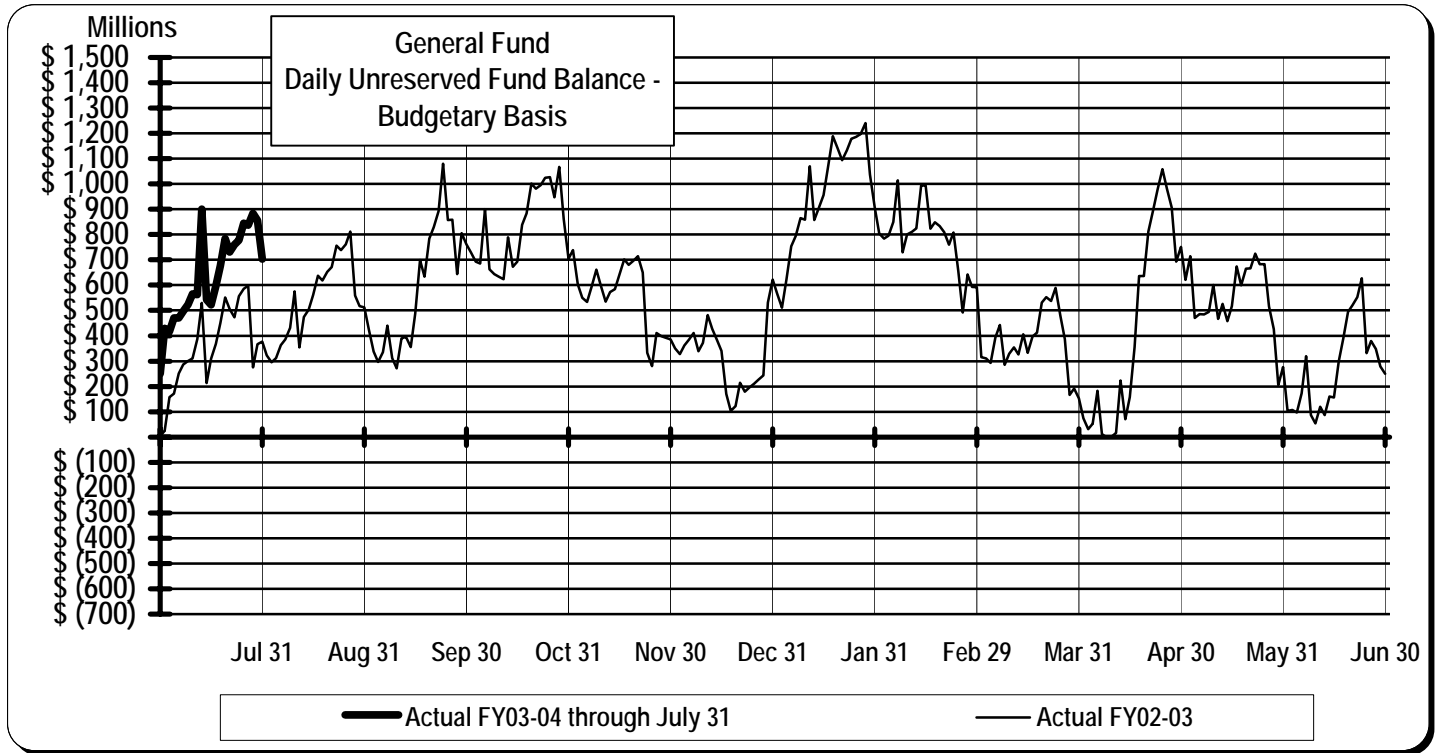


STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

July 31, 2003

Fund Balance



At July 31, 2003 and 2002, 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	\$ —
Retirees' Health Premiums.....	23.0	48.2
North Carolina Railroad dividend.....	—	22.1
Repairs and Renovations (G.S. 143-15.3A).....	15.0	—
Disproportionate Share.....	1.5	—
Disaster relief.....	—	—
Budgetary Shortfall Funds.....	36.7	292.2
Total Reserved.....	226.2	362.5
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.....	460.4	363.3
Total Unreserved.....	710.9	388.3
Total Fund Balance.....	\$ 937.1	\$ 750.8

