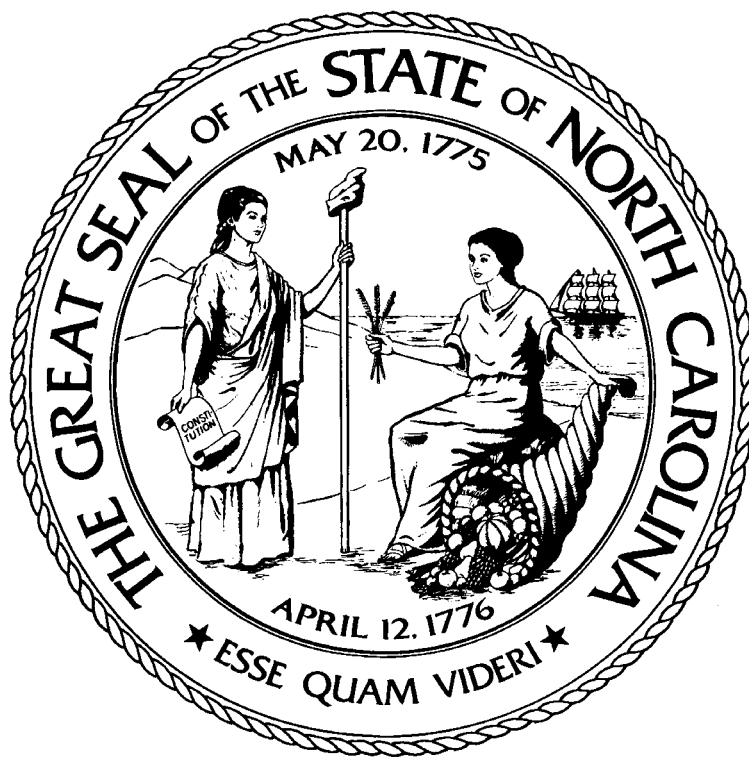


STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
JANUARY 31, 2004



OFFICE OF THE STATE CONTROLLER

STATE OF NORTH CAROLINA



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

February 17, 2004

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

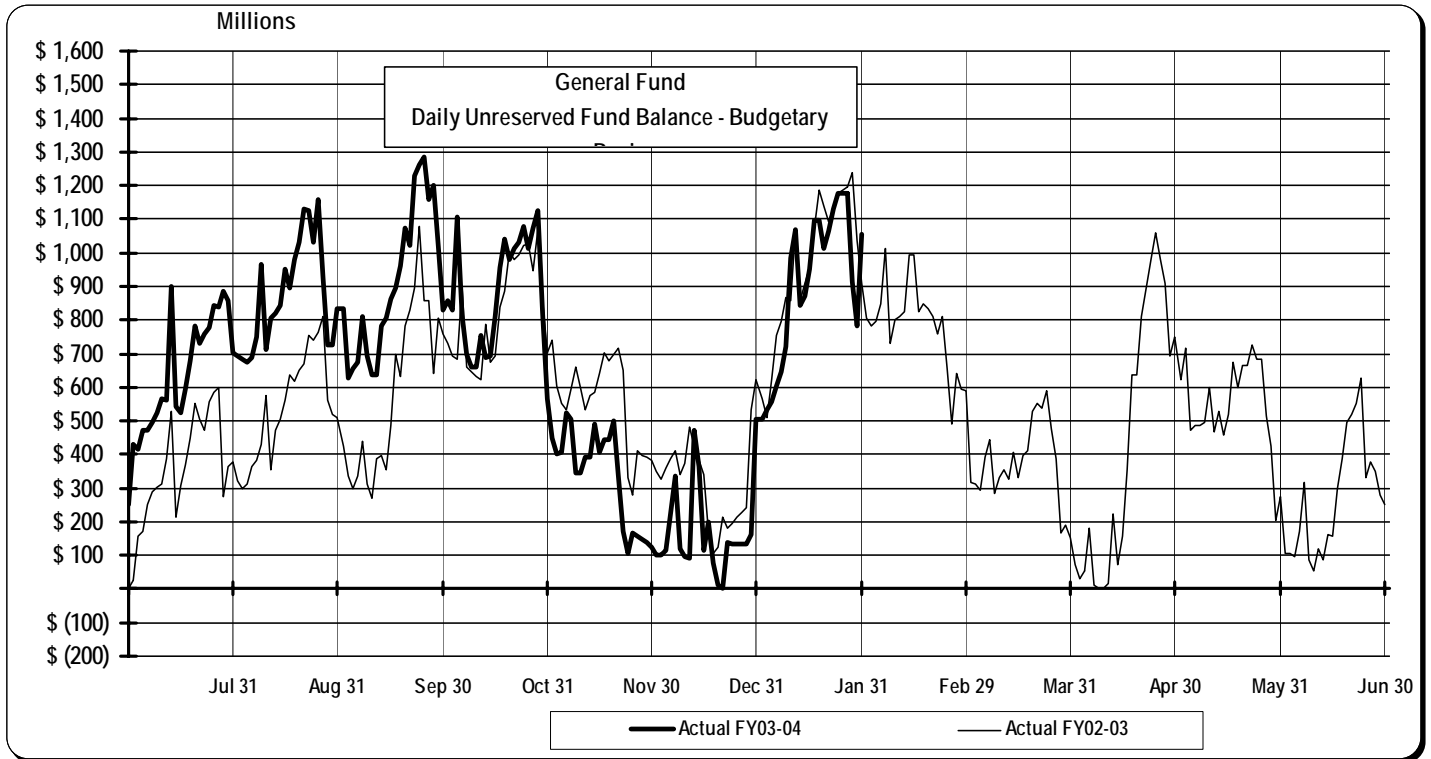
Sincerely,
Robert L. Powell
State Controller
(919) 981-5454

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2004

Fund Balance



At January 31, 2004 and 2003, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	2003-04	2002-03
Reserved:		
Savings account (G.S. 143-15.3).....	\$ 150.0	\$ —
Section 401(b) Federal.....	136.9	—
Retirees' Health Premiums.....	43.5	35.7
North Carolina Railroad dividend.....	—	22.1
Repairs and Renovations (G.S. 143-15.3A).....	15.0	—
Disproportionate Share.....	1.5	—
Disaster relief.....	16.0	—
NC One Fund.....	1.5	—
Budgetary Shortfall Funds.....	11.7	205.6
Total Reserved.....	<u>376.1</u>	<u>263.4</u>
Unreserved:		
Fund Balance - July 1.....	250.5	3.8
Transfer from reserves.....	—	21.2
Transfer to reserves.....	—	—
Nonrecurring transfers from other funds.....	—	—
Excess of revenue over (under) expenditures.....	755.1	882.0
Total Unreserved.....	<u>1,005.6</u>	<u>907.0</u>
Total Fund Balance.....	<u>\$ 1,381.7</u>	<u>\$ 1,170.4</u>

The Office of State Budget and Management directed the release of disaster relief reserved funds in July 2002 to Governor Easley's Executive Order #22 (shown as Budgetary Shortfall Funds in table above).

