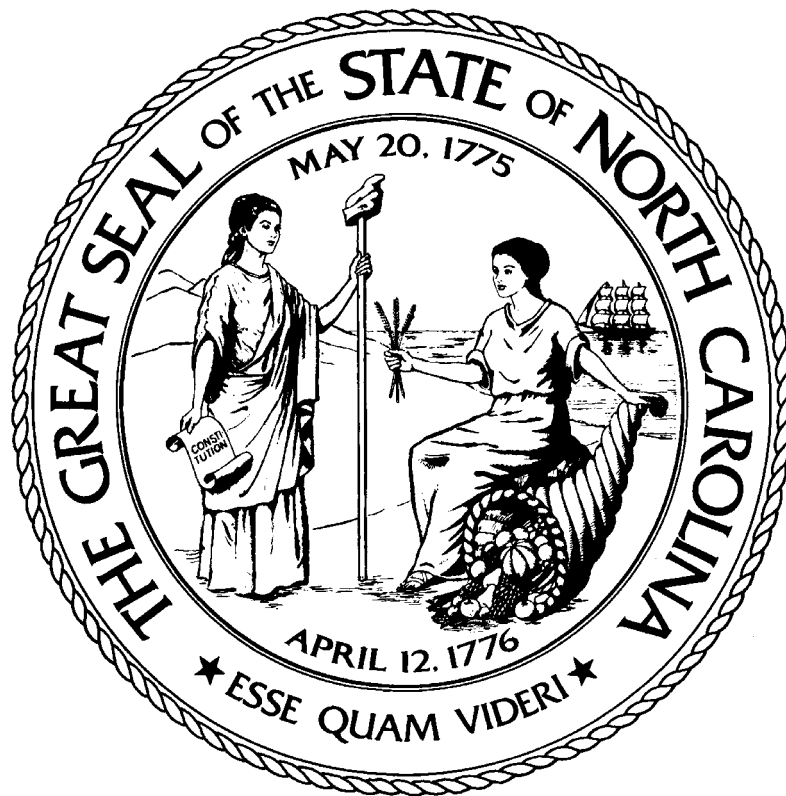


STATE OF  
***NORTH CAROLINA***

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

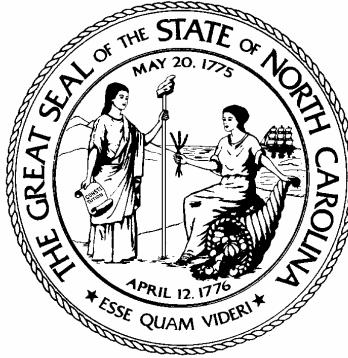
---



---

OFFICE OF THE STATE CONTROLLER

# STATE OF NORTH CAROLINA



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

December 3, 2004

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the four months ended October 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.

