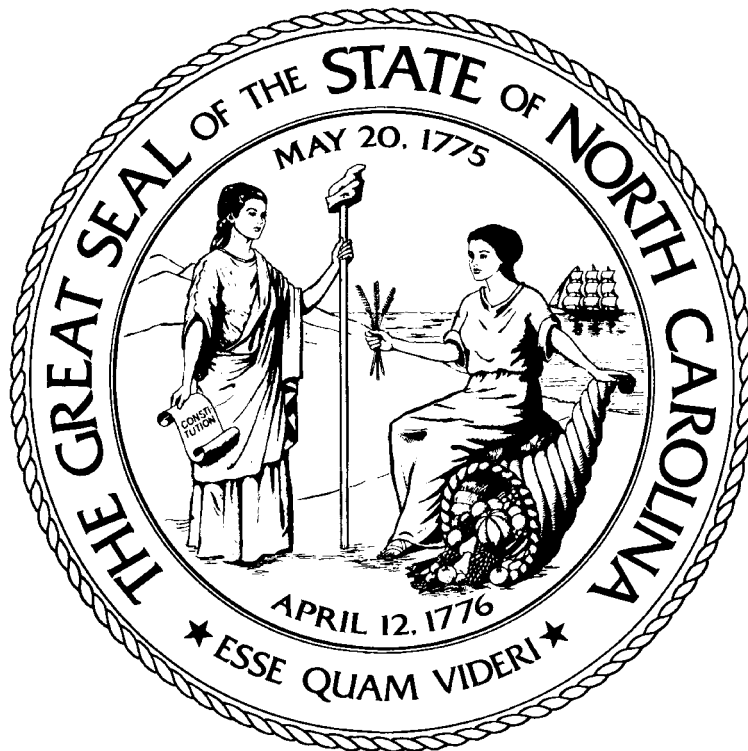


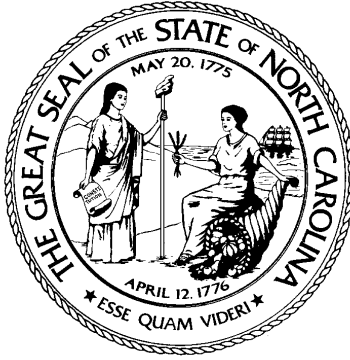
STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
SEPTEMBER 30, 1999



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

STATE OF NORTH CAROLINA



The Honorable James B. Hunt, Jr.
Governor of the State of North Carolina

December 2, 1999

We herewith submit the Summary of Financial Condition for the State of North Carolina for the third month ended September 30, 1999. 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 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