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2004

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues

Expressed In Millions

	January				Year-To-Date Through January			
	2003-04	2002-03	Change	% Change	2003-04	2002-03	Change	% Change
Tax Revenues:								
Individual Income	\$ 806.9	\$ 873.3	\$ (66.4)	(7.6)%	\$ 4,669.8	\$ 4,569.5	\$ 100.3	2.2%
Corporate Income	17.8	16.3	1.5	9.2%	355.4	447.9	(92.5)	(20.7)%
Sales and Use	417.5	357.7	59.8	16.7%	2,556.0	2,376.2	179.8	7.6%
Franchise	26.7	44.7	(18.0)	(40.3)%	188.2	199.7	(11.5)	(5.8)%
Insurance	4.7	4.5	0.2	4.4%	126.6	116.4	10.2	8.8%
Piped Natural Gas	8.6	10.5	(1.9)	(18.1)%	20.8	21.0	(0.2)	(1.0)%
Beverage	13.9	12.6	1.3	10.3%	104.5	98.1	6.4	6.5%
Inheritance	9.1	11.1	(2.0)	(18.0)%	73.1	72.9	0.2	0.3%
Privilege License	5.8	5.0	0.8	16.0%	26.2	27.0	(0.8)	(3.0)%
Tobacco Products	3.9	3.6	0.3	8.3%	25.8	25.3	0.5	2.0%
Real Estate Conveyance Excise	—	(1.5)	1.5	100.0%	3.4	8.2	(4.8)	(58.5)%
Gift	0.2	0.6	(0.4)	(66.7)%	3.1	2.4	0.7	29.2%
White Goods Disposal	(0.7)	(0.8)	0.1	12.5%	0.4	0.3	0.1	33.3%
Scrap Tire Disposal	(2.0)	(1.9)	(0.1)	5.3%	1.0	0.9	0.1	11.1%
Freight Car Lines	—	—	—	—	—	—	—	—
Other	0.1	—	0.1	—	0.2	(0.1)	0.3	300.0%
Total Tax Revenue	1,312.5	1,335.7	(23.2)	(1.7)%	8,154.5	7,965.7	188.8	2.4%
Non-Tax Revenue:								
Treasurer's Investments	4.8	8.5	(3.7)	(43.5)%	48.5	65.2	(16.7)	(25.6)%
Judicial Fees	10.6	10.7	(0.1)	(0.9)%	77.3	68.2	9.1	13.3%
Insurance	6.7	6.9	(0.2)	(2.9)%	18.2	16.2	2.0	12.3%
Disproportionate Share	—	—	—	—	97.1	107.3	(10.2)	(9.5)%
Highway Fund Transfer In	4.1	3.8	0.3	7.9%	10.9	11.5	(0.6)	(5.2)%
Highway Trust Fund Transfer In	—	—	—	—	126.2	188.7	(62.5)	(33.1)%
Other	16.5	24.5	(8.0)	(32.7)%	172.1	87.2	84.9	97.4%
Total Non-Tax Revenue	42.7	54.4	(11.7)	(21.5)%	550.3	544.3	6.0	1.1%
Total Tax and Non-Tax Revenue	\$ 1,355.2	\$ 1,390.1	\$ (34.9)	(2.5)%	\$ 8,704.8	\$ 8,510.0	\$ 194.8	2.3%

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through January 31, actual tax and non-tax revenues increased by \$194.8 million, or 2.3%. The substantial increase in non-tax revenue is due to a transfer in July 2003, of \$108.8 million from Governor Easley's Executive Order to generate additional funds for the 2004 fiscal year. The net, or actual, tax and non-tax revenues through January 2004 of \$8,704.8 billion were more than the projected revenues by \$27.8 million.

For fiscal year 2002-03, the local government tax reimbursement was repealed. In addition in fiscal year 2002-03, no funds were transferred from corporate income tax to the Critical School Facility Needs Fund or the Public School Building Capital Fund. Instead these funds were deposited as a receipt for use in the State Public School Fund (*part of the General Fund*). This receipt indirectly increased available dollars to be appropriated for other uses.

