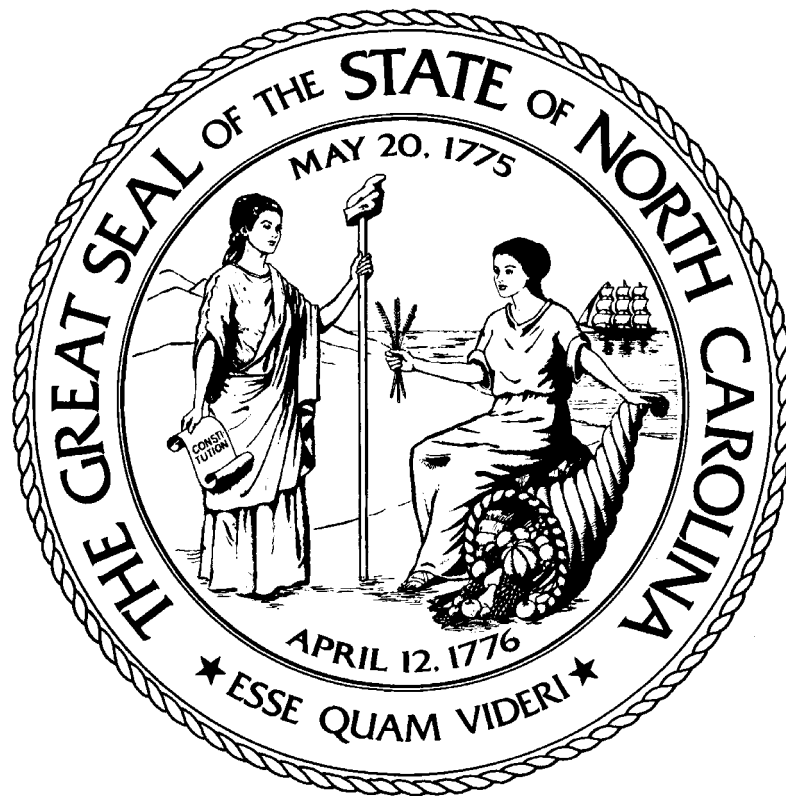


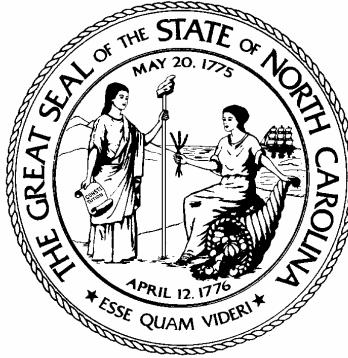
STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
JULY 31, 2004



OFFICE OF THE STATE CONTROLLER

STATE OF NORTH CAROLINA



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

September 27, 2004

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the month ended July 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.

