)	0.1	(0.2)	(200.0)%
Total Tax Revenue	728.0	965.1	(237.1)	(24.6)%	11,338.7	11,333.3	5.4	—
Non-Tax Revenue:								
Treasurer's Investments	12.1	16.4	(4.3)	(26.2)%	156.4	189.6	(33.2)	(17.5)%
Judicial Fees	10.1	8.5	1.6	18.8%	100.4	93.1	7.3	7.8%
Insurance	0.1	5.8	(5.7)	(98.3)%	17.8	18.2	(0.4)	(2.2)%
Disproportionate Share	—	—	—	—	109.1	105.0	4.1	3.9%
Highway Fund Transfer In	—	—	—	—	10.2	10.2	—	—
Highway Trust Fund Transfer In	—	—	—	—	170.0	170.0	—	—
Other	10.3	12.7	(2.4)	(18.9)%	191.3	113.9	77.4	68.0%
Total Non-Tax Revenue	32.6	43.4	(10.8)	(24.9)%	755.2	700.0	55.2	7.9%
Total Tax and Non-Tax Revenue	\$ 760.6	\$ 1,008.5	\$ (247.9)	(24.6)%	\$ 12,093.9	\$ 12,033.3	\$ 60.6	0.5%

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through May 31, actual tax and non-tax revenues increased by \$60.6 million, or 0.5%. The net, or actual, tax and non-tax revenues through May 2001 of \$12,093.9 million were less than the projected revenues by \$782.2 million. Part of this is attributed to the acceleration of income tax refunds. Since the income tax refunds were largely completed in May, this shortfall is expected to decline for June. Per Governor Easley's Executive Order No. 3, certain funds are being escrowed to use if necessary to address the budget shortfall. The additional revenue received due to this order is reported under Non-Tax Revenue, Treasurer's Investments and Other. Budgetary projections for these two revenue captions have not been adjusted to reflect the \$34.2 million of revenue collected through May 31 as a result of this order. As of May 1, 2001, the Office of State Budget, Planning, and Management and the Fiscal Research Division of the General Assembly estimate a General Fund revenue shortfall of \$697.1 million through June 30, 2001, and a total budget shortfall for 2000-01 of approximately \$850 million.

Payment on certain fiscal year 1999-00 income tax refund obligations did not occur until fiscal year 2000-01, and were made from fiscal year 2000-01 funds. These income tax refund obligations consisted of approximately \$100 million of individual income tax refunds deferred for payment to fiscal year 2000-01 due to processing delays, and \$20 million in corporate income tax refunds delayed to balance the General Fund budget on a cash basis. Projections for individual income and corporate income tax were not adjusted for this carryforward. Franchise tax payments of \$92 million originally credited to corporate income tax collections in March 2000 were properly allocated to franchise tax in October based on the final tax return filed by the corporation. Budgetary projections for franchise and corporate income tax have been adjusted for this reallocation.

Major components of tax and non-tax revenues that increased from the prior year through the end of May 2001 included:

- \$263.8 million for Franchise Tax;
- \$98.3 million for Individual Income Tax; and
- \$74.0 million for Sales and Use Tax.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