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

- \$179.8 million for Sales and Use Tax;
- \$100.3 million for Individual Income Tax; and
- \$84.9 million for Miscellaneous Non-tax

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2004

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

(Expressed In Millions)	Current Month				Year-To-Date			
	Projected Monthly Budget	Actual	Variance	Percent Realized	Projected Monthly Budget	Actual	Variance	Percent Realized
Tax Revenue								
Individual Income	\$ 822.6	\$ 806.9	\$ (15.7)	98.1%	\$ 4,677.3	\$ 4,669.8	\$ (7.5)	99.8%
Corporate Income [1]	26.0	17.8	(8.2)	68.5%	350.7	355.4	4.7	101.3%
Sales and Use	386.4	417.5	31.1	108.0%	2,492.2	2,556.0	63.8	102.6%
Franchise	35.3	26.7	(8.6)	75.6%	211.1	188.2	(22.9)	89.2%
Insurance	5.1	4.7	(0.4)	92.2%	131.5	126.6	(4.9)	96.3%
Piped Natural Gas	10.7	8.6	(2.1)	80.4%	24.2	20.8	(3.4)	86.0%
Beverage	13.0	13.9	0.9	106.9%	100.8	104.5	3.7	103.7%
Other :								
Inheritance	8.9	9.1	0.2	102.2%	62.5	73.1	10.6	117.0%
Privilege License	6.1	5.8	(0.3)	95.1%	28.3	26.2	(2.1)	92.6%
Tobacco Products	3.4	3.9	0.5	114.7%	23.5	25.8	2.3	109.8%
Real Estate Conveyance Excise	—	—	—	—	3.4	3.4	—	100.0%
Gift	0.4	0.2	(0.2)	50.0%	2.8	3.1	0.3	110.7%
White Goods Disposal	(0.7)	(0.7)	—	100.0%	0.4	0.4	—	100.0%
Scrap Tire Disposal	(2.0)	(2.0)	—	100.0%	1.0	1.0	—	100.0%
Other	—	0.1	0.1	—	—	0.2	0.2	—
Total Tax Revenue	<u>1,315.2</u>	<u>1,312.5</u>	<u>(2.7)</u>	99.8%	<u>8,109.7</u>	<u>8,154.5</u>	<u>44.8</u>	100.6%
Non-Tax Revenue								
Treasurer's Investments	9.5	4.8	(4.7)	50.5%	63.8	48.5	(15.3)	76.0%
Judicial Fees	11.5	10.6	(0.9)	92.2%	80.5	77.3	(3.2)	96.0%
Insurance	3.8	6.7	2.9	176.3%	15.4	18.2	2.8	118.2%
Disproportionate share	—	—	—	—	97.1	97.1	—	100.0%
Highway Fund Transfer In	4.1	4.1	—	100.0%	10.9	10.9	—	100.0%
Highway Trust Fund Transfer In	—	—	—	—	126.2	126.2	—	100.0%
Other	15.3	16.5	1.2	107.8%	173.4	172.1	(1.3)	99.3%
Total Non-Tax Revenue	<u>44.2</u>	<u>42.7</u>	<u>(1.5)</u>	96.6%	<u>567.3</u>	<u>550.3</u>	<u>(17.0)</u>	97.0%
Total Tax and Non-Tax Revenue	<u>\$ 1,359.4</u>	<u>\$ 1,355.2</u>	<u>\$ (4.2)</u>	99.7%	<u>\$ 8,677.0</u>	<u>\$ 8,704.8</u>	<u>\$ 27.8</u>	100.3%