Marvin K. Dorman, Jr.
State Budget Officer
(919) 733-7061

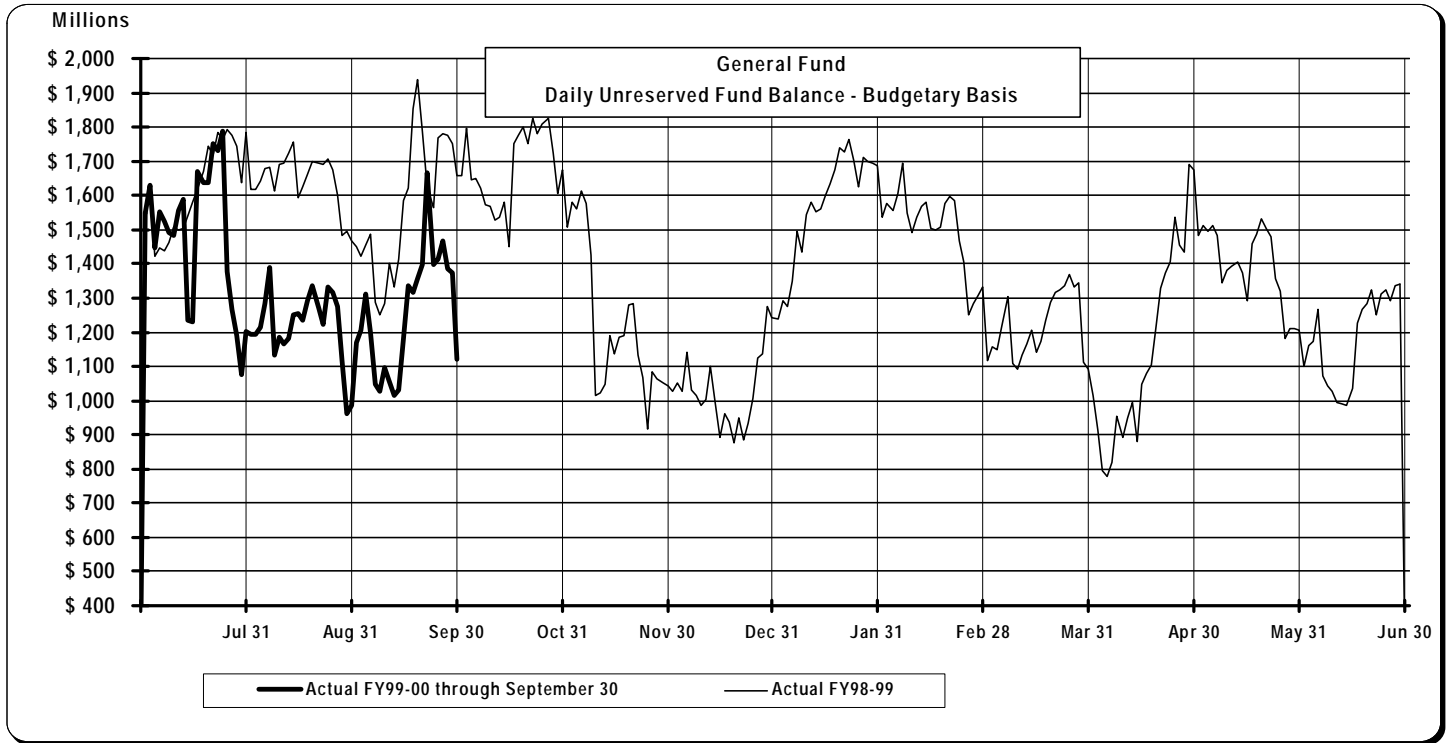
Muriel K. Offerman
Secretary of Revenue
(919) 733-7211

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 1999

Fund Balance



At September 30, 1999 and 1998, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	1999-00	1998-99
Reserved:		
Savings account.....	\$ 322.5	\$ 522.5
Retirees health premiums.....	267.3	241.3
Repairs and renovations.....	10.6	23.3
Clean water management.....	1.1	—
North Carolina Railroad acquisition.....	61.0	61.0
Work First.....	—	19.5
Total Reserved.....	662.5	867.6
Unreserved:		
Fund Balance - July 1.....	296.7	515.2
Transfer from reserves.....	380.0	227.8
Excess of revenue over (under) expenditures..	443.2	916.0
Total Unreserved.....	1,119.9	1,659.0
Total Fund Balance.....	\$ 1,782.4	\$ 2,526.6

Bailey Case — State Tax Refunds - State Retirees. State and local government retirees filed a class action suit in 1990 as a result of the repeal of the income tax exemption for state and local government retirement benefits. The original suit was dismissed after the North Carolina Supreme Court ruled in 1991 that the plaintiffs had failed to comply with state law requirements for challenging unconstitutional taxes and the United States Supreme Court denied review. In 1992, many of the same plaintiffs filed a new lawsuit alleging essentially the same claims, including breach of contract, unconstitutional impairment of contract rights by the State in taxing benefits that were allegedly promised to be tax exempt and violation of several state constitutional provisions. **Patton Case — State Tax Refunds - Federal Retirees.** On June 23, 1995, retired federal employees sued for refund of income taxes paid upon pension income for tax years 1989 through 1993. They alleged that the incremental pension increases granted state

retirees since 1989 unconstitutionally discriminate against them. The North Carolina Supreme Court ruled in the Bailey case on Friday, May 8, 1998. On June 9, 1998 representatives of the State and the various retirees involved in the Bailey and Patton cases announced a settlement in the amount of \$799 million. Of this amount, \$400 million was paid in refunds in November 1998 for fiscal year 1998-99, and \$399 million during July of fiscal year 1999-2000.