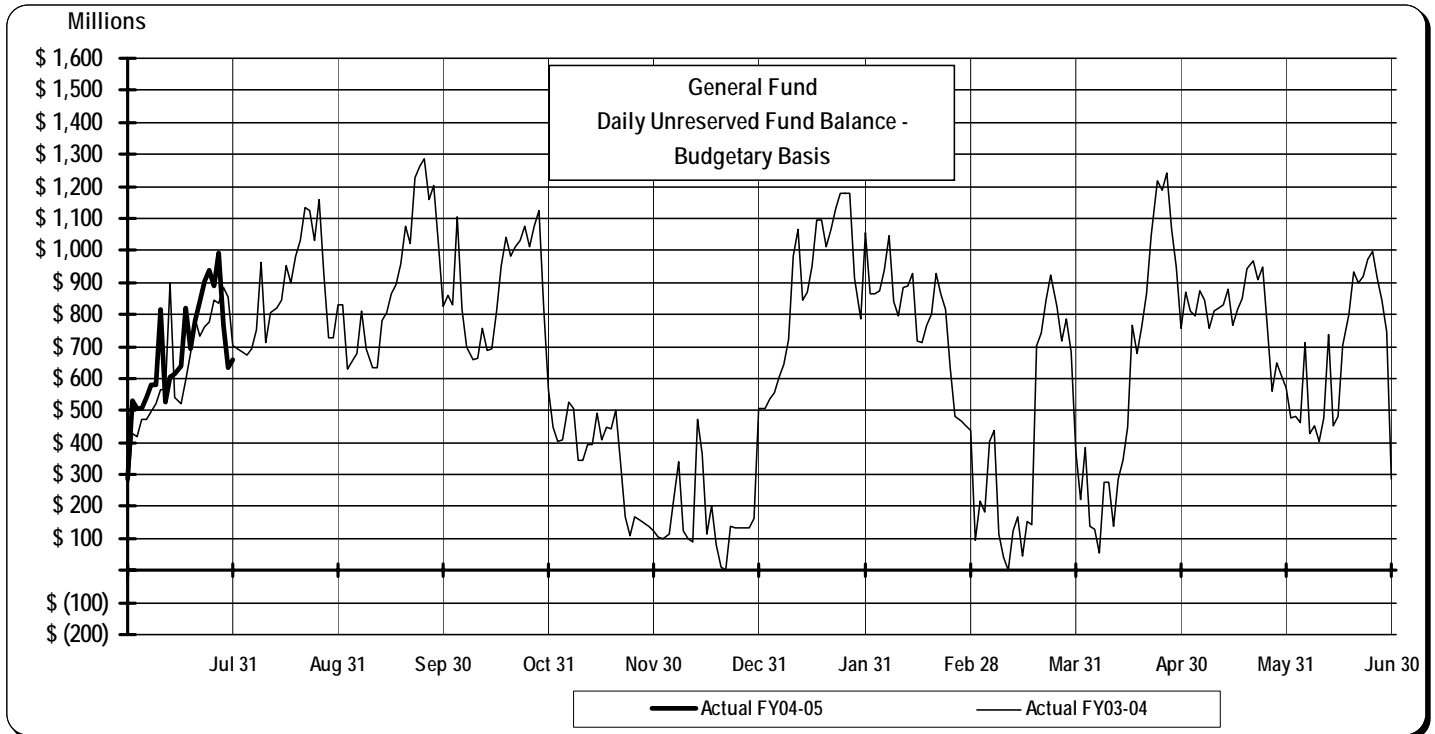
Sincerely,
Robert L. Powell
State Controller
(919) 981-5454

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

July 31, 2004

Fund Balance



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

Fund Balance:	<u>2003-04</u>	<u>2002-03</u>
<u>Reserved:</u>		
Savings account (G.S. 143-15.3).....	\$ 267.1	\$ 150.0
Retirees' Health Premiums.....	52.5	23.0
Repairs and Renovations (G.S. 143-15.3A).....	76.8	15.0
Disproportionate Share.....	1.5	1.5
Disaster relief.....	8.1	—
One NC Fund.....	1.1	—
Budgetary Shortfall Funds.....	<u>11.7</u>	<u>36.7</u>
Total Reserved.....	<u>418.8</u>	<u>226.2</u>
<u>Unreserved:</u>		
Fund Balance - July 1.....	289.4	250.5
Transfer from reserves.....	—	—
Transfer to reserves.....	—	—
Excess of revenue over (under) expenditures.....	<u>359.9</u>	<u>460.4</u>
Total Unreserved.....	<u>649.3</u>	<u>710.9</u>
Total Fund Balance.....	<u>\$ 1,068.1</u>	<u>\$ 937.1</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