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

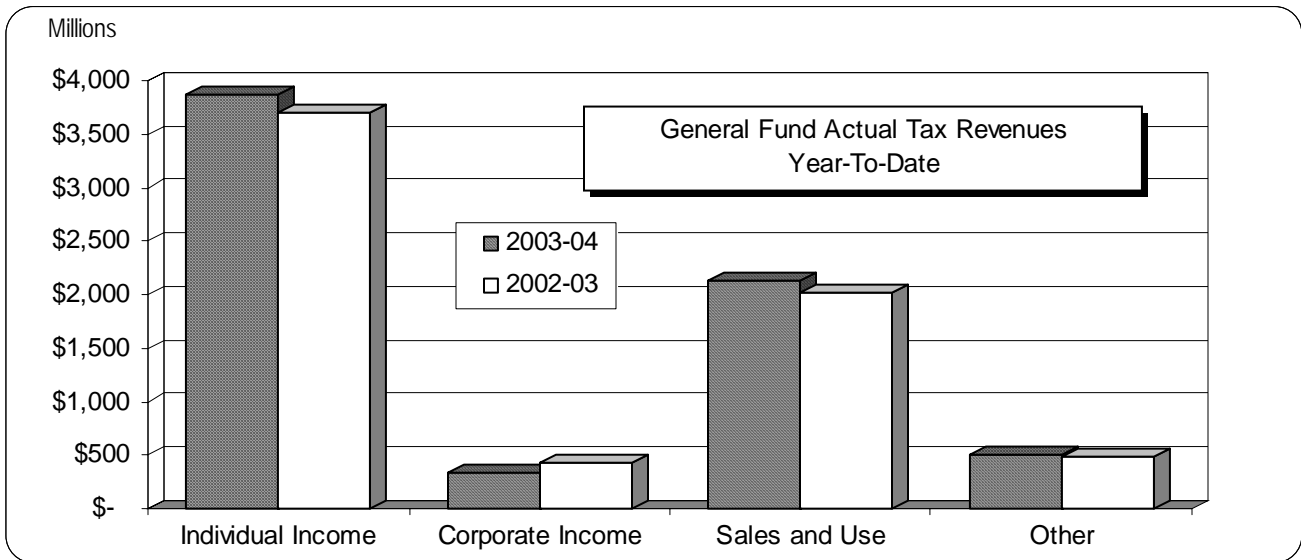
	2003-04		2002-03	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 17.8	\$ 355.4	\$ 16.3	\$ 447.9
Public School Building Capital Fund	—	—	—	—
Critical School Facility Needs Fund	—	—	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	29.9
	—	—	—	29.9
Corporate Income Tax, Adjusted for Transfers	<u>\$ 17.8</u>	<u>\$ 355.4</u>	<u>\$ 16.3</u>	<u>\$ 477.8</u>