May 31, 2001

GENERAL FUND NET TAX AND NON-TAX REVENUES AND TRANSFERS IN BUDGET VS. ACTUAL								
<i>(Expressed In Millions)</i>								
	Current Month				Year-To-Date			
	Projected Monthly Budget	Actual	Variance	Percent Realized	Projected Monthly Budget	Actual	Variance	Percent Realized
Tax Revenue								
Individual Income [1]	\$ 416.1	\$ 393.3	\$ (22.8)	94.5%	\$ 7,099.4	\$ 6,662.0	\$(437.4)	93.8%
Corporate Income [2]	8.5	(18.9)	(27.4)	(222.4%)	498.7	317.8	(180.9)	63.7%
Sales and Use	312.9	278.2	(34.7)	88.9%	3,310.6	3,147.6	(163.0)	95.1%
Franchise	21.2	34.5	13.3	162.7%	518.7	582.4	63.7	112.3%
Insurance	4.6	(0.6)	(5.2)	(13.0%)	216.1	224.8	8.7	104.0%
Piped Natural Gas	5.5	6.5	1.0	118.2%	38.9	48.3	9.4	124.2%
Beverage	11.7	10.4	(1.3)	88.9%	156.5	154.5	(2.0)	98.7%
Inheritance	12.7	15.9	3.2	125.2%	140.0	115.3	(24.7)	82.4%
Soft Drink	—	—	—	—	—	—	—	—
Privilege License	1.8	2.0	0.2	111.1%	37.5	17.3	(20.2)	46.1%
Tobacco Products	3.5	3.2	(0.3)	91.4%	38.9	38.2	(0.7)	98.2%
Real Estate Conveyance Excise	1.3	1.3	—	100.0%	7.6	7.6	—	100.0%
Gift	1.0	0.8	(0.2)	80.0%	27.7	19.9	(7.8)	71.8%
White Goods Disposal	0.4	0.4	—	100.0%	0.8	0.8	—	100.0%
Scrap Tire Disposal	0.9	0.9	—	100.0%	1.8	1.8	—	100.0%
Freight Car Lines	0.3	0.2	(0.1)	66.7%	0.3	0.5	0.2	166.7%
Other	(0.1)	(0.1)	—	100.0%	0.2	(0.1)	(0.3)	(50.0%)
Total Tax Revenue	802.3	728.0	(74.3)	90.7%	12,093.7	11,338.7	(755.0)	93.8%
Non-Tax Revenue								
Treasurer's Investments	17.9	12.1	(5.8)	67.6%	196.1	156.4	(39.7)	79.8%
Judicial Fees	9.5	10.1	0.6	106.3%	103.3	100.4	(2.9)	97.2%
Insurance	0.2	0.1	(0.1)	50.0%	33.9	17.8	(16.1)	52.5%
Disproportionate share	—	—	—	—	109.1	109.1	—	100.0%
Highway Fund Transfer In	—	—	—	—	10.2	10.2	—	100.0%
Highway Trust Fund Transfer In	—	—	—	—	170.0	170.0	—	100.0%
Other	9.3	10.3	1.0	110.8%	159.8	191.3	31.5	119.7%
Total Non-Tax Revenue	36.9	32.6	(4.3)	88.3%	782.4	755.2	(27.2)	96.5%
Total Tax and Non-Tax Revenue	\$ 839.2	\$ 760.6	\$ (78.6)	90.6%	\$ 12,876.1	\$ 12,093.9	\$(782.2)	93.9%

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

	2000-01		1999-00	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Individual Income Tax, Reported Net	\$ 393.3	\$ 6,662.0	\$ 591.9	\$ 6,563.7
Local Government Tax Reimbursement	—	129.0	—	129.0
Individual Income Tax, Adjusted for Transfers	<u>\$ 393.3</u>	<u>\$ 6,791.0</u>	<u>\$ 591.9</u>	<u>\$ 6,692.7</u>

