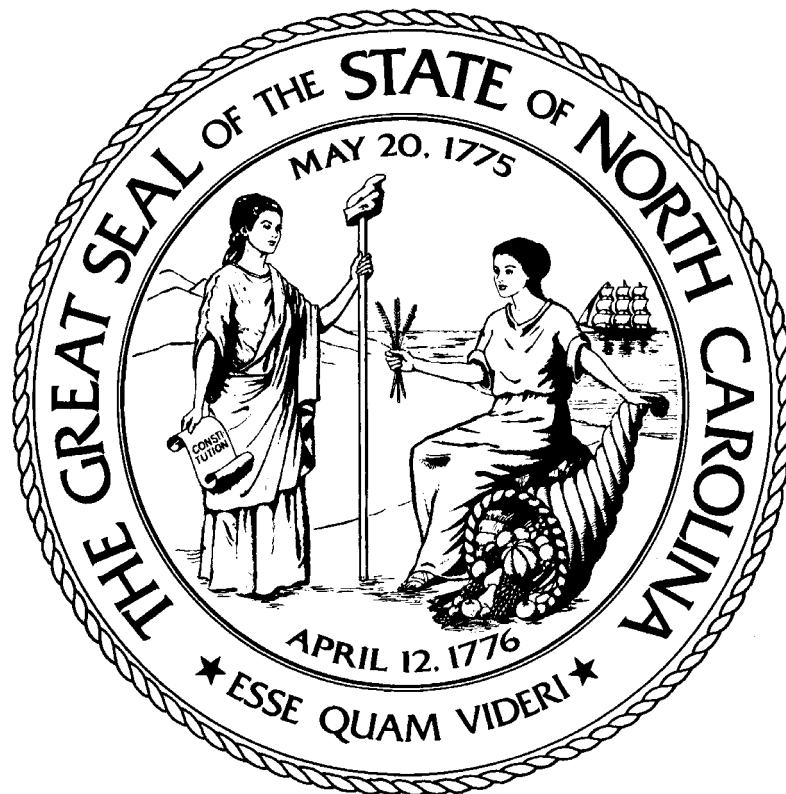


STATE OF  
***NORTH CAROLINA***

*SUMMARY OF FINANCIAL CONDITION*  
*MAY 31, 2007*

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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

June 27, 2007

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the eleven months ended May 31, 2007. 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.