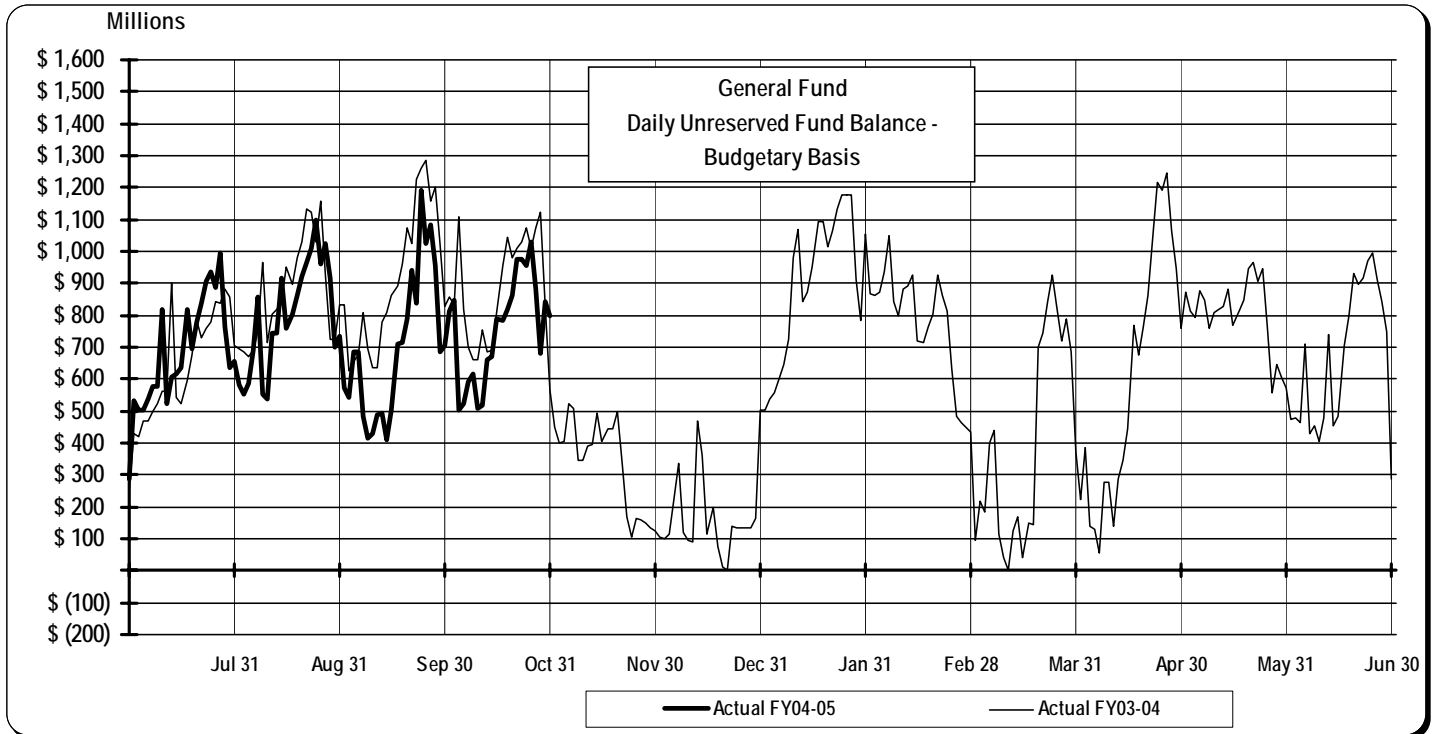
Sincerely,  
Robert L. Powell  
State Controller  
(919) 981-5454

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

October 31, 2004

### Fund Balance



At October 31, 2005 and 2004, the reserved and unreserved fund balance was composed of the following (in millions):

<b>Fund Balance:</b>	<b><u>2004-05</u></b>	<b><u>2003-04</u></b>
<b><u>Reserved:</u></b>		
Savings account (G.S. 143-15.3).....	\$ 267.1	\$ 150.0
Job Development Incentive Grants.....	4.4	—
Section 401(b) Federal.....	—	136.9
Retirees' Health Premiums.....	48.4	28.4
Repairs and Renovations (G.S. 143-15.3A).....	76.8	15.0
Disproportionate Share.....	1.5	1.5
Disaster relief.....	5.1	—
One NC Fund.....	1.1	—
Budgetary Shortfall Funds.....	10.7	11.7
Total Reserved.....	<u>415.1</u>	<u>343.5</u>
<b><u>Unreserved:</u></b>		
Fund Balance - July 1.....	289.4	250.5
Transfer from reserves.....	—	—
Transfer to reserves.....	—	—
Excess of revenue over (under) expenditures.....	506.6	316.1
Total Unreserved.....	<u>796.0</u>	<u>566.6</u>
Total Fund Balance.....	<u>\$ 1,211.1</u>	<u>\$ 910.1</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