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

July 31, 2003

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues

Expressed In Millions

	July				Year-To-Date Through July			
	2003-04	2002-03	Change	% Change	2003-04	2002-03	Change	% Change
Tax Revenues:								
Individual Income	\$ 576.1	\$ 581.3	\$ (5.2)	(0.9)%	\$ 576.1	\$ 581.3	\$ (5.2)	(0.9)%
Corporate Income	25.1	19.2	5.9	30.7%	25.1	19.2	5.9	30.7%
Sales and Use	427.4	370.2	57.2	15.5%	427.4	370.2	57.2	15.5%
Franchise	37.8	37.8	—	—	37.8	37.8	—	—
Insurance	5.4	4.0	1.4	35.0%	5.4	4.0	1.4	35.0%
Piped Natural Gas	2.4	2.6	(0.2)	(7.7)%	2.4	2.6	(0.2)	(7.7)%
Beverage	9.4	9.3	0.1	1.1%	9.4	9.3	0.1	1.1%
Inheritance	8.3	11.3	(3.0)	(26.5)%	8.3	11.3	(3.0)	(26.5)%
Soft Drink	—	—	—	—	—	—	—	—
Privilege License	8.6	10.1	(1.5)	(14.9)%	8.6	10.1	(1.5)	(14.9)%
Tobacco Products	3.5	3.6	(0.1)	(2.8)%	3.5	3.6	(0.1)	(2.8)%
Real Estate Conveyance Excise	11.0	8.1	2.9	35.8%	11.0	8.1	2.9	35.8%
Gift	0.3	0.2	0.1	50.0%	0.3	0.2	0.1	50.0%
White Goods Disposal	0.5	0.5	—	—	0.5	0.5	—	—
Scrap Tire Disposal	1.1	1.1	—	—	1.1	1.1	—	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	(0.1)	—	(0.1)	—	(0.1)	—	(0.1)	—
Total Tax Revenue	1,116.8	1,059.3	57.5	5.4%	1,116.8	1,059.3	57.5	5.4%
Non-Tax Revenue:								
Treasurer's Investments	7.2	8.5	(1.3)	(15.3)%	7.2	8.5	(1.3)	(15.3)%
Judicial Fees	11.8	9.9	1.9	19.2%	11.8	9.9	1.9	19.2%
Insurance	0.7	0.3	0.4	133.3%	0.7	0.3	0.4	133.3%
Disproportionate Share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	3.8	(3.8)	(100.0)%	—	3.8	(3.8)	(100.0)%
Highway Trust Fund Transfer In	—	—	—	—	—	—	—	—
Other	119.1	4.5	114.6	2546.7%	119.1	4.5	114.6	2546.7%
Total Non-Tax Revenue	138.8	27.0	111.8	414.1%	138.8	27.0	111.8	414.1%
Total Tax and Non-Tax Revenue	\$ 1,255.6	\$ 1,086.3	\$ 169.3	15.6%	\$ 1,255.6	\$ 1,086.3	\$ 169.3	15.6%

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through July 31, actual tax and non-tax revenues increased by \$169.3 million, or 15.6%. The substantial increase in non-tax revenue is due to a transfer 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 July 2003 of \$1.255 billion were less than the projected revenues by \$98 million.