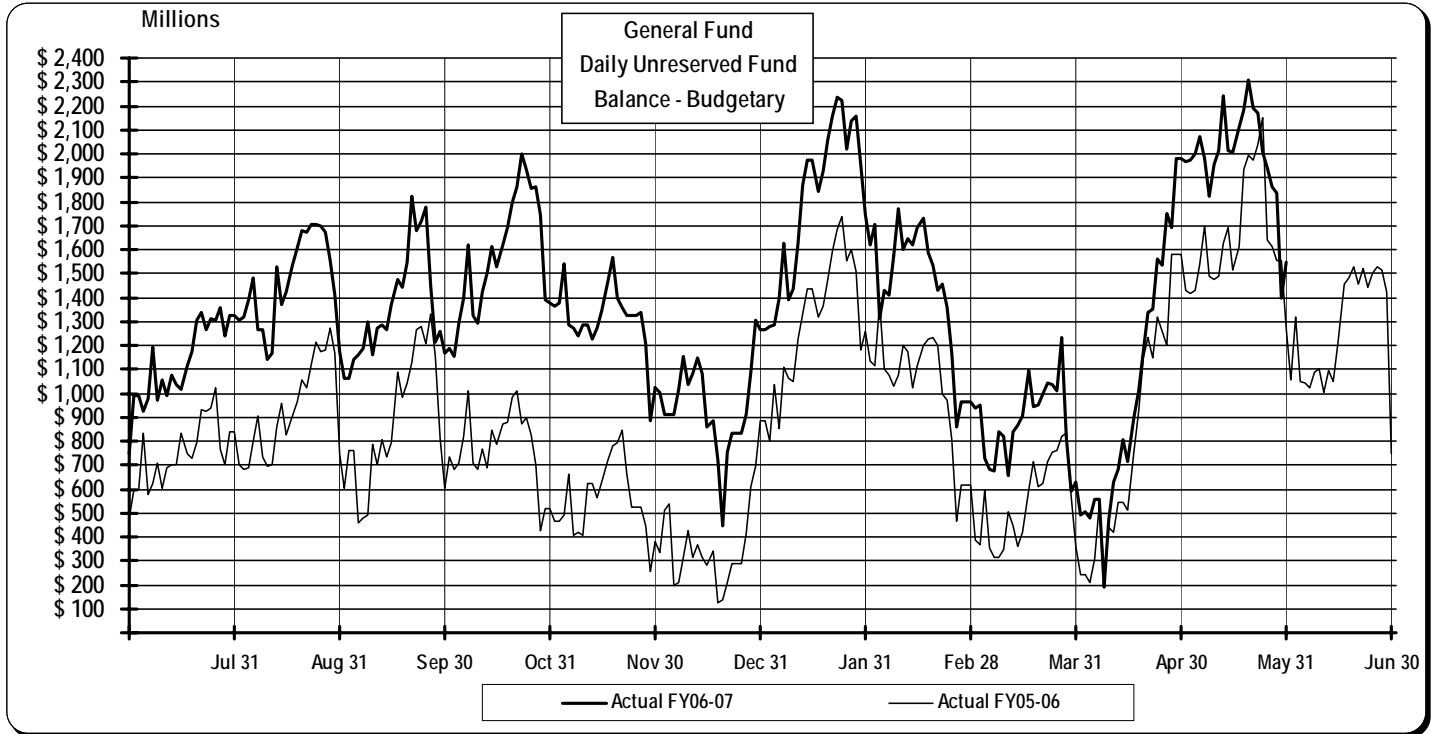
Sincerely,  
Robert L. Powell  
State Controller  
(919) 981-5454

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

May 31, 2007

### Fund Balance



At May 31, 2007 and 2006, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	<u>2006-07</u>	<u>2005-06</u>
<b><u>Reserved:</u></b>		
Savings account (G.S. 143-15.3).....	\$ 611.6	\$ 312.6
Job Development Incentive Grants.....	16.1	8.2
Repairs and Renovations (G.S. 143-15.3A).....	—	125.0
Disproportionate Share.....	19.3	19.3
Disaster relief.....	118.8	145.6
One NC Fund.....	1.1	1.1
Total Reserved.....	<u>766.9</u>	<u>611.8</u>
<b><u>Unreserved:</u></b>		
Fund Balance - July 1.....	749.4	478.5
Transfer from reserves.....	—	—
Transfer to reserves.....	(5.8)	—
Excess of revenue over (under) expenditures.....	800.5	806.8
Total Unreserved.....	<u>1,544.1</u>	<u>1,285.3</u>
Total Fund Balance.....	<u>\$ 2,311.0</u>	<u>\$ 1,897.1</u>