October 31, 2004

### Revenues - Tax and Non-Tax

## State of North Carolina General Fund Actual Net Revenues

Expressed In Millions

	October				Year-To-Date Through October			
	2004-05	2003-04	Change	% Change	2004-05	2003-04	Change	% Change
<b>Tax Revenues:</b>								
Individual Income	\$ 648.7	\$ 651.0	\$ (2.3)	(0.4)%	\$ 2,595.3	\$ 2,505.9	\$ 89.4	3.6%
Corporate Income	41.2	28.7	12.5	43.6%	302.8	196.0	106.8	54.5%
Sales and Use	395.3	317.6	77.7	24.5%	1,512.4	1,428.6	83.8	5.9%
Franchise	47.0	49.2	(2.2)	(4.5)%	126.1	128.5	(2.4)	(1.9)%
Insurance	116.3	110.9	5.4	4.9%	124.5	118.8	5.7	4.8%
Piped Natural Gas	1.4	3.5	(2.1)	(60.0)%	4.2	6.4	(2.2)	(34.4)%
Beverage	12.4	8.9	3.5	39.3%	61.2	55.5	5.7	10.3%
Inheritance	10.1	13.2	(3.1)	(23.5)%	53.6	38.8	14.8	38.1%
Privilege License	8.7	6.4	2.3	35.9%	21.0	16.9	4.1	24.3%
Tobacco Products	3.8	3.6	0.2	5.6%	15.0	14.8	0.2	1.4%
Real Estate Conveyance Excise	(0.1)	(0.8)	0.7	87.5%	4.8	4.3	0.5	11.6%
Gift	1.0	0.6	0.4	66.7%	2.3	1.8	0.5	27.8%
White Goods Disposal	(0.8)	(0.9)	0.1	11.1%	0.5	0.4	0.1	25.0%
Scrap Tire Disposal	(2.0)	(2.0)	—	—	1.2	1.1	0.1	9.1%
Freight Car Lines	—	—	—	—	—	—	—	—
Other	(0.5)	(0.1)	(0.4)	400.0%	(0.3)	0.1	(0.4)	(400.0)%
<b>Total Tax Revenue</b>	<b>1,282.5</b>	<b>1,189.8</b>	<b>92.7</b>	<b>7.8%</b>	<b>4,824.6</b>	<b>4,517.9</b>	<b>306.7</b>	<b>6.8%</b>
<b>Non-Tax Revenue:</b>								
Treasurer's Investments	5.6	7.6	(2.0)	(26.3)%	23.1	28.7	(5.6)	(19.5)%
Judicial Fees	11.4	11.8	(0.4)	(3.4)%	48.2	46.5	1.7	3.7%
Insurance	7.6	7.4	0.2	2.7%	9.3	10.7	(1.4)	(13.1)%
Disproportionate Share	—	97.1	(97.1)	(100.0)%	—	97.1	(97.1)	(100.0)%
Highway Fund Transfer In	4.1	4.0	0.1	2.5%	8.2	6.8	1.4	20.6%
Highway Trust Fund Transfer In	—	—	—	—	60.6	—	60.6	—
Other	6.7	6.7	—	—	30.4	139.3	(108.9)	(78.2)%
<b>Total Non-Tax Revenue</b>	<b>35.4</b>	<b>134.6</b>	<b>(99.2)</b>	<b>(73.7)%</b>	<b>179.8</b>	<b>329.1</b>	<b>(149.3)</b>	<b>(45.4)%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,317.9</b>	<b>\$ 1,324.4</b>	<b>\$ (6.5)</b>	<b>(0.5)%</b>	<b>\$ 5,004.4</b>	<b>\$ 4,847.0</b>	<b>\$ 157.4</b>	<b>3.2%</b>

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through October 31, actual tax and non-tax revenues increased by \$157.4 million, or 3.2%. The substantial decrease in non-tax 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 October 2004 of \$5.0 billion were more than the projected revenues by \$81.9 million.

Major components of tax and non-tax revenues that increased/decreased from the prior year through the end of October 2004 included:

- \$106.8 million for Corporate Income;
- \$89.4 million for Individual Tax;
- \$83.8 million for Sales and Use Tax and
- \$108.9 million for Non-tax Other