July 31, 2004

Revenues - Tax and Non-Tax

State of North Carolina General Fund Actual Net Revenues

Expressed In Millions

	July				Year-To-Date Through July			
	2004-05	2003-04	Change	% Change	2004-05	2003-04	Change	% Change
Tax Revenues:								
Individual Income	\$ 545.9	\$ 576.1	\$ (30.2)	(5.2)%	\$ 545.9	\$ 576.1	\$ (30.2)	(5.2)%
Corporate Income	19.1	25.1	(6.0)	(23.9)%	19.1	25.1	(6.0)	(23.9)%
Sales and Use	397.1	427.4	(30.3)	(7.1)%	397.1	427.4	(30.3)	(7.1)%
Franchise	28.9	37.8	(8.9)	(23.5)%	28.9	37.8	(8.9)	(23.5)%
Insurance	4.1	5.4	(1.3)	(24.1)%	4.1	5.4	(1.3)	(24.1)%
Piped Natural Gas	2.6	2.4	0.2	8.3%	2.6	2.4	0.2	8.3%
Beverage	10.7	9.4	1.3	13.8%	10.7	9.4	1.3	13.8%
Inheritance	14.0	8.3	5.7	68.7%	14.0	8.3	5.7	68.7%
Privilege License	10.1	8.6	1.5	17.4%	10.1	8.6	1.5	17.4%
Tobacco Products	3.9	3.5	0.4	11.4%	3.9	3.5	0.4	11.4%
Real Estate Conveyance Excise	5.5	11.0	(5.5)	(50.0)%	5.5	11.0	(5.5)	(50.0)%
Gift	0.3	0.3	—	—	0.3	0.3	—	—
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	100.0%	—	(0.1)	0.1	100.0%
Total Tax Revenue	1,043.8	1,116.8	(73.0)	(6.5)%	1,043.8	1,116.8	(73.0)	(6.5)%
Non-Tax Revenue:								
Treasurer's Investments	5.4	7.2	(1.8)	(25.0)%	5.4	7.2	(1.8)	(25.0)%
Judicial Fees	12.3	11.8	0.5	4.2%	12.3	11.8	0.5	4.2%
Insurance	0.5	0.7	(0.2)	(28.6)%	0.5	0.7	(0.2)	(28.6)%
Disproportionate Share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	—	—	—	—	—	—	—	—
Other	6.7	119.1	(112.4)	(94.4)%	6.7	119.1	(112.4)	(94.4)%
Total Non-Tax Revenue	24.9	138.8	(113.9)	(82.1)%	24.9	138.8	(113.9)	(82.1)%
Total Tax and Non-Tax Revenue	\$ 1,068.7	\$ 1,255.6	\$ (186.9)	(14.9)%	\$ 1,068.7	\$ 1,255.6	\$ (186.9)	(14.9)%

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 decreased by \$186.9 million, or 14.9%. The substantial decrease in non-tax revenue is due to a transfer of \$108.8 million from reserves to generate additional funds for the 2004 fiscal year. The decrease in sales and use tax is due to a larger distribution to local governments. The decrease in individual income is due to a reimbursement to North Carolina Housing Finance for low income housing. The net, or actual, tax and non-tax revenues through July 2004 of \$1.1 billion were more than the projected revenues by \$4.8 million.

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

- \$30.3 million for Sales and Use Tax;
- \$30.2 million for Individual Tax and
- \$112.4 million for Non-tax Other