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

May 31, 2007

### Revenues - Tax and Non-Tax

#### General Fund Actual Net Revenues

Expressed In Millions

	May				Year-To-Date Through May			
	2006-07	2005-06	Change	% Change	2006-07	2005-06	Change	% Change
<b>Tax Revenues:</b>								
Individual Income	\$ 620.1	\$ 498.0	\$ 122.1	24.5%	\$ 9,570.1	\$ 8,459.4	\$1,110.7	13.1%
Corporate Income	(4.4)	1.9	(6.3)	(331.6)%	1,162.6	956.4	206.2	21.6%
Sales and Use	415.1	438.4	(23.3)	(5.3)%	4,587.5	4,474.3	113.2	2.5%
Franchise	24.2	18.6	5.6	30.1%	532.3	476.2	56.1	11.8%
Insurance	(3.6)	(6.7)	3.1	46.3%	334.1	303.2	30.9	10.2%
Piped Natural Gas	4.7	4.3	0.4	9.3%	44.2	41.0	3.2	7.8%
Beverage	19.5	18.5	1.0	5.4%	190.0	179.5	10.5	5.8%
Inheritance	7.1	8.2	(1.1)	(13.4)%	150.5	122.8	27.7	22.6%
Privilege License	2.7	4.1	(1.4)	(34.1)%	38.5	38.5	—	—
Tobacco Products	19.0	16.9	2.1	12.4%	219.5	152.9	66.6	43.6%
Real Estate Conveyance Excise	(0.1)	1.1	(1.2)	(109.1)%	5.8	6.8	(1.0)	(14.7)%
Gift	0.5	0.5	—	—	15.4	15.7	(0.3)	(1.9)%
White Goods Disposal	0.4	0.4	—	—	0.8	0.8	—	—
Scrap Tire Disposal	1.1	1.0	0.1	10.0%	2.4	2.2	0.2	9.1%
Mill Machinery	3.1	2.4	0.7	29.2%	33.6	9.2	24.4	265.2%
Freight Car Lines	0.1	0.2	(0.1)	(50.0)%	0.3	0.3	—	—
Other	0.1	0.1	—	—	0.1	0.1	—	—
<b>Total Tax Revenue</b>	<b>1,109.6</b>	<b>1,007.9</b>	<b>101.7</b>	<b>10.1%</b>	<b>16,887.7</b>	<b>15,239.3</b>	<b>1,648.4</b>	<b>10.8%</b>
<b>Non-Tax Revenue:</b>								
Treasurer's Investments	18.0	9.9	8.1	81.8%	179.1	104.1	75.0	72.0%
Judicial Fees	14.9	14.8	0.1	0.7%	153.8	144.6	9.2	6.4%
Insurance	2.2	0.7	1.5	214.3%	50.5	44.1	6.4	14.5%
Disproportionate Share	—	8.8	(8.8)	(100.0)%	100.0	100.0	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	14.4	63.2	(48.8)	(77.2)%	57.8	252.6	(194.8)	(77.1)%
Other	13.9	16.5	(2.6)	(15.8)%	151.2	146.1	5.1	3.5%
<b>Total Non-Tax Revenue</b>	<b>63.4</b>	<b>113.9</b>	<b>(50.5)</b>	<b>(44.3)%</b>	<b>692.4</b>	<b>791.5</b>	<b>(99.1)</b>	<b>(12.5)%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,173.0</b>	<b>\$ 1,121.8</b>	<b>\$ 51.2</b>	<b>4.6%</b>	<b>\$ 17,580.1</b>	<b>\$ 16,030.8</b>	<b>\$1,549.3</b>	<b>9.7%</b>

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 \$1,549.3 million, or 9.7%. The net, or actual, tax and non-tax revenues through May 2007 of \$17.6 billion were more than the projected revenues by \$1.1 billion.

Major components of tax and non-tax revenues that increased or decreased from the prior year through the end of May 2007 included:

#### Increase

- \$1,110.7 million for Individual Income
- \$206.2 million for Corporate Income
- \$113.2 million for Sales and Use
- \$66.6 million for Tobacco Products

#### Decrease

- \$194.8 million for Highway Trust Transfer In (transfer in fiscal year 2006, that does not occur in 2007)