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

October 31, 2004

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

For the Month of October 2004, and the Four Months Ended October 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	\$ 648.3	\$ 648.7	\$ 0.4	100.1%	\$ 2,609.6	\$ 2,595.3	\$ (14.3)	99.5%
Corporate Income [1]	42.4	41.2	(1.2)	97.2%	237.7	302.8	65.1	127.4%
Sales and Use	389.6	395.3	5.7	101.5%	1,490.6	1,512.4	21.8	101.5%
Franchise	45.7	47.0	1.3	102.8%	132.0	126.1	(5.9)	95.5%
Insurance	116.3	116.3	—	100.0%	125.6	124.5	(1.1)	99.1%
Beverage	12.4	12.4	—	100.0%	57.9	61.2	3.3	105.7%
Inheritance	10.3	10.1	(0.2)	98.1%	44.5	53.6	9.1	120.4%
Privilege License	8.7	8.7	—	100.0%	19.4	21.0	1.6	108.2%
Tobacco Products	3.8	3.8	—	100.0%	15.7	15.0	(0.7)	95.5%
Real Estate Conveyance Excise	(0.1)	(0.1)	—	100.0%	4.8	4.8	—	100.0%
Gift	1.0	1.0	—	100.0%	2.3	2.3	—	100.0%
White Goods Disposal	(0.8)	(0.8)	—	100.0%	0.5	0.5	—	100.0%
Scrap Tire Disposal	(2.0)	(2.0)	—	100.0%	1.2	1.2	—	100.0%
Freight Car Lines	—	—	—	—	—	—	—	—
Piped Natural Gas	1.4	1.4	—	100.0%	4.3	4.2	(0.1)	97.7%
Other	—	(0.5)	(0.5)	—	—	(0.3)	(0.3)	—
<b>Total Tax Revenue</b>	<u>1,277.0</u>	<u>1,282.5</u>	<u>5.5</u>	100.4%	<u>4,746.1</u>	<u>4,824.6</u>	<u>78.5</u>	101.7%
<b>Non-Tax Revenue</b>								
Treasurer's Investments	5.6	5.6	—	100.0%	24.5	23.1	(1.4)	94.3%
Judicial Fees	11.4	11.4	—	100.0%	45.5	48.2	2.7	105.9%
Insurance	7.0	7.6	0.6	108.6%	9.3	9.3	—	100.0%
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	4.1	4.1	—	100.0%	8.2	8.2	—	100.0%
Highway Trust Fund Transfer In	—	—	—	—	60.6	60.6	—	100.0%
Other	7.4	6.7	(0.7)	90.5%	28.3	30.4	2.1	107.4%
<b>Total Non-Tax Revenue</b>	<u>35.5</u>	<u>35.4</u>	<u>(0.1)</u>	99.7%	<u>176.4</u>	<u>179.8</u>	<u>3.4</u>	101.9%
<b>Total Tax and Non-Tax Revenue</b>	<u>\$ 1,312.5</u>	<u>\$ 1,317.9</u>	<u>\$ 5.4</u>	100.4%	<u>\$ 4,922.5</u>	<u>\$ 5,004.4</u>	<u>\$ 81.9</u>	101.7%