\$95.1 million for inventories reimbursement to local governments, not previously paid in April 2002, was repaid in July 2002 from the Governor Easley escrow fund (Executive Order #3). For fiscal year 2002-03, the local government tax reimbursement was repealed. In addition, 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 July 2003 included:

- \$57.2 million for Sales and Use Tax;
- \$5.9 million for Corporate Income Tax; and
- \$114.6 million for Miscellaneous Non-tax

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

July 31, 2003

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 [1]	\$ 597.4	\$ 576.1	\$ (21.3)	96.4%	\$ 597.4	\$ 576.1	\$ (21.3)	96.4%
Corporate Income [2]	20.0	25.1	5.1	125.5%	20.0	25.1	5.1	125.5%
Sales and Use	426.8	427.4	0.6	100.1%	426.8	427.4	0.6	100.1%
Franchise	37.2	37.8	0.6	101.6%	37.2	37.8	0.6	101.6%
Insurance	4.1	5.4	1.3	131.7%	4.1	5.4	1.3	131.7%
Piped Natural Gas	2.7	2.4	(0.3)	88.9%	2.7	2.4	(0.3)	88.9%
Beverage	9.2	9.4	0.2	102.2%	9.2	9.4	0.2	102.2%
Inheritance	9.0	8.3	(0.7)	92.2%	9.0	8.3	(0.7)	92.2%
Privilege License	10.3	8.6	(1.7)	83.5%	10.3	8.6	(1.7)	83.5%
Tobacco Products	3.4	3.5	0.1	102.9%	3.4	3.5	0.1	102.9%
Real Estate Conveyance Excise	11.0	11.0	—	100.0%	11.0	11.0	—	100.0%
Gift	0.3	0.3	—	100.0%	0.3	0.3	—	100.0%
White Goods Disposal	0.5	0.5	—	100.0%	0.5	0.5	—	100.0%
Scrap Tire Disposal	1.1	1.1	—	100.0%	1.1	1.1	—	100.0%
Freight Car Lines	—	—	—	—	—	—	—	—
Other	—	(0.1)	(0.1)	—	—	(0.1)	(0.1)	—
Total Tax Revenue	<u>1,133.0</u>	<u>1,116.8</u>	<u>(16.2)</u>	98.6%	<u>1,133.0</u>	<u>1,116.8</u>	<u>(16.2)</u>	98.6%
Non-Tax Revenue								
Treasurer's Investments	8.6	7.2	(1.4)	83.7%	8.6	7.2	(1.4)	83.7%
Judicial Fees	11.5	11.8	0.3	102.6%	11.5	11.8	0.3	102.6%
Insurance	0.5	0.7	0.2	140.0%	0.5	0.7	0.2	140.0%
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	—	—	—	—	—	—	—	—
Other	4.0	119.1	115.1	2977.5%	4.0	119.1	115.1	2977.5%
Total Non-Tax Revenue	<u>24.6</u>	<u>138.8</u>	<u>114.2</u>	564.2%	<u>24.6</u>	<u>138.8</u>	<u>114.2</u>	564.2%
Total Tax and Non-Tax Revenue	<u>\$ 1,157.6</u>	<u>\$ 1,255.6</u>	<u>\$ 98.0</u>	108.5%	<u>\$ 1,157.6</u>	<u>\$ 1,255.6</u>	<u>\$ 98.0</u>	108.5%

[1] Individual 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
Individual Income Tax, Reported Net	\$ 576.1	\$ 576.1	\$ 581.3	\$ 581.3
Local Government Tax Reimbursement	—	—	—	—
Individual Income Tax, Adjusted for Transfers	<u>\$ 576.1</u>	<u>\$ 576.1</u>	<u>\$ 581.3</u>	<u>\$ 581.3</u>