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

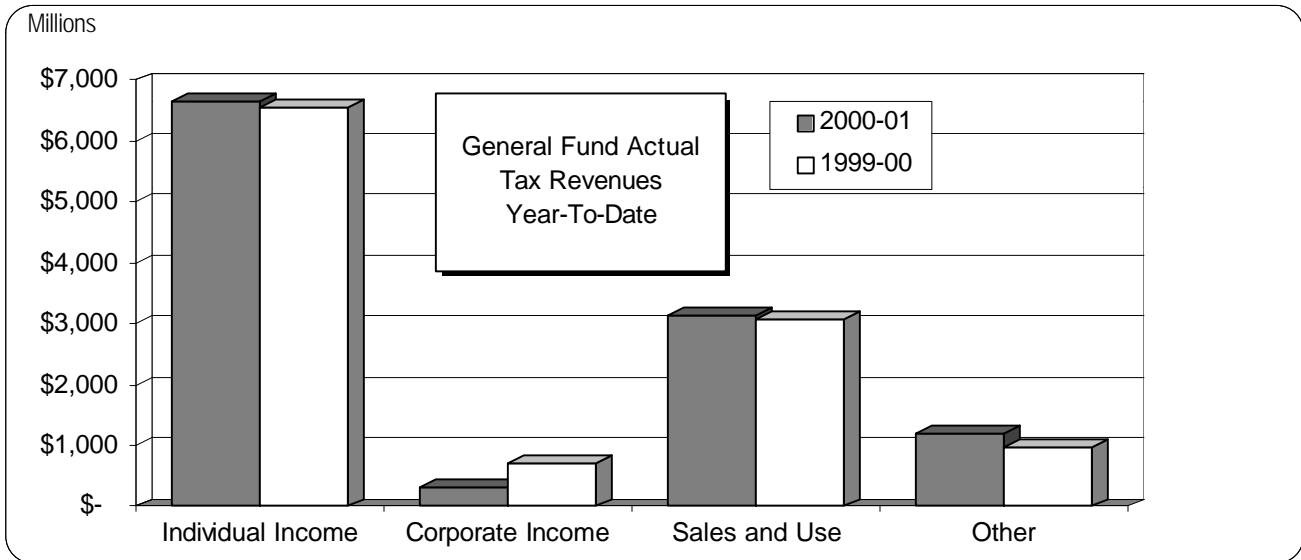
	2000-01		1999-00	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ (18.9)	\$ 317.8	\$ (7.6)	\$ 718.5
Public School Building Capital Fund	8.4	48.8	18.0	79.4
Critical School Facility Needs Fund	2.5	10.0	2.5	10.0
Local Government Tax Reimbursement	7.9	109.4	7.9	204.5
	<u>18.8</u>	<u>168.2</u>	<u>28.4</u>	<u>293.9</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ (0.1)</u>	<u>\$ 486.0</u>	<u>\$ 20.8</u>	<u>\$ 1,012.4</u>

SUMMARY OF FINANCIAL CONDITION

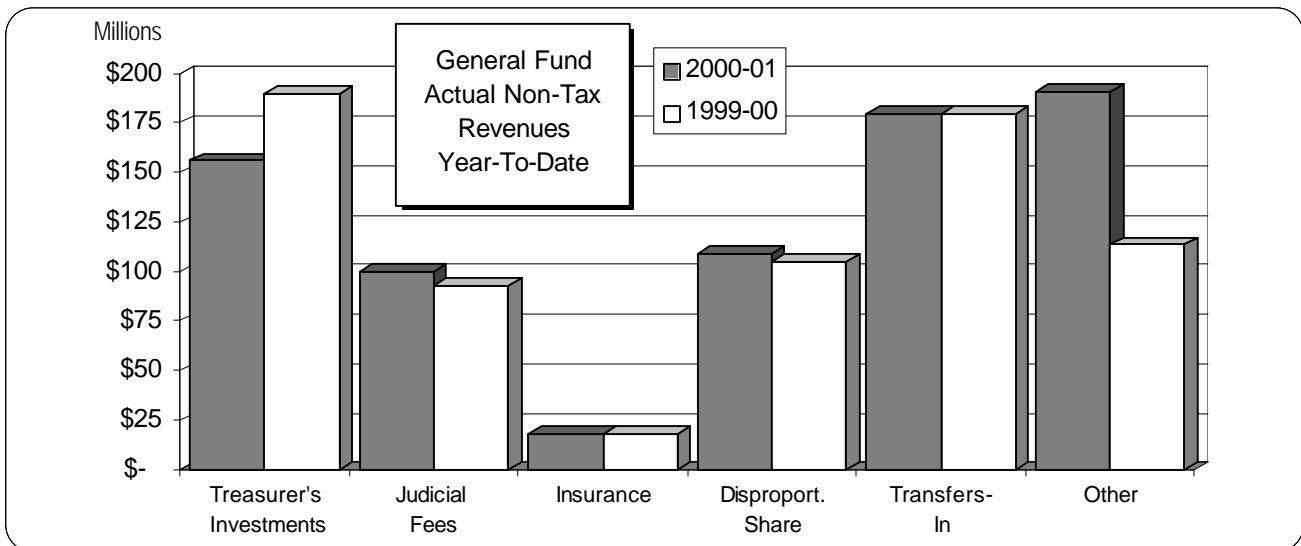
May 31, 2001

Tax revenues through May 2001 were greater than the period through May 2000 by \$5.4 million, or 0.05%. 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 May 2001 was \$55.2 million greater, or 7.9% greater, than through the end of May 2000. Investment revenues decreased by \$33.2 million as total General Fund balance declined by \$781.6 million.