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

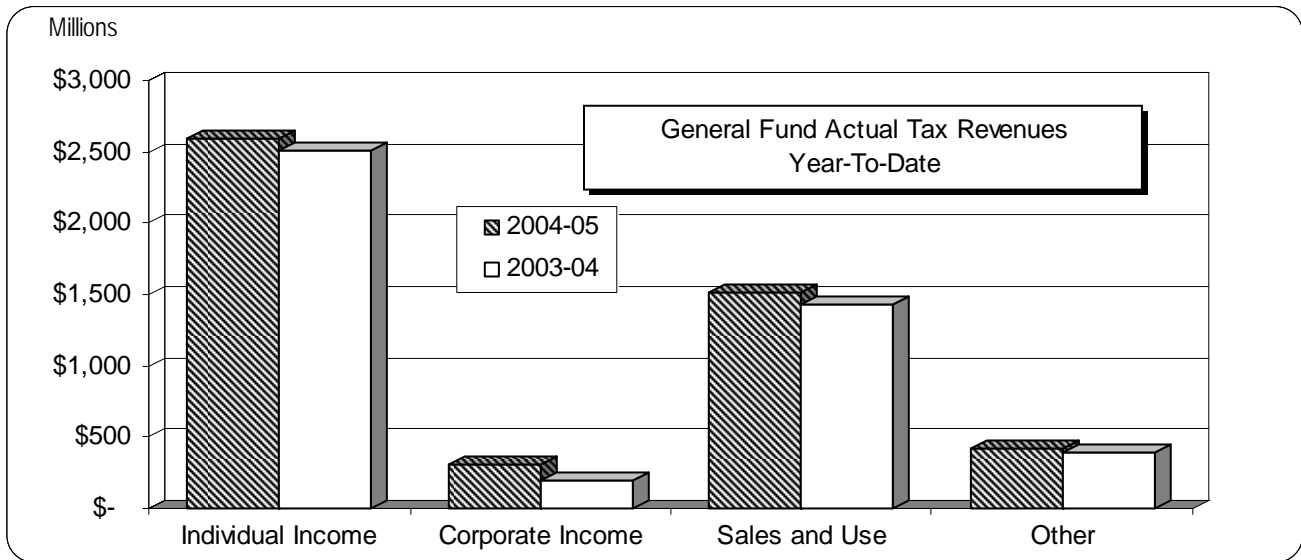
	2004-05		2003-04	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 41.2	\$ 302.8	\$ 28.7	\$ 196.0
Public School Building Capital Fund	—	18.5	—	17.7
Critical School Facility Needs Fund	—	—	—	2.5
Public School Fund (General Fund receipt to DPI)	—	—	—	—
	<u>—</u>	<u>18.5</u>	<u>—</u>	<u>20.2</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 41.2</u>	<u>\$ 321.3</u>	<u>\$ 28.7</u>	<u>\$ 216.2</u>

SUMMARY OF FINANCIAL CONDITION

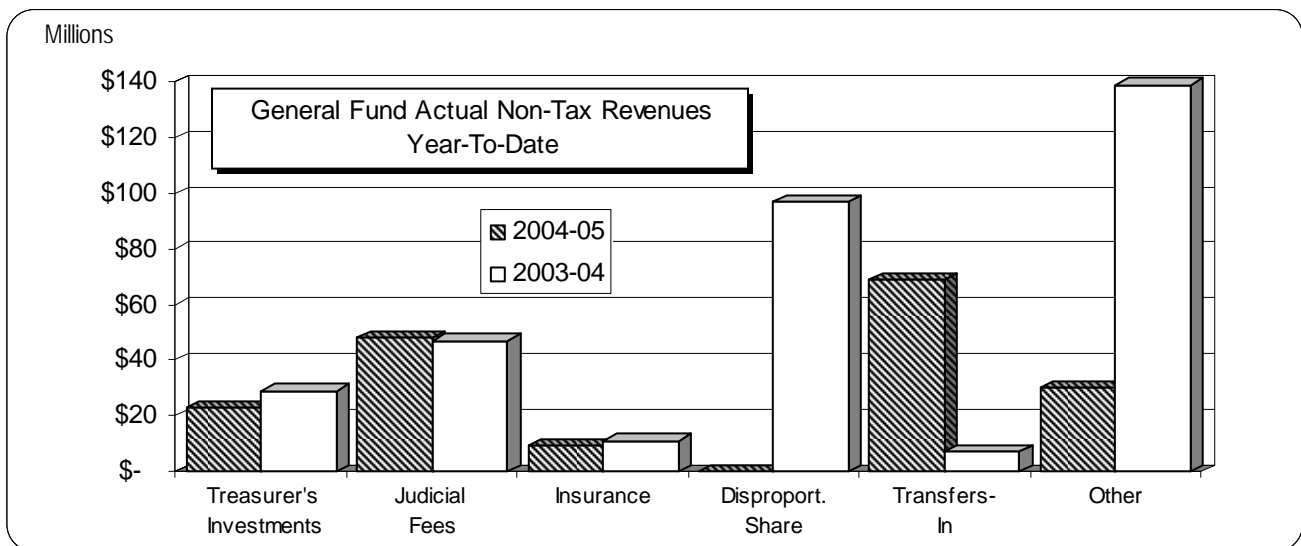
October 31, 2004

Tax revenues through October 2004 were more than the period through October 2003 by \$306.7 million, or 6.8%. 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 and Critical School Facility Needs Fund.