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

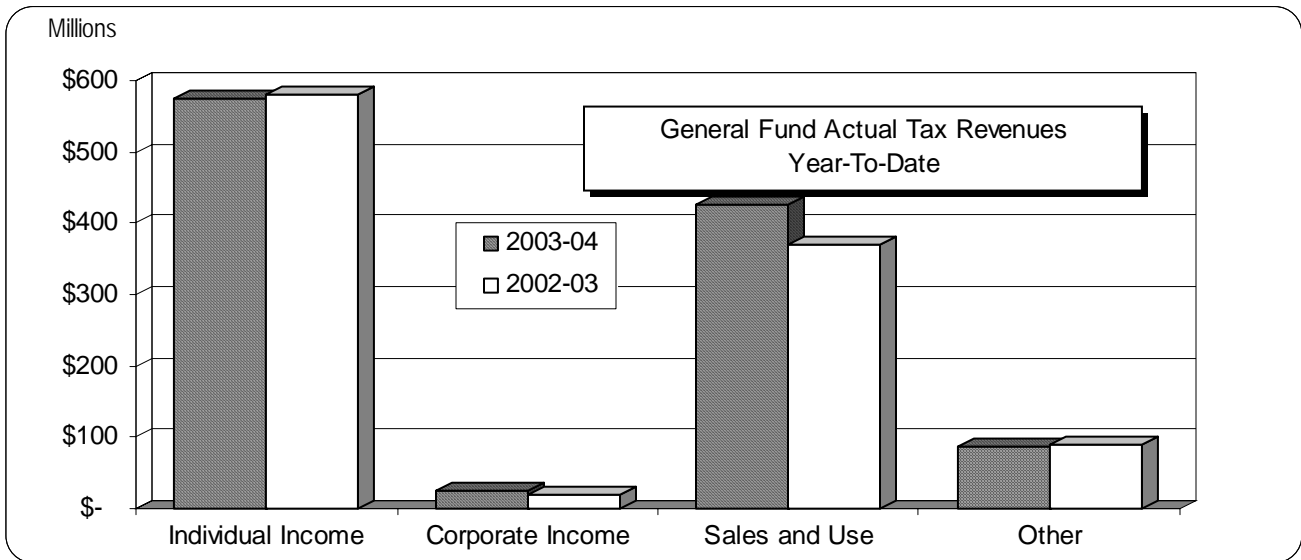
	2003-04		2002-03	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 25.1	\$ 25.1	\$ 19.2	\$ 19.2
Public School Building Capital Fund	—	—	—	—
Critical School Facility Needs Fund	—	—	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	—
Local Government Tax Reimbursement	—	—	—	—
Executive Order #3	—	—	—	—
Corporate Income Tax, Adjusted for Transfers	<u>\$ 25.1</u>	<u>\$ 25.1</u>	<u>\$ 19.2</u>	<u>\$ 19.2</u>