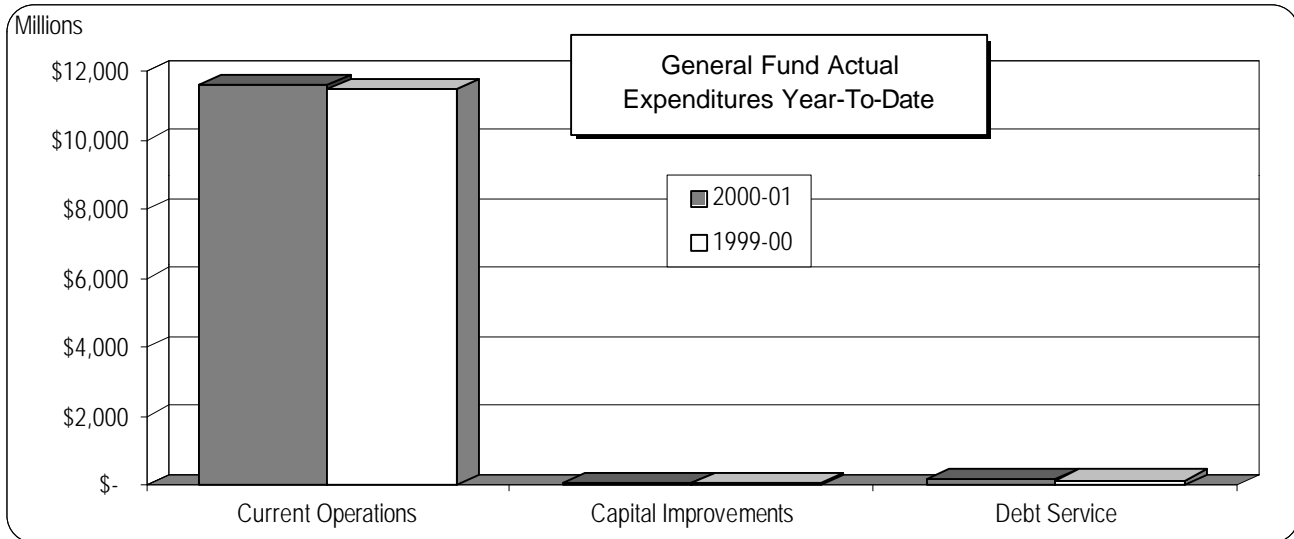
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

May 31, 2001

Expenditures

Actual appropriation expenditures through May 31, 2001, exclusive of appropriation expenditures for capital improvements funded by bond proceeds, were greater than actual appropriation expenditures through May 2000 by \$133.8 million, or 1.1%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through May 2001 were greater than such expenditures through May 2000 by \$115.6 million, or 1.0%. General Government appropriation expenditures of \$(171.5) million include a disaster relief carryforward receipt of \$541.9 million.

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

Expressed in Millions

	2000-01	1999-00	Change	Percent Change	Percent of Total Expenditures	
					2000-01	1999-00
Current Operations:						
General Government	\$ (171.5)	\$ 770.2	\$ (941.7)	(122.3%)	(1.4%)	6.5%
Education	7,265.9	6,528.7	737.2	11.3%	58.2%	55.0%
Health and Human Services	2,792.0	2,577.5	214.5	8.3%	22.3%	21.7%
Economic Development	66.0	86.3	(20.3)	(23.5%)	0.5%	0.7%
Environment and Natural Resources	171.1	170.9	0.2	0.1%	1.4%	1.4%
Public Safety, Correction, and Regulation	1,282.1	1,272.1	10.0	0.8%	10.3%	10.7%
Agriculture	48.1	50.1	(2.0)	(4.0%)	0.4%	0.4%
Operating Reserves/Rounding	123.4	5.7	117.7	2064.9%	1.0%	—
Total Current Operations	<u>11,577.1</u>	<u>11,461.5</u>	<u>115.6</u>	<u>1.0%</u>	<u>92.7%</u>	<u>96.5%</u>
Capital Improvements:						
Funded by General Fund	57.5	57.6	(0.1)	(0.2%)	0.5%	0.5%
Debt Service	<u>179.4</u>	<u>161.1</u>	<u>18.3</u>	<u>11.4%</u>	<u>1.4%</u>	<u>1.4%</u>
	<u>11,814.0</u>	<u>11,680.2</u>	<u>133.8</u>	<u>1.1%</u>	<u>94.6%</u>	<u>98.3%</u>
Capital Improvements:						
Funded by Bond Proceeds	680.0	200.0	480.0	240.0%	5.4%	1.7%
Total Expenditures	<u>\$ 12,494.0</u>	<u>\$ 11,880.2</u>	<u>\$ 613.8</u>	<u>5.2%</u>	<u>100.0%</u>	<u>100.0%</u>