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 has been consolidated with Shaver v. State, another action for refund of intangibles tax paid on shares of stock. The consolidated case has now been settled and the agreement requires 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

September 30, 1999

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues

Expressed In Millions

	September				Year-To-Date Through September			
	1999-00	1998-99	Change	% Change	1999-00	1998-99	Change	% Change
Tax Revenues:								
Individual Income	\$ 691.9	\$ 692.5	\$ (0.6)	(0.1)%	\$ 1,527.7	\$ 1,494.8	\$ 32.9	2.2%
Corporate Income	195.4	140.1	55.3	39.5%	183.5	182.0	1.5	0.8%
Sales and Use	257.3	289.9	(32.6)	(11.2)%	854.4	853.6	0.8	0.1%
Franchise	7.1	7.2	(0.1)	(1.4)%	80.4	76.5	3.9	5.1%
Insurance	1.3	1.5	(0.2)	(13.3)%	3.6	4.7	(1.1)	(23.4)%
Piped Natural Gas	3.1	—	3.1	—	4.1	—	4.1	—
Beverage	15.4	15.0	0.4	2.7%	42.4	40.5	1.9	4.7%
Inheritance	19.0	12.7	6.3	49.6%	50.9	41.9	9.0	21.5%
Soft Drink	—	1.0	(1.0)	(100.0)%	1.2	4.3	(3.1)	(72.1)%
Privilege License	0.6	0.7	(0.1)	(14.3)%	14.2	9.6	4.6	47.9%
Tobacco Products	3.9	3.8	0.1	2.6%	11.5	12.0	(0.5)	(4.2)%
Real Estate Conveyance Excise	—	—	—	—	9.6	8.5	1.1	12.9%
Gift	0.5	0.1	0.4	400.0%	2.4	0.7	1.7	242.9%
White Goods Disposal	0.3	0.4	(0.1)	(25.0)%	1.2	1.7	(0.5)	(29.4)%
Scrap Tire Disposal	0.8	1.0	(0.2)	(20.0)%	2.7	2.7	—	—
Other	0.3	0.3	—	—	0.1	0.1	—	—
Total Tax Revenue	1,196.9	1,166.2	30.7	2.6%	2,789.9	2,733.6	56.3	2.1%
Non-Tax Revenue:								
Treasurer's Investments	20.0	23.7	(3.7)	(15.6)%	61.4	68.6	(7.2)	(10.5)%
Judicial Fees	9.5	9.8	(0.3)	(3.1)%	28.6	29.8	(1.2)	(4.0)%
Insurance	—	0.4	(0.4)	(100.0)%	0.2	0.6	(0.4)	(66.7)%
Disproportionate Share	105.0	—	105.0	—	105.0	—	105.0	—
Highway Fund Transfer In	3.4	3.3	0.1	3.0%	3.4	3.3	0.1	3.0%
Highway Trust Fund Transfer In	—	—	—	—	170.0	170.0	—	—
Other	5.3	3.9	1.4	35.9%	37.0	13.2	23.8	180.3%
Total Non-Tax Revenue	143.2	41.1	102.1	248.4%	405.6	285.5	120.1	42.1%
Total Tax and Non-Tax Revenue	\$ 1,340.1	\$ 1,207.3	\$ 132.8	11.0%	\$ 3,195.5	\$ 3,019.1	\$ 176.4	5.8%

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through September 30, actual tax and non-tax revenues increased by \$176.4 million, or 5.8%. The net, or actual, tax and non-tax revenues through September 1999 of \$3,195.5 million were less than the projected revenues by \$15.1 million. Through September 1999, \$105.0 million of disproportionate share receipts were collected as non-tax revenue. Disproportionate share receipts are Medicaid payments received by hospitals that serve a disproportionate share of indigent patients. Major components of tax and non-tax revenues that increased from the prior year through the end of September 1999 included:

- \$32.9 million for Individual Income Tax; and
- \$9.0 million for Inheritance Tax.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 1999