SUMMARY OF FINANCIAL CONDITION

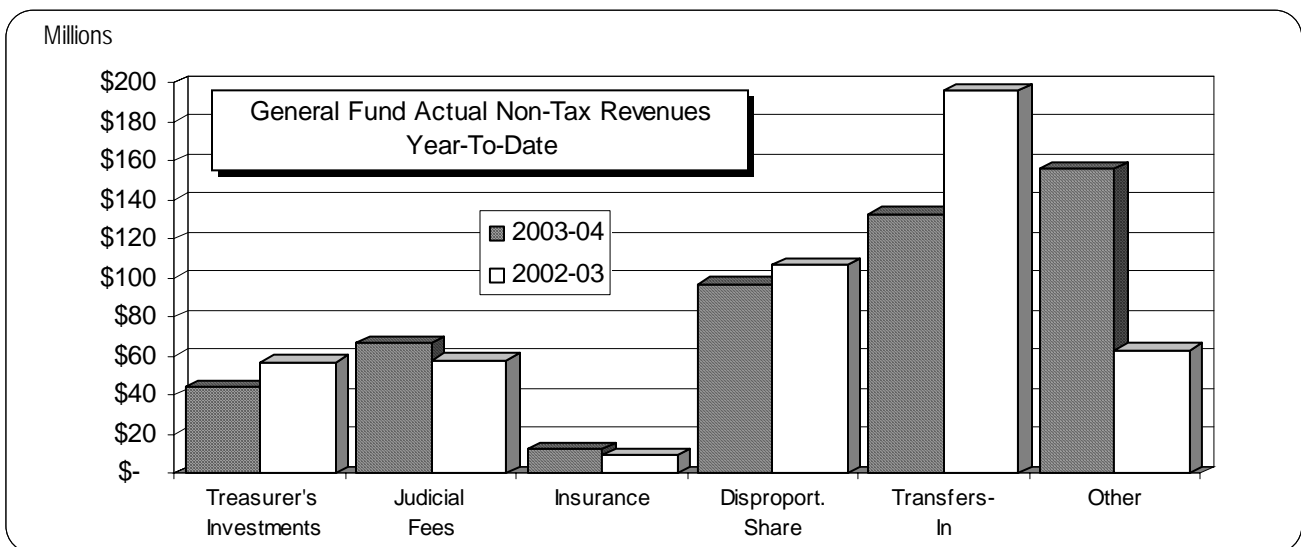
January 31, 2004

Tax revenues through January 2004 were more than the period through January 2003 by \$188.8 million, or 2.4 %. 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 January 2004 was \$6.0 million, or 1.1%, more than through the end of January 2003. Investment revenues decreased by \$16.7 million from the prior year through the end of January.



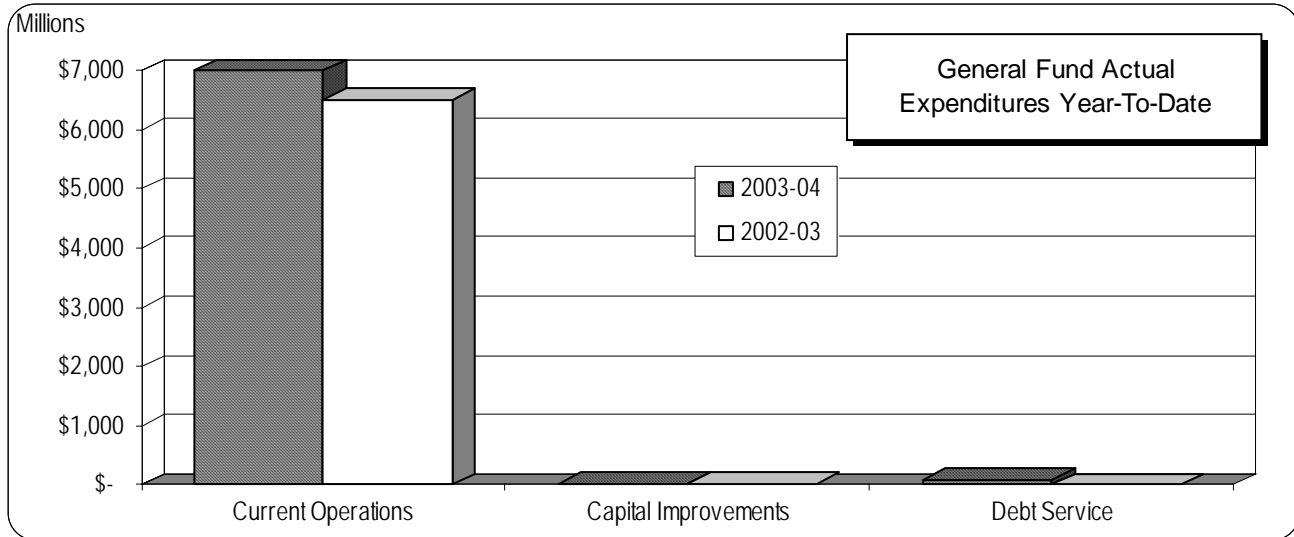
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2004

Expenditures

Actual appropriation expenditures through January 2004 were greater than actual appropriation expenditures through January 2003 by \$321.7 million, or 4.2%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through January 2004 were greater than such expenditures through January 2003 by \$294.9 million, or 3.9%.