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

July 31, 2004

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

For the Month of July 2005
(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	\$ 543.1	\$ 545.9	\$ 2.8	100.5%	\$ 543.1	\$ 545.9	\$ 2.8	100.5%
Corporate Income [1]	25.5	19.1	(6.4)	74.9%	25.5	19.1	(6.4)	74.9%
Sales and Use	390.5	397.1	6.6	101.7%	390.5	397.1	6.6	101.7%
Franchise	31.1	28.9	(2.2)	92.9%	31.1	28.9	(2.2)	92.9%
Insurance	5.8	4.1	(1.7)	70.7%	5.8	4.1	(1.7)	70.7%
Beverage	9.8	10.7	0.9	109.2%	9.8	10.7	0.9	109.2%
Inheritance	11.4	14.0	2.6	122.8%	11.4	14.0	2.6	122.8%
Privilege License	8.7	10.1	1.4	116.1%	8.7	10.1	1.4	116.1%
Tobacco Products	4.0	3.9	(0.1)	97.5%	4.0	3.9	(0.1)	97.5%
Real Estate Conveyance Excise	5.5	5.5	—	100.0%	5.5	5.5	—	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	—	—	—	—	—	—	—	—
Piped Natural Gas	2.4	2.6	0.2	108.3%	2.4	2.6	0.2	108.3%
Other	—	—	—	—	—	—	—	—
Total Tax Revenue	<u>1,039.7</u>	<u>1,043.8</u>	<u>4.1</u>	100.4%	<u>1,039.7</u>	<u>1,043.8</u>	<u>4.1</u>	100.4%
Non-Tax Revenue								
Treasurer's Investments	6.1	5.4	(0.7)	88.5%	6.1	5.4	(0.7)	88.5%
Judicial Fees	11.4	12.3	0.9	107.9%	11.4	12.3	0.9	107.9%
Insurance	0.7	0.5	(0.2)	71.4%	0.7	0.5	(0.2)	71.4%
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	—	—	—	—	—	—	—	—
Other	6.0	6.7	0.7	111.7%	6.0	6.7	0.7	111.7%
Total Non-Tax Revenue	<u>24.2</u>	<u>24.9</u>	<u>0.7</u>	102.9%	<u>24.2</u>	<u>24.9</u>	<u>0.7</u>	102.9%
Total Tax and Non-Tax Revenue	<u>\$ 1,063.9</u>	<u>\$ 1,068.7</u>	<u>\$ 4.8</u>	100.5%	<u>\$ 1,063.9</u>	<u>\$ 1,068.7</u>	<u>\$ 4.8</u>	100.5%

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

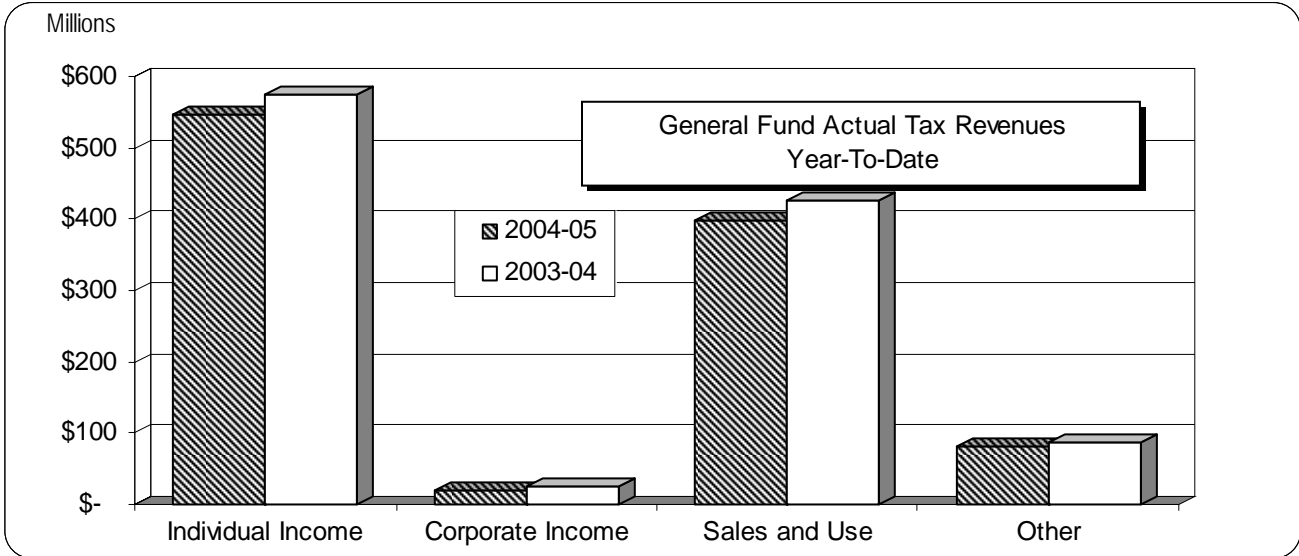
	2004