SUMMARY OF FINANCIAL CONDITION

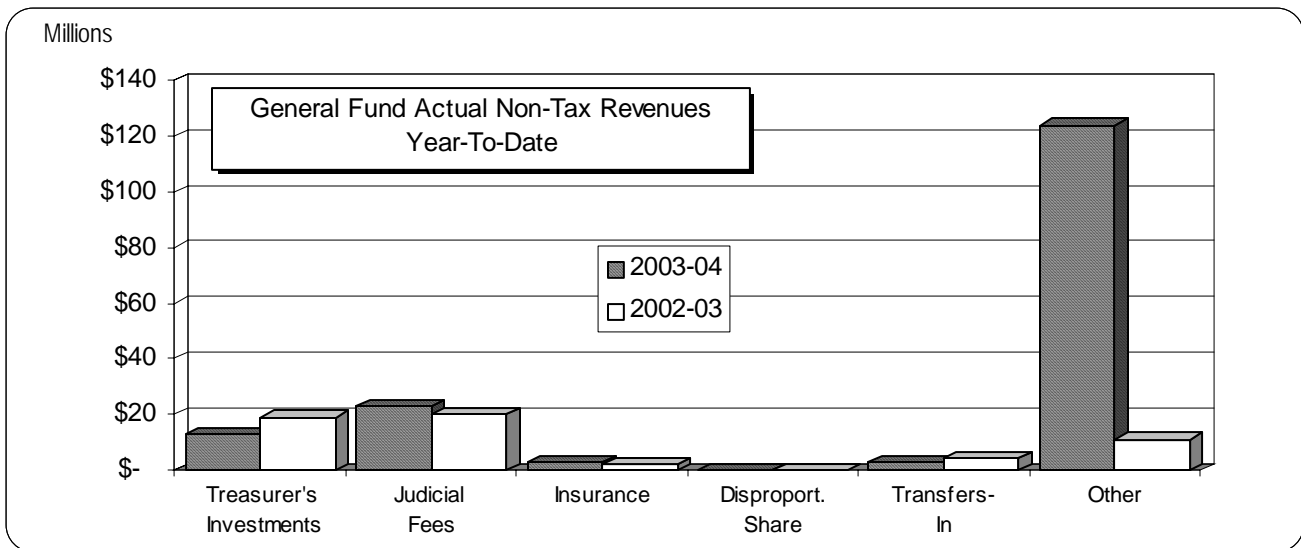
July 31, 2003

Tax revenues through July 2003 were greater than the period through July 2002 by \$57.5 million, or 5.4%. 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 July 2003 was \$111.8 million, or 414.1%, more than through the end of July 2002. The substantial increase in non-tax revenue is due to a transfer of \$108.8 million from Governor Easley's Executive Order to generate additional funds for the 2004 fiscal year. Investment revenues decreased by \$1.3 million from the prior year through the end of July 2003.



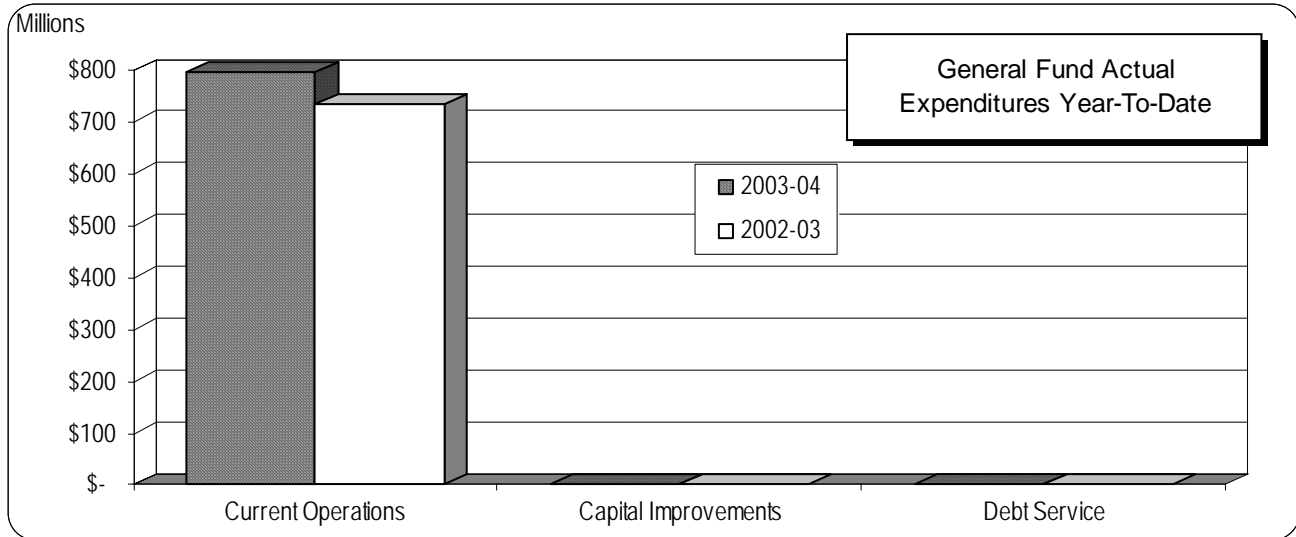
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

July 31, 2003

Expenditures

Actual appropriation expenditures through July 2003, were greater than actual appropriation expenditures through July 2002 by \$60.7 million, or 8.3%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through July 2003 were greater than such expenditures through July 2002 by \$62.1 million, or 8.5%.