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

Expressed in Millions

	2003-04	2002-03	Change	Percent Change	Percent of Total Expenditures	
					2003-04	2002-03
Current Operations:						
General Government	\$ 167.8	\$ 148.5	\$ 19.3	13.0%	2.1%	1.9%
Education	4,813.2	4,513.7	299.5	6.6%	60.5%	59.2%
Health and Human Services	1,796.1	1,966.1	(170.0)	(8.6%)	22.6%	25.8%
Economic Development	40.6	8.3	32.3	389.2%	0.5%	0.1%
Environment and Natural Resources	148.0	119.2	28.8	24.2%	1.9%	1.6%
Public Safety, Correction, and Regulation	836.7	767.5	69.2	9.0%	10.5%	10.1%
Agriculture	24.0	24.2	(0.2)	(0.8%)	0.3%	0.3%
Operating Reserves/Rounding	24.0	8.0	16.0	200.0%	0.3%	0.1%
Total Current Operations	7,850.4	7,555.5	294.9	3.9%	98.8%	99.0%
Capital Improvements:						
Funded by General Fund	13.8	15.6	(1.8)	(11.5%)	0.2%	0.2%
Debt Service	85.5	56.9	28.6	50.3%	1.1%	0.7%
Total Expenditures	\$ 7,949.7	\$ 7,628.0	\$ 321.7	4.2%	100.0%	100.0%

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

January 31, 2004

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND								
COMPARATIVE STATEMENT OF NET COLLECTIONS								
For the Months of January 2004 and 2003, and the Seven Months Ended January 31, 2004 and 2003								
(Expressed in Millions)								
	Month				Year-To-Date			
	2003-04	2002-03	Change	Percent Change	2003-04	2002-03	Change	Percent Change
Highway Fund								
Motor Fuels Tax	\$ -	\$ -	\$ -	-	\$ 472.5	\$ 429.5	\$ 43.0	10.0%
Motor Vehicle License Fees	45.7	45.1	0.6	1.3%	132.3	127.6	4.7	3.7%
Driver License Fees	5.8	6.1	(0.3)	(4.9%)	41.5	40.5	1.0	2.5%
Motor Fuels and Oil Inspection Fees	-	-	-	-	6.8	6.8	-	-
Other	3.9	3.9	-	-	27.3	25.3	2.0	7.9%
Subtotal - Highway Fund	55.4	55.1	0.3	0.5%	680.4	629.7	50.7	8.1%
Highway Trust Fund								
Highway Use Tax	43.0	44.5	(1.5)	(3.4%)	316.4	300.8	15.6	5.2%
Motor Fuels Tax	-	-	-	-	157.4	143.3	14.1	9.8%
Title Fee	6.2	6.4	(0.2)	(3.1%)	46.5	44.3	2.2	5.0%
Motor Vehicle Lease	-	-	-	-	14.7	17.9	(3.2)	(17.9%)
Registration	0.8	0.8	-	-	5.8	5.6	0.2	3.6%
Lien Recording	0.2	0.2	-	-	1.3	1.3	-	-
Repayment Fee	0.1	-	0.1	-	0.4	-	0.4	-
Subtotal - Highway Trust Fund	50.3	51.9	(1.6)	(3.1%)	542.5	513.2	29.3	5.7%
Payables and Receipts								
Special Registration Plate Fund	0.3	0.2	0.1	50.0%	2.0	1.8	0.2	11.1%
Safety Inspection and Exhaust Emission	0.3	0.4	(0.1)	(25.0%)	2.2	2.1	0.1	4.8%
Transportation Authority/TransPark	0.4	0.4	-	-	2.6	2.5	0.1	4.0%
Recreation and Natural Heritage Trust Fund	0.3	0.2	0.1	50.0%	1.5	1.4	0.1	7.1%
Other Receipts	1.0	3.9	(2.9)	(74.4%)	7.7	11.1	(3.4)	(30.6%)
Subtotal - Payables and Receipts	2.3	5.1	(2.8)	(54.9%)	16.0	18.9	(2.9)	(15.3%)
	\$ 108.0	\$ 112.1	\$ (4.1)	(3.7%)	\$ 1,238.9	\$ 1,161.8	\$ 77.1	6.6%