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]	\$ 716.1	\$ 691.9	\$ (24.2)	96.6%	\$ 1,565.6	\$ 1,527.7	\$ (37.9)	97.6%
Corporate Income [2]	169.8	195.4	25.6	115.1%	165.4	183.5	18.1	110.9%
Sales and Use	284.3	257.3	(27.0)	90.5%	853.7	854.4	0.7	100.1%
Franchise	11.7	7.1	(4.6)	60.7%	78.9	80.4	1.5	101.9%
Insurance	1.4	1.3	(0.1)	92.9%	3.7	3.6	(0.1)	97.3%
Piped Natural Gas	1.5	3.1	1.6	206.7%	1.7	4.1	2.4	241.2%
Beverage	15.7	15.4	(0.3)	98.1%	41.6	42.4	0.8	101.9%
Inheritance	15.8	19.0	3.2	120.3%	47.4	50.9	3.5	107.4%
Soft Drink	—	—	—	—	1.5	1.2	(0.3)	80.0%
Privilege License	0.7	0.6	(0.1)	85.7%	8.0	14.2	6.2	177.5%
Tobacco Products	3.6	3.9	0.3	108.3%	10.8	11.5	0.7	106.5%
Real Estate Conveyance Excise	—	—	—	—	9.6	9.6	—	100.0%
Gift	0.3	0.5	0.2	166.7%	1.0	2.4	1.4	240.0%
White Goods Disposal	0.3	0.3	—	100.0%	1.2	1.2	—	100.0%
Scrap Tire Disposal	0.8	0.8	—	100.0%	2.7	2.7	—	100.0%
Other	—	0.3	0.3	—	—	0.1	0.1	—
Total Tax Revenue	1,222.0	1,196.9	(25.1)	97.9%	2,792.8	2,789.9	(2.9)	99.9%
Non-Tax Revenue								
Treasurer's Investments	21.4	20.0	(1.4)	93.5%	65.7	61.4	(4.3)	93.5%
Judicial Fees	10.2	9.5	(0.7)	93.1%	31.2	28.6	(2.6)	91.7%
Insurance	5.7	—	(5.7)	—	5.9	0.2	(5.7)	3.4%
Disproportionate share	105.0	105.0	—	100.0%	105.0	105.0	—	100.0%
Highway Fund Transfer In	3.4	3.4	—	100.0%	3.4	3.4	—	100.0%
Highway Trust Fund Transfer In	—	—	—	—	170.0	170.0	—	100.0%
Other	4.6	5.3	0.7	115.2%	36.6	37.0	0.4	101.1%
Total Non-Tax Revenue	150.3	143.2	(7.1)	95.3%	417.8	405.6	(12.2)	97.1%
Total Tax and Non-Tax Revenue	\$ 1,372.3	\$ 1,340.1	\$ (32.2)	97.7%	\$ 3,210.6	\$ 3,195.5	\$ (15.1)	99.5%

[1] Individual Income Tax collections are reported net of the following transfer(s) :				
	1999-00		1998-99	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Individual Income Tax, Reported Net	\$ 691.9	\$ 1,527.7	\$ 692.5	\$ 1,494.8
Local Government Tax Reimbursement	—	129.0	—	129.0
Individual Income Tax, Adjusted for Transfers	<u>\$ 691.9</u>	<u>\$ 1,656.7</u>	<u>\$ 692.5</u>	<u>\$ 1,623.8</u>