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

May 31, 2007

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

For the Month of May 2007, and the Eleven Months Ended May 31, 2007  
(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	\$ 496.6	\$ 620.1	\$ 123.5	124.9%	\$ 8,761.5	\$ 9,570.1	\$ 808.6	109.2%
Corporate Income [1]	(15.9)	(4.4)	11.5	27.7%	857.2	1,162.6	305.4	135.6%
Sales and Use	416.8	415.1	(1.7)	99.6%	4,657.2	4,587.5	(69.7)	98.5%
Franchise	19.6	24.2	4.6	123.5%	504.5	532.3	27.8	105.5%
Insurance	0.6	(3.6)	(4.2)	(600.0%)	363.8	334.1	(29.7)	91.8%
Beverage	20.0	19.5	(0.5)	97.5%	189.3	190.0	0.7	100.4%
Inheritance	11.4	7.1	(4.3)	62.3%	127.8	150.5	22.7	117.8%
Privilege License	2.1	2.7	0.6	128.6%	36.6	38.5	1.9	105.2%
Tobacco Products	19.9	19.0	(0.9)	95.5%	218.3	219.5	1.2	100.5%
Real Estate Conveyance Excise	(0.1)	(0.1)	—	100.0%	5.8	5.8	—	100.0%
Gift	0.5	0.5	—	100.0%	17.5	15.4	(2.1)	88.0%
White Goods Disposal	0.4	0.4	—	100.0%	0.8	0.8	—	100.0%
Scrap Tire Disposal	1.1	1.1	—	100.0%	2.4	2.4	—	100.0%
Freight Car Lines	0.1	0.1	—	100.0%	—	0.3	0.3	—
Piped Natural Gas	4.2	4.7	0.5	111.9%	52.8	44.2	(8.6)	83.7%
Mill Machinery	2.1	3.1	1.0	147.6%	29.1	33.6	4.5	115.5%
Other	—	0.1	0.1	—	0.5	0.1	(0.4)	20.0%
<b>Total Tax Revenue</b>	<u>979.4</u>	<u>1,109.6</u>	<u>130.2</u>	<u>113.3%</u>	<u>15,825.1</u>	<u>16,887.7</u>	<u>1,062.6</u>	<u>106.7%</u>
<b>Non-Tax Revenue</b>								
Treasurer's Investments	10.4	18.0	7.6	173.1%	113.8	179.1	65.3	157.4%
Judicial Fees	15.4	14.9	(0.5)	96.8%	148.4	153.8	5.4	103.6%
Insurance	4.9	2.2	(2.7)	44.9%	48.4	50.5	2.1	104.3%
Disproportionate share	—	—	—	—	100.0	100.0	—	100.0%
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	14.4	14.4	—	100.0%	57.8	57.8	—	100.0%
Other	19.5	13.9	(5.6)	71.3%	166.2	151.2	(15.0)	91.0%
<b>Total Non-Tax Revenue</b>	<u>64.6</u>	<u>63.4</u>	<u>(1.2)</u>	<u>98.1%</u>	<u>634.6</u>	<u>692.4</u>	<u>57.8</u>	<u>109.1%</u>
<b>Total Tax and Non-Tax Revenue</b>	<u>\$ 1,044.0</u>	<u>\$ 1,173.0</u>	<u>\$ 129.0</u>	<u>112.4%</u>	<u>\$ 16,459.7</u>	<u>\$ 17,580.1</u>	<u>\$ 1,120.4</u>	<u>106.8%</u>

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

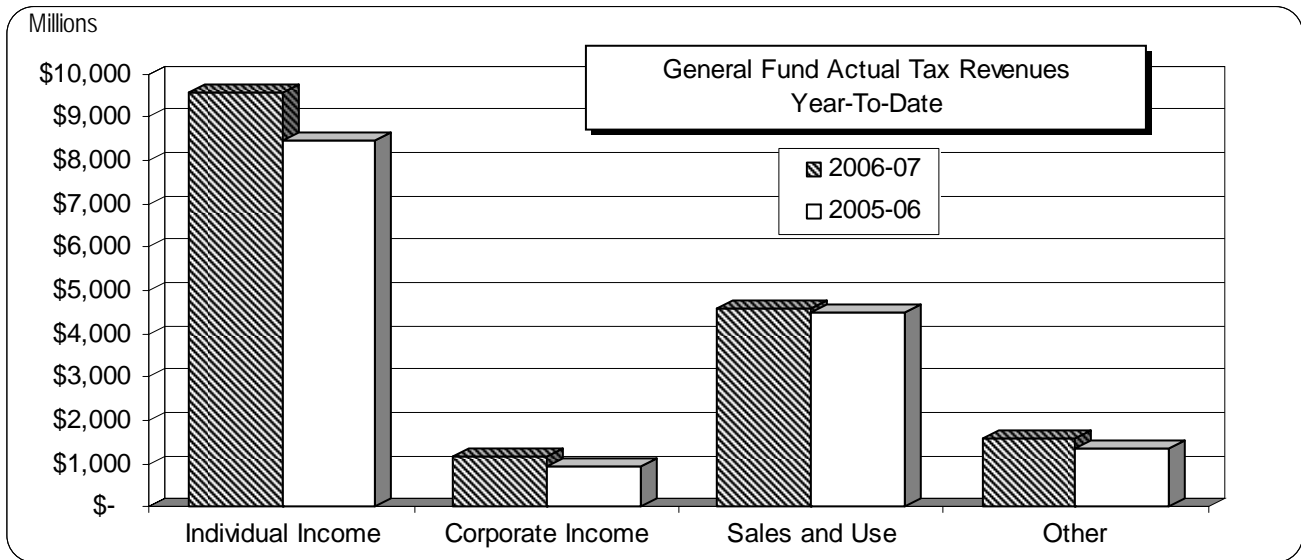
	2006-07		2005-06	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ (4.4)	\$ 1,162.6	\$ 1.9	\$ 956.4
Public School Building Capital Fund	26.8	109.2	19.9	98.2
Critical School Facility Needs Fund	—	—	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	—
	<u>26.8</u>	<u>109.2</u>	<u>19.9</u>	<u>98.2</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 22.4</u>	<u>\$ 1,271.8</u>	<u>\$ 21.8</u>	<u>\$ 1,054.6</u>