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

May 31, 2001

General Obligation Debt - General Fund and Highway Fund

The following schedule presents principal payment requirements for the General Fund and the Highway Fund. This schedule is exclusive of defeased debt involving advance refundings where the proceeds were placed in an irrevocable trust with an escrow agent in an amount sufficient to provide for all future debt service payments on the refunded bonds. The amount of authorized, but unissued bonds was \$4.37 billion as of May 31, 2001.

On September 1, 2000, \$300 million in Public Improvement Bonds, Series 2000A were issued, representing a consolidation of Public School Building Bonds in the amount of \$295 million and Natural Gas Bonds in the amount of \$5 million. The bonds were issued at rates ranging from 5.0% to 5.1% with a final maturity of September 1, 2018.

On November 7, 2000, the State's voters approved \$3.1 billion of University and Community College (higher education) general obligation bonds.

On March 1, 2001, \$380 million in Public Improvement Bonds, Series 2001A were issued, representing a consolidation of Public School Building Bonds in the amount of \$100 million, Clean Water Bonds in the amount of \$30 million, and Higher Education Bonds in the amount of \$250 million. The bonds were issued at rates ranging from 4.5% to 5.0% with a final maturity of March 1, 2019.

The schedule below includes only bonds issued through May 31, 2001.

SCHEDULE OF BOND PRINCIPAL PAYMENT REQUIREMENTS GENERAL OBLIGATION BONDS (Expressed in Thousands)			
	Payable from:		Total Principal Requirements
	General Fund Revenues	Highway Fund Revenues	
2000-01 Requirements:			
February 2001	\$ 28,000	\$ —	\$ 28,000
March 2001	36,465	—	36,465
April 2001	40,700	—	40,700
May 2001	1,910	16,675	18,585
June 2001	28,410	—	28,410
Totals — 2000-01	135,485	16,675	152,160
Future Years' Requirements:			
2002	163,570	16,675	180,245
2003	163,605	16,675	180,280
2004	163,505	16,675	180,180
2005	163,910	16,675	180,585
2006	163,770	16,675	180,445
2007	163,655	16,675	180,330
2008	163,965	16,675	180,640
2009	163,815	16,675	180,490
2010	162,550	16,675	179,225
2011	162,525	16,675	179,200
2012	162,500	16,675	179,175
2013	162,480	16,550	179,030
2014	162,465	—	162,465
2015	162,450	—	162,450
2016	162,430	—	162,430
2017	162,500	—	162,500
2018	144,500	—	144,500
2019	88,400	—	88,400
Totals — All Years	\$ 2,978,080	\$ 216,650	\$ 3,194,730
Less			
Unamortized Discount ..	(3,877)	—	(3,877)
Total Principal, Net	\$ 2,974,203	\$ 216,650	\$ 3,190,853
Outstanding Principal June 30, 2001			\$ 3,038,693

Bonds Authorized, Issued, and Unissued May 31, 2001

(Expressed in Thousands)