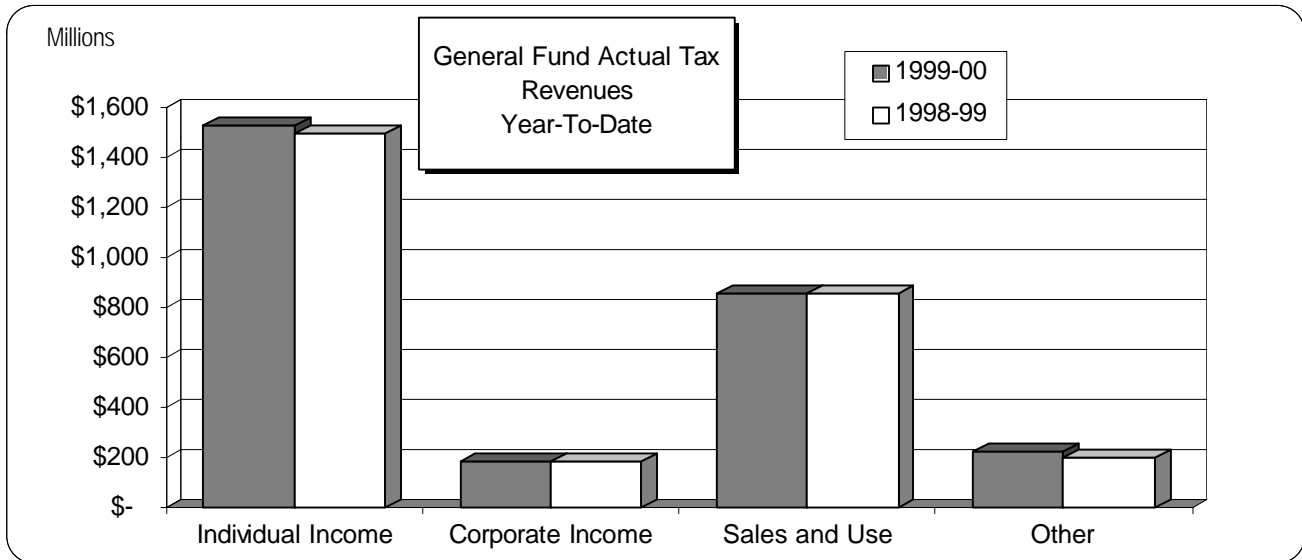
[2] Corporate Income Tax collections are reported net of the following transfer(s) :				
	1999-00		1998-99	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 195.4	\$ 183.5	\$ 140.1	\$ 182.0
Public School Building Capital Fund	—	26.1	—	21.2
Critical School Facility Needs Fund	—	2.5	—	2.5
Local Government Tax Reimbursement	95.1	101.5	95.1	101.5
	<u>95.1</u>	<u>130.1</u>	<u>95.1</u>	<u>125.2</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 290.5</u>	<u>\$ 313.6</u>	<u>\$ 235.2</u>	<u>\$ 307.2</u>