Non-tax revenue through the end of October 2004 was \$149.3 million, or 45.4%, less than through the end of October 2003. The substantial decrease in non-tax revenue is due to a transfer-in of \$108.8 million from reserves to generate additional funds for the 2004 fiscal year. The delay in collection of \$100 million of disproportionate share revenue has also caused a decrease in non-tax revenue; these receipts will be reflected in the month of December. Investment revenues decreased by \$5.6 million from the prior year through the end of October.



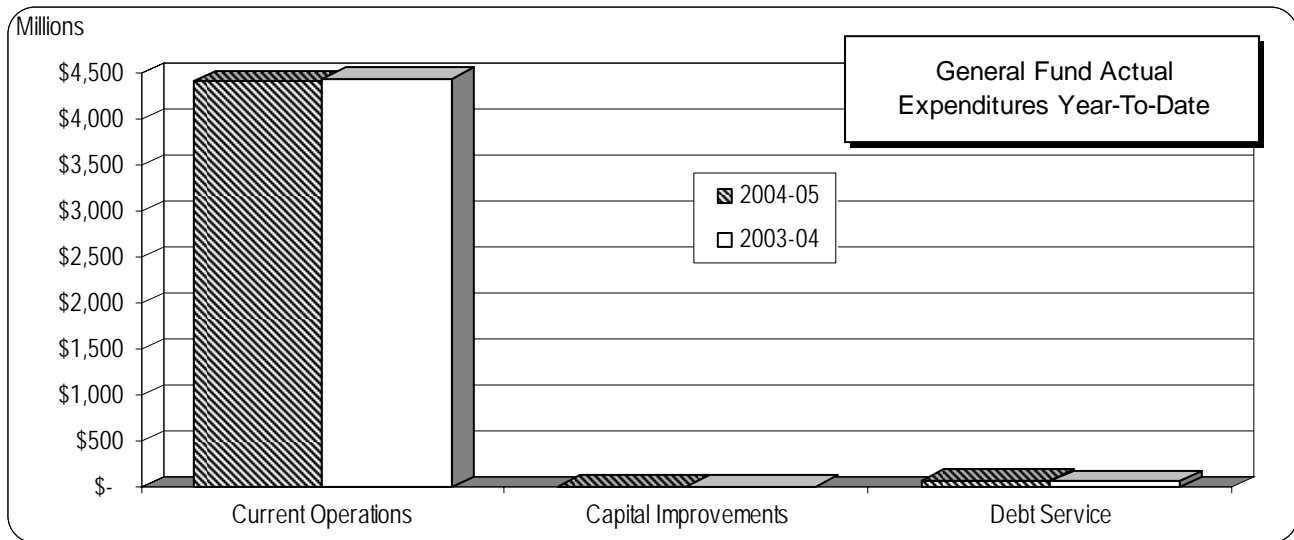
# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

October 31, 2004

### Expenditures

Actual appropriation expenditures through October 2004 were less than actual appropriation expenditures through October 2003 by \$33.1 million, or 0.7%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through October 2004 were less than such expenditures through October 2003 by \$33.8 million, or 0.8%.