Authorized:	Date	School Construction	Higher Education	Highway Construction	Clean Water	Natural Gas	Total
School Construction	11/05/1996	\$ 1,800,000	\$ —	\$ —	\$ —	\$ —	\$ 1,800,000
Highway Construction	11/05/1996	—	—	950,000	—	—	950,000
Clean Water	11/03/1998	—	—	—	800,000	—	800,000
Natural Gas	11/03/1998	—	—	—	—	200,000	200,000
University/Community College	11/07/2000	—	3,100,000	—	—	—	3,100,000
Total Authorized		1,800,000	3,100,000	950,000	800,000	200,000	6,850,000
Issued:							
Public School Building Series 1997A	03/01/1997	450,000	—	—	—	—	450,000
Highway Bonds, Series 1997A	11/01/1997	—	—	250,000	—	—	250,000
Public School Building Series 1998A	04/01/1998	450,000	—	—	—	—	450,000
Public School Building Series 1999	04/01/1999	450,000	—	—	—	—	450,000
Public Improvement, Series 1999A	09/01/1999	—	—	—	172,400	5,000	177,400
Public Improvement, Series 1999B	09/01/1999	—	—	—	—	20,000	20,000
Public Improvement, Series 1999C	10/01/1999	—	—	—	2,600	—	2,600
Public Improvement, Series 2000A	09/01/2000	295,000	—	—	—	5,000	300,000
Public Improvement, Series 2001A	03/01/2001	100,000	250,000	—	30,000	—	380,000
Total Issued		1,745,000	250,000	250,000	205,000	30,000	2,480,000
Unissued — May 31, 2001		\$ 55,000	\$ 2,850,000	\$ 700,000	\$ 595,000	\$ 170,000	\$ 4,370,000

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

May 31, 2001

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND								
COMPARATIVE STATEMENT OF NET COLLECTIONS								
For the Months of May 2001 and 2000, and the Eleven Months Ended May 31, 2001 and 2000								
(Expressed in Millions)								
	Month				Year-To-Date			
	2000-01	1999-00	Change	Percent Change	2000-01	1999-00	Change	Percent Change
Highway Fund								
Motor Fuels Tax	\$ 73.9	\$ 63.9	\$ 10.0	15.6%	\$ 788.7	\$ 712.1	\$ 76.6	10.8%
Motor Vehicle License Fees	19.2	23.3	(4.1)	(17.6%)	235.7	239.4	(3.7)	(1.5%)
Driver License Fees	5.5	5.9	(0.4)	(6.8%)	60.3	53.4	6.9	12.9%
Motor Fuels and Oil Inspection Fees	1.1	1.0	0.1	10.0%	11.7	11.1	0.6	5.4%
Title Fee	-	-	-	-	-	-	-	-
Other	4.1	3.3	0.8	24.2%	34.7	28.5	6.2	21.8%
Subtotal - Highway Fund	103.8	97.4	6.4	6.6%	1,131.1	1,044.5	86.6	8.3%
Highway Trust Fund								
Highway Use Tax	44.3	45.6	(1.3)	(2.9%)	447.4	447.7	(0.3)	(0.1%)
Motor Fuels Tax	24.6	21.3	3.3	15.5%	263.2	237.8	25.4	10.7%
Title Fee	7.2	7.4	(0.2)	(2.7%)	71.5	73.0	(1.5)	(2.1%)
Motor Vehicle Lease	3.5	5.7	(2.2)	(38.6%)	46.3	44.6	1.7	3.8%
Registration	0.9	0.9	-	-	9.0	9.2	(0.2)	(2.2%)
Lien Recording	0.2	0.2	-	-	1.9	2.0	(0.1)	(5.0%)
Subtotal - Highway Trust Fund	80.7	81.1	(0.4)	(0.5%)	839.3	814.3	25.0	3.1%
Payables and Receipts								
Special Registration Plate Fund	0.3	0.3	-	-	2.7	2.5	0.2	8.0%
Safety Inspection and Exhaust Emission	0.3	0.2	0.1	50.0%	2.2	2.2	-	-
Transportation Authority/TransPark	0.4	0.4	-	-	3.9	3.8	0.1	2.6%
Recreation and Natural Heritage Trust Fund	0.2	0.2	-	-	2.1	2.0	0.1	5.0%
Other Receipts	0.3	0.7	(0.4)	(57.1%)	5.3	5.5	(0.2)	(3.6%)
Subtotal - Payables and Receipts	1.5	1.8	(0.3)	(16.7%)	16.2	16.0	0.2	1.3%
	\$ 186.0	\$ 180.3	\$ 5.7	3.2%	\$ 1,986.6	\$ 1,874.8	\$ 111.8	6.0%