SUMMARY OF FINANCIAL CONDITION

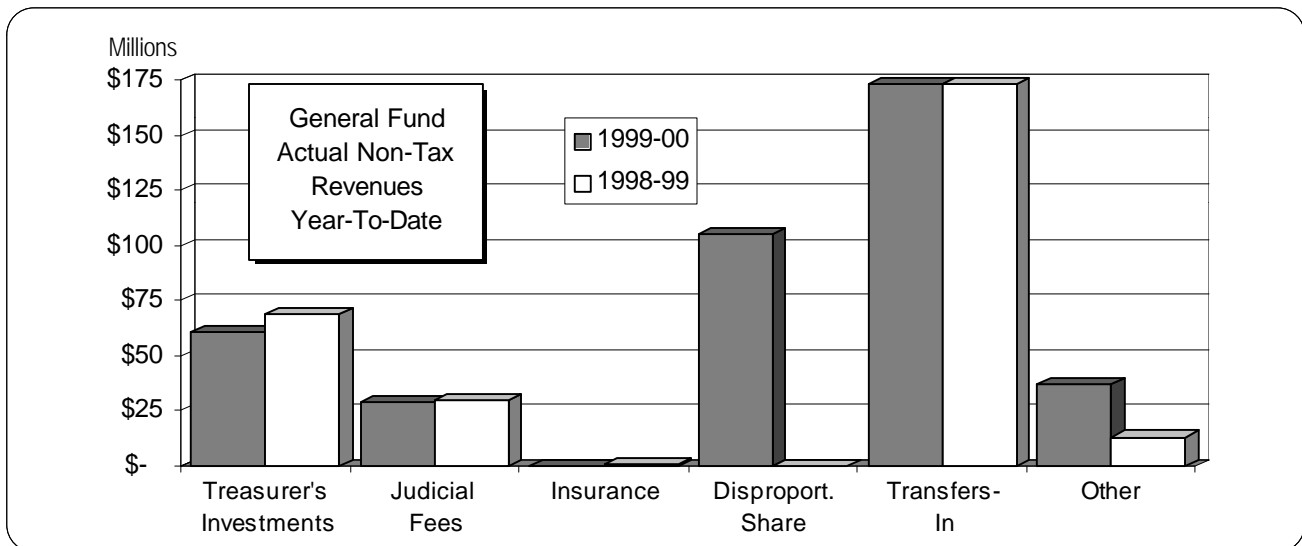
September 30, 1999

Tax revenues through September 1999 were greater than the period through September 1998 by \$56.3 million, or 2.1%. 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 September 1999 was \$120.1 million or 42.1% greater than through the end of September 1998. Cash balances in the General Fund were \$2,144.0 as of September 30, 1999, versus \$2,850.9 as of September 1998. You would therefore expect investment earnings to be lower. Investment earnings were \$61.4 million through September 1999, compared to \$68.6 million through September 1998.



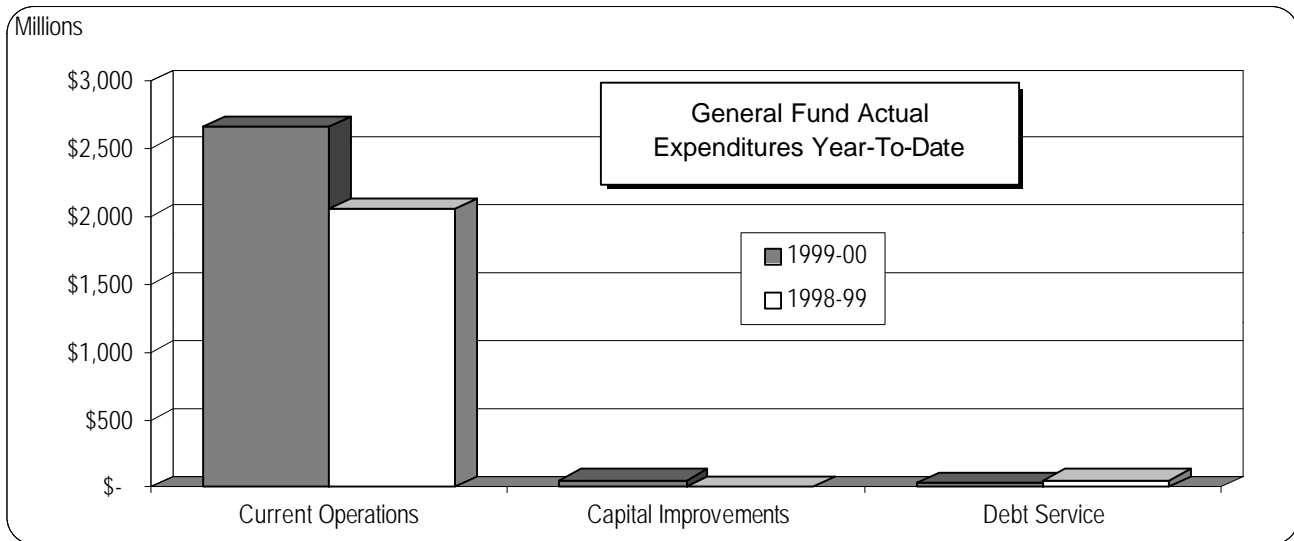
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 1999

Expenditures

Actual appropriation expenditures through September 30, 1999, exclusive of appropriation expenditures for capital improvements funded by bond proceeds, were greater than actual appropriation expenditures through September 1998 by \$649.2 million, or 30.9%. Of this 30.9% increase, \$399 million, or 19.0%, represents fiscal year 1999-00 general government expenditures for payments to State and federal retirees (see page 1). For fiscal year 1998-99, the \$400 million payment to retirees did not occur until November 1998.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through September 1999 were greater than such expenditures through September 1998 by \$609.9 million, or 29.7%. As mentioned above, of this 29.7% increase, \$399 million, or 19.5% represents fiscal year 1999-00 general government expenditures for payments to State and federal retirees (see page 1). For fiscal year 1998-99, the \$400 million payment to retirees did not occur until November 1998.