### State of North Carolina

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

*Expressed in Millions*

	2004-05	2003-04	Change	Percent Change	Percent of Total Expenditures	
					2004-05	2003-04
<b>Current Operations:</b>						
General Government	\$ 96.1	\$ 94.4	\$ 1.7	1.8%	2.1%	2.1%
Education	2,758.0	2,695.1	62.9	2.3%	61.3%	59.5%
Health and Human Services	943.2	1,056.4	(113.2)	(10.7%)	21.0%	23.3%
Economic Development	17.5	27.7	(10.2)	(36.8%)	0.4%	0.6%
Environment and Natural Resources	71.3	70.1	1.2	1.7%	1.6%	1.5%
Public Safety, Correction, and Regulation	495.8	465.2	30.6	6.6%	11.0%	10.3%
Agriculture	15.6	15.9	(0.3)	(1.9%)	0.3%	0.4%
Operating Reserves/Rounding	15.1	21.6	(6.5)	(30.1%)	0.3%	0.5%
<b>Total Current Operations</b>	<b>4,412.6</b>	<b>4,446.4</b>	<b>(33.8)</b>	<b>(0.8%)</b>	<b>98.1%</b>	<b>98.1%</b>
<b>Capital Improvements:</b>						
Funded by General Fund	11.3	13.8	(2.5)	(18.1%)	0.3%	0.3%
<b>Debt Service</b>	<b>73.9</b>	<b>70.7</b>	<b>3.2</b>	<b>4.5%</b>	<b>1.6%</b>	<b>1.6%</b>
<b>Total Expenditures</b>	<b>\$ 4,497.8</b>	<b>\$ 4,530.9</b>	<b>\$ (33.1)</b>	<b>(0.7%)</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

October 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 October 2004 and 2003, and the Four Months Ended October 31, 2004 and 2003								
(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	\$ 79.3	\$ 74.5	\$ 4.8	6.4%	\$ 304.1	\$ 314.7	\$ (10.6)	(3.4%)
Motor Vehicle License Fees	14.7	14.7	-	-	63.1	62.1	1.0	1.6%
Driver License Fees	6.6	6.2	0.4	6.5%	25.9	24.2	1.7	7.0%
Motor Fuels and Oil Inspection Fees	1.1	1.1	-	-	5.1	4.6	0.5	10.9%
Other	4.6	4.1	0.5	12.2%	19.1	16.4	2.7	16.5%
<b>Subtotal - Highway Fund</b>	<b>106.3</b>	<b>100.6</b>	<b>5.7</b>	<b>5.7%</b>	<b>417.3</b>	<b>422.0</b>	<b>(4.7)</b>	<b>(1.1%)</b>
<b>Highway Trust Fund</b>								
Highway Use Tax	44.6	47.4	(2.8)	(5.9%)	190.9	194.9	(4.0)	(2.1%)
Motor Fuels Tax	26.5	24.8	1.7	6.9%	101.4	104.8	(3.4)	(3.2%)
Title Fee	6.7	7.2	(0.5)	(6.9%)	28.6	28.9	(0.3)	(1.0%)
Motor Vehicle Lease	2.2	2.5	(0.3)	(12.0%)	9.6	10.7	(1.1)	(10.3%)
Registration	0.8	0.9	(0.1)	(11.1%)	3.4	3.5	(0.1)	(2.9%)
Lien Recording	0.1	0.2	(0.1)	(50.0%)	0.7	0.7	-	-
Repayment Fee	0.1	-	0.1	-	0.3	0.2	0.1	50.0%
<b>Subtotal - Highway Trust Fund</b>	<b>81.0</b>	<b>83.0</b>	<b>(2.0)</b>	<b>(2.4%)</b>	<b>334.9</b>	<b>343.7</b>	<b>(8.8)</b>	<b>(2.6%)</b>
<b>Payables and Receipts</b>								
Special Registration Plate Fund	0.3	0.3	-	-	1.3	1.2	0.1	8.3%
Safety Inspection and Exhaust Emission	0.3	0.3	-	-	1.4	1.3	0.1	7.7%
Transportation Authority/TransPark	0.3	0.4	(0.1)	(25.0%)	1.6	1.6	-	-
Recreation and Natural Heritage Trust Fund	0.3	0.2	0.1	50.0%	1.3	0.9	0.4	44.4%
Other Receipts	1.6	1.5	0.1	6.7%	6.0	4.6	1.4	30.4%
<b>Subtotal - Payables and Receipts</b>	<b>2.8</b>	<b>2.7</b>	<b>0.1</b>	<b>3.7%</b>	<b>11.6</b>	<b>9.6</b>	<b>2.0</b>	<b>20.8%</b>
	<b>\$ 190.1</b>	<b>\$ 186.3</b>	<b>\$ 3.8</b>	<b>2.0%</b>	<b>\$ 763.8</b>	<b>\$ 775.3</b>	<b>\$ (11.5)</b>	<b>(1.5%)</b>