State of North Carolina

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

Expressed in Millions

	2003-04	2002-03	Change	Percent Change	Percent of Total Expenditures	
					2003-04	2002-03
Current Operations:						
General Government	\$ 19.4	\$ 5.3	\$ 14.1	266.0%	2.4%	0.7%
Education	423.6	396.9	26.7	6.7%	53.3%	54.0%
Health and Human Services	238.8	250.4	(11.6)	(4.6%)	30.0%	34.1%
Economic Development	(0.2)	(16.7)	16.5	(98.8%)	—	(2.3%)
Environment and Natural Resources	17.5	12.2	5.3	43.4%	2.2%	1.7%
Public Safety, Correction, and Regulation	96.7	92.6	4.1	4.4%	12.2%	12.6%
Agriculture	2.8	2.8	—	—	0.4%	0.4%
Operating Reserves/Rounding	(2.3)	(9.3)	7.0	(75.3%)	(0.3%)	(1.3%)
Total Current Operations	796.3	734.2	62.1	8.5%	100.1%	100.0%
Capital Improvements:						
Funded by General Fund	—	—	—	—	—	—
Debt Service	(1.1)	0.3	(1.4)	(466.7%)	(0.1%)	—
Total Expenditures	\$ 795.2	\$ 734.5	\$ 60.7	8.3%	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

July 31, 2003

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND COMPARATIVE STATEMENT OF NET COLLECTIONS

For the Months of July 2003 and 2002

(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	\$ 74.0	\$ 75.9	\$ (1.9)	(2.5%)	\$ 74.0	\$ 75.9	\$ (1.9)	(2.5%)
Motor Vehicle License Fees	16.0	15.9	0.1	0.6%	16.0	15.9	0.1	0.6%
Driver License Fees	6.3	6.1	0.2	3.3%	6.3	6.1	0.2	3.3%
Motor Fuels and Oil Inspection Fees	1.1	1.1	-	-	1.1	1.1	-	-
Title Fee	-	-	-	-	-	-	-	-
Other	4.1	3.6	0.5	13.9%	4.1	3.6	0.5	13.9%
Subtotal - Highway Fund	101.5	102.6	(1.1)	(1.1%)	101.5	102.6	(1.1)	(1.1%)
Highway Trust Fund								
Highway Use Tax	51.9	45.3	6.6	14.6%	51.9	45.3	6.6	14.6%
Motor Fuels Tax	24.7	25.5	(0.8)	(3.1%)	24.7	25.5	(0.8)	(3.1%)
Title Fee	7.6	6.9	0.7	10.1%	7.6	6.9	0.7	10.1%
Motor Vehicle Lease	3.3	3.7	(0.4)	(10.8%)	3.3	3.7	(0.4)	(10.8%)
Registration	0.9	0.8	0.1	12.5%	0.9	0.8	0.1	12.5%
Lien Recording	0.2	0.2	-	-	0.2	0.2	-	-
Repayment Fee	0.1	-	0.1	-	0.1	-	0.1	-
Subtotal - Highway Trust Fund	88.7	82.4	6.3	7.6%	88.7	82.4	6.3	7.6%
Payables and Receipts								
Special Registration Plate Fund	0.3	0.3	-	-	0.3	0.3	-	-
Safety Inspection and Exhaust Emission	0.3	0.3	-	-	0.3	0.3	-	-
Transportation Authority/TransPark	0.4	0.4	-	-	0.4	0.4	-	-
Recreation and Natural Heritage Trust Fund	0.2	0.2	-	-	0.2	0.2	-	-
Other Receipts	1.1	1.1	-	-	1.1	1.1	-	-
Subtotal - Payables and Receipts	2.3	2.3	-	-	2.3	2.3	-	-
	\$ 192.5	\$ 187.3	\$ 5.2	2.8%	\$ 192.5	\$ 187.3	\$ 5.2	2.8%