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

Expressed in Millions

	1999-00	1998-99	Change	Percent Change	Percent of Total Expenditures	
					1999-00	1998-99
Current Operations:						
General Government	\$ 373.1	\$ (59.1)	\$ 432.2	(731.3%)	12.6%	(2.8%)
Education	1,360.5	1,228.0	132.5	10.8%	46.1%	58.4%
Health and Human Services	479.0	518.0	(39.0)	(7.5%)	16.2%	24.6%
Economic Development	30.2	6.3	23.9	379.4%	1.0%	0.3%
Environment and Natural Resources	68.1	34.6	33.5	96.8%	2.3%	1.6%
Public Safety, Correction, and Regulation	332.7	311.5	21.2	6.8%	11.3%	14.8%
Agriculture	14.0	12.1	1.9	15.7%	0.5%	0.6%
Operating Reserves/Rounding	2.9	(0.8)	3.7	(462.5%)	0.1%	—
<i>Total Current Operations</i>	<u>2,660.5</u>	<u>2,050.6</u>	<u>609.9</u>	<u>29.7%</u>	<u>90.2%</u>	<u>97.5%</u>
Capital Improvements:						
Funded by General Fund	57.6	—	57.6	—	2.0%	—
Debt Service	<u>34.2</u>	<u>52.5</u>	<u>(18.3)</u>	<u>(34.9%)</u>	<u>1.2%</u>	<u>2.5%</u>
	<u>2,752.3</u>	<u>2,103.1</u>	<u>649.2</u>	<u>30.9%</u>	<u>93.3%</u>	<u>100.0%</u>
Capital Improvements:						
Funded by Bond Proceeds	197.4	—	197.4	—	6.7%	—
Total Expenditures	<u>\$ 2,949.7</u>	<u>\$ 2,103.1</u>	<u>\$ 846.6</u>	<u>40.3%</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

September 30, 1999

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 \$1.95 billion as of September 30, 1999.

The first bond issue related to the \$1 million of public improvement bonds which were approved in November 1996 was issued on September 1, 1999 in the amount of \$197.4 million. The bonds in Series 1999A were issued at rates ranging from 5.0% to 5.4% with a final maturity of March 1, 2019. The bonds in Series 1999B were issued at rates ranging from 6.7% to 6.75% with a final maturity of March 1, 2007.

The schedule below includes only bonds issued through September 30, 1999.

SCHEDULE OF BOND PRINCIPAL PAYMENT REQUIREMENTS GENERAL OBLIGATION BONDS (Expressed in Thousands)			
	Payable from:		Total Principal Requirements
	General Fund Revenues	Highway Fund Revenues	
1999-00 Requirements:			
August 1999	\$ 21,920	\$ —	\$ 21,920
December 1999	—	—	—
February 2000	8,000	—	8,000
March 2000	25,715	—	25,715
April 2000	40,700	—	40,700
May 2000	1,910	16,675	18,585
June 2000	28,000	—	28,000
Totals — 1999-00	126,245	16,675	142,920
Future Years' Requirements:			
2001	135,110	16,675	151,785
2002	135,195	16,675	151,870
2003	135,230	16,675	151,905
2004	135,130	16,675	151,805
2005	135,535	16,675	152,210
2006	135,395	16,675	152,070
2007	135,305	16,675	151,980
2008	135,965	16,675	152,640
2009	135,815	16,675	152,490
2010	134,550	16,675	151,225
2011	134,525	16,675	151,200
2012	134,500	16,675	151,175
2013	134,480	16,550	151,030
2014	134,465	—	134,465
2015	134,450	—	134,450
2016	134,430	—	134,430
2017	86,500	—	86,500
2018	32,500	—	32,500
2019	16,400	—	16,400
Totals — All Years	\$ 2,421,725	\$ 233,325	\$ 2,655,050
Less			
Unamortized Discount	(4,744)	—	(4,744)
Total Principal, Net	\$ 2,416,981	\$ 233,325	\$ 2,650,306
Outstanding Principal June 30, 2000			\$ 2,507,386

Bonds Authorized But Unissued September 30, 1999

(Expressed in Thousands)