SUMMARY OF FINANCIAL CONDITION

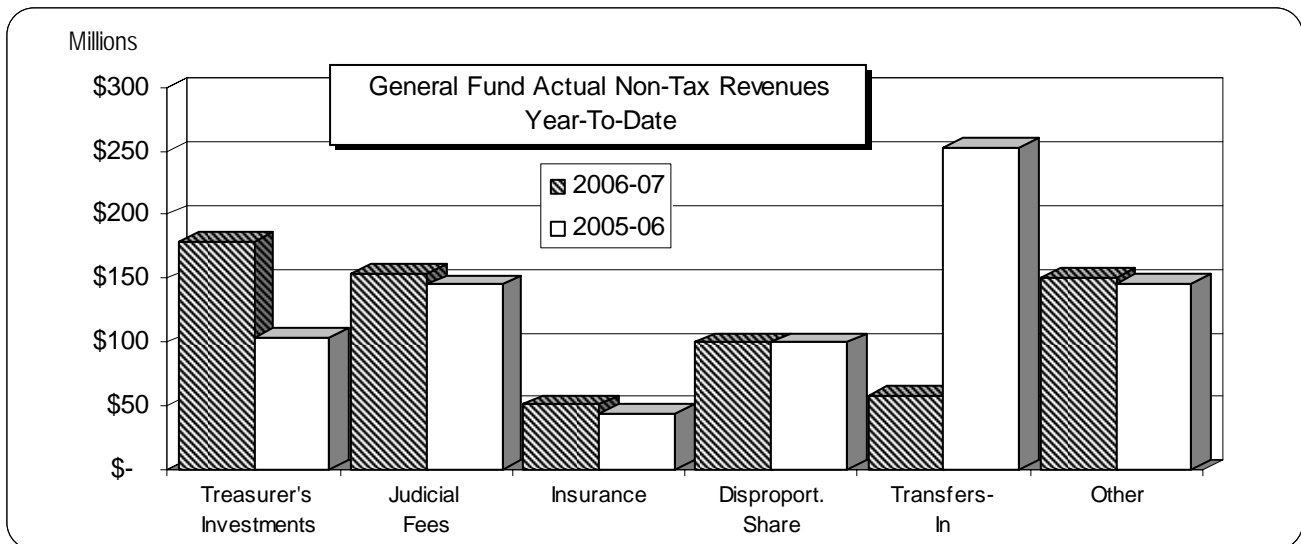
May 31, 2007

Tax revenues through May 2007 were more than the period through May 2006 by \$1,648.4 million, or 10.8%. 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.



Non-tax revenue through the end of May 2007 was \$99.1 million, or 12.5%, less than through the end of May 2006. The substantial decrease is due to a transfer in for the highway trust fund in fiscal year 2006 that does not occur in fiscal year 2007. Investment revenues increased by \$75.0 million from the prior year through the end of May.