Authorized:	Date	School				Highway		Clean Water	Natural Gas	Total
		Construction	Construction	Construction	Construction					
School Construction	11/5/96	\$ 1,800,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,800,000	
Highway Construction	11/5/96	—	950,000	—	—	—	—	—	950,000	
Clean Water	11/3/98	—	—	800,000	—	—	—	—	800,000	
Natural Gas	11/3/98	—	—	—	200,000	—	—	—	200,000	
Total Authorized		1,800,000	950,000	800,000	200,000	—	—	—	3,750,000	
Issued:										
Public School Building Series 1997A	3/1/97	450,000	—	—	—	—	—	—	450,000	
Highway Bonds, Series 1997A	11/1/97	—	250,000	—	—	—	—	—	250,000	
Public School Building Series 1998A	4/1/98	450,000	—	—	—	—	—	—	450,000	
Public School Building Series 1999	4/1/99	450,000	—	—	—	—	—	—	450,000	
Public Improvement, Series 1999A	9/1/99	—	—	172,400	5,000	—	—	—	177,400	
Public Improvement, Series 1999B	9/1/99	—	—	—	20,000	—	—	—	20,000	
Total Issued		1,350,000	250,000	172,400	25,000	—	—	—	1,797,400	
Unissued — September 30, 1999		\$ 450,000	\$ 700,000	\$ 627,600	\$ 175,000	—	—	—	\$ 1,952,600	

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 1999

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND								
COMPARATIVE STATEMENT OF NET COLLECTIONS								
For the Months of September 1999 and 1998, and the Three Months Ended September 30, 1999 and 1998								
(Expressed in Millions)								
	Month				Year-To-Date			
	1990-00	1998-99	Change	Percent Change	1990-00	1998-99	Change	Percent Change
Highway Fund								
Motor Fuels Tax	\$ 68.8	\$ 64.5	\$ 4.3	6.7%	\$ 201.7	\$ 201.0	\$ 0.7	0.3%
Motor Vehicle License Fees	(17.2)	(18.0)	0.8	(4.4%)	13.6	13.4	0.2	1.5%
Driver License Fees	(5.1)	(6.3)	1.2	(19.0%)	4.2	5.1	(0.9)	(17.6%)
Motor Fuels and Oil Inspection Fees	1.1	1.1	-	-	3.0	3.2	(0.2)	(6.3%)
Title Fee	-	-	-	-	-	-	-	-
Other	(2.7)	(2.4)	(0.3)	12.5%	2.0	2.1	(0.1)	(4.8%)
Subtotal - Highway Fund	44.9	38.9	6.0	15.4%	224.5	224.8	(0.3)	(0.1%)
Highway Trust Fund								
Highway Use Tax	(42.2)	(37.3)	(4.9)	13.1%	39.8	36.3	3.5	9.6%
Motor Fuels Tax	22.9	21.4	1.5	7.0%	67.2	66.9	0.3	0.4%
Title Fee	(7.2)	(6.6)	(0.6)	9.1%	6.3	6.4	(0.1)	(1.6%)
Motor Vehicle Lease	2.8	3.6	(0.8)	(22.2%)	10.3	10.5	(0.2)	(1.9%)
Registration	(0.9)	(0.8)	(0.1)	12.5%	0.8	0.8	-	-
Lien Recording	(0.2)	(0.1)	(0.1)	100.0%	0.2	0.2	-	-
Subtotal - Highway Trust Fund	(24.8)	(19.8)	(5.0)	25.3%	124.6	121.1	3.5	2.9%
Payables and Receipts								
Special Registration Plate Fund	(0.3)	(0.2)	(0.1)	50.0%	0.2	0.2	-	-
Safety Inspection and Exhaust Emission	(0.2)	(0.2)	-	-	0.2	0.2	-	-
Transportation Authority/TransPark	(0.4)	(0.7)	0.3	(42.9%)	0.3	0.6	(0.3)	(50.0%)
Recreation and Natural Heritage Trust Fund	(0.2)	(0.1)	(0.1)	100.0%	0.2	0.2	-	-
Other Receipts	(0.8)	(0.9)	0.1	11.1%	0.4	0.3	0.1	33.3%
Subtotal - Payables and Receipts	(1.9)	(2.1)	0.2	(9.5%)	1.3	1.5	(0.2)	(13.3%)
	\$ 18.2	\$ 17.0	\$ 1.2	7.1%	\$ 350.4	\$ 347.4	\$ 3.0	0.9%