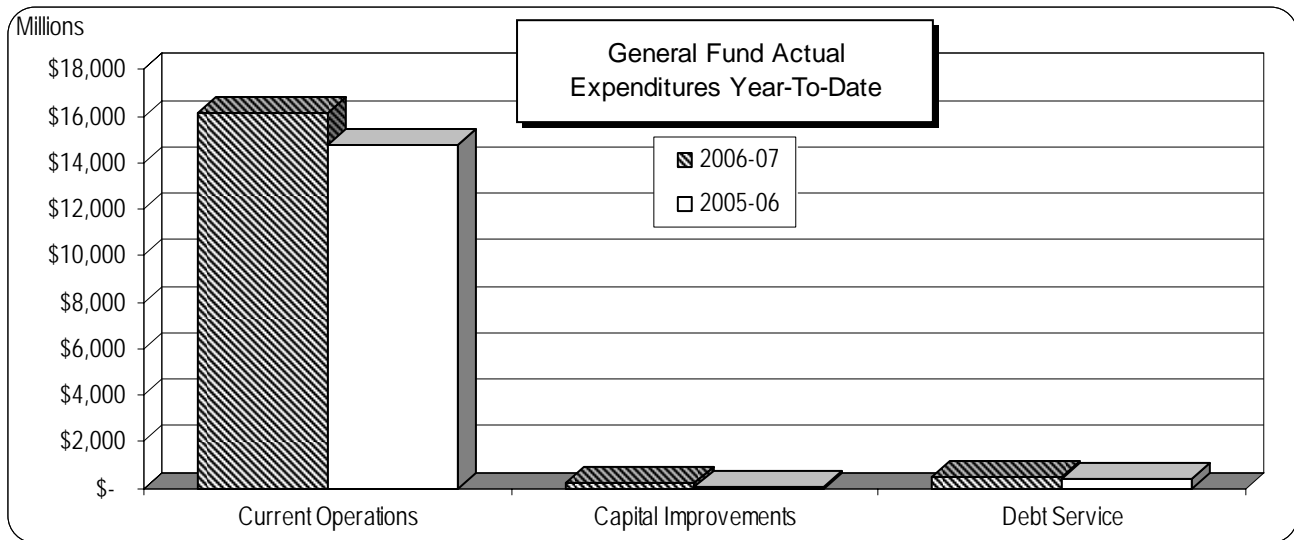
# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

May 31, 2007

### Expenditures

Actual appropriation expenditures through May 2007 were more than actual appropriation expenditures through May 2006 by \$1,555.6 million, or 10.2%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through May 2007 were more than such expenditures through May 2006 by \$1,354.5 million, or 9.2%.

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

*Expressed in Millions*

	2006-07	2005-06	Change	Percent Change	Percent of Total Expenditures	
					2006-07	2005-06
<b>Current Operations:</b>						
General Government	\$ 317.3	\$ 283.4	\$ 33.9	12.0%	1.9%	1.9%
Education	9,728.3	8,912.6	815.7	9.2%	58.0%	58.5%
Health and Human Services	3,885.2	3,575.5	309.7	8.7%	23.2%	23.5%
Economic Development <sup>1</sup>	105.0	94.5	10.5	11.1%	0.6%	0.6%
Environment and Natural Resources	270.1	254.1	16.0	6.3%	1.6%	1.7%
Public Safety, Correction, and Regulation	1,658.4	1,517.8	140.6	9.3%	9.9%	10.0%
Agriculture	46.3	45.8	0.5	1.1%	0.3%	0.3%
Operating Reserves/Rounding <sup>2</sup>	101.3	73.7	27.6	37.4%	0.6%	0.5%
<b>Total Current Operations</b>	<u>16,111.9</u>	<u>14,757.4</u>	<u>1,354.5</u>	<u>9.2%</u>	<u>96.0%</u>	<u>96.9%</u>
<b>Capital Improvements:</b>						
Funded by General Fund	206.3	55.0	151.3	275.1%	1.2%	0.4%
<b>Debt Service</b>	<u>461.4</u>	<u>411.6</u>	<u>49.8</u>	<u>12.1%</u>	<u>2.7%</u>	<u>2.7%</u>
<b>Total Expenditures</b>	<u>\$ 16,779.6</u>	<u>\$ 15,224.0</u>	<u>\$ 1,555.6</u>	<u>10.2%</u>	<u>100.0%</u>	<u>100.0%</u>

<sup>1</sup> Substantial increase from prior year due to a transfer of \$10 million to Economic Development Reserve, authorized by the General Assembly.

<sup>2</sup> BEACON project, transfer of \$35.5 million.

## SUMMARY OF FINANCIAL CONDITION

May 31, 2007

*Summary Information - Highway Fund and Highway Trust Fund***HIGHWAY FUND AND HIGHWAY TRUST FUND  
COMPARATIVE STATEMENT OF NET COLLECTIONS**

For the Months of May 2007 and 2006, and the Eleven Months Ended May 31, 2007 and 2006

(Expressed in Millions)

	Month				Year-To-Date			
	2006-07	2005-06	Change	Percent Change	2006-07	2005-06	Change	Percent Change
<b><u>Highway Fund</u></b>								
Motor Fuels Tax	\$ 98.8	\$ 93.7	\$ 5.1	5.4%	\$ 1,082.6	\$ 996.6	\$ 86.0	8.6%
Motor Vehicle License Fees	39.8	29.3	10.5	35.8%	368.4	350.4	18.0	5.1%
Driver License Fees	11.2	10.7	0.5	4.7%	115.0	99.9	15.1	15.1%
Motor Fuels and Oil Inspection Fees	1.1	1.2	(0.1)	(8.3%)	13.7	13.4	0.3	2.2%
Other	5.8	5.3	0.5	9.4%	60.6	57.0	3.6	6.3%
<b>Subtotal - Highway Fund</b>	<b>156.7</b>	<b>140.2</b>	<b>16.5</b>	<b>11.8%</b>	<b>1,640.3</b>	<b>1,517.3</b>	<b>123.0</b>	<b>8.1%</b>
<b><u>Highway Trust Fund</u></b>								
Highway Use Tax	50.9	49.4	1.5	3.0%	521.1	498.8	22.3	4.5%
Motor Fuels Tax	32.9	34.2	(1.3)	(3.8%)	361.2	335.5	25.7	7.7%
Title Fee	8.2	8.3	(0.1)	(1.2%)	84.2	82.1	2.1	2.6%
Motor Vehicle Lease	3.6	4.0	(0.4)	(10.0%)	32.2	26.4	5.8	22.0%
Registration	1.2	1.2	-	-	12.7	11.6	1.1	9.5%
Lien Recording	0.3	0.3	-	-	2.9	2.7	0.2	7.4%
Repayment Fee	0.1	0.1	-	-	0.9	0.9	-	-
<b>Subtotal - Highway Trust Fund</b>	<b>97.2</b>	<b>97.5</b>	<b>(0.3)</b>	<b>(0.3%)</b>	<b>1,015.2</b>	<b>958.0</b>	<b>57.2</b>	<b>6.0%</b>
<b><u>Payables and Receipts</u></b>								
Special Registration Plate Fund	0.5	0.4	0.1	25.0%	4.1	3.7	0.4	10.8%
Safety Inspection and Exhaust Emission	0.5	0.4	0.1	25.0%	4.5	4.3	0.2	4.7%
Transportation Authority/TransPark	0.5	0.5	-	-	4.9	4.7	0.2	4.3%
Recreation and Natural Heritage Trust Fund	0.4	0.4	-	-	3.8	3.6	0.2	5.6%
Other Receipts	2.8	2.5	0.3	12.0%	25.7	23.3	2.4	10.3%
<b>Subtotal - Payables and Receipts</b>	<b>4.7</b>	<b>4.2</b>	<b>0.5</b>	<b>11.9%</b>	<b>43.0</b>	<b>39.6</b>	<b>3.4</b>	<b>8.6%</b>
	<b>\$ 258.6</b>	<b>\$ 241.9</b>	<b>\$ 16.7</b>	<b>6.9%</b>	<b>\$ 2,698.5</b>	<b>\$ 2,514.9</b>	<b>\$ 183.6</b>	<b>7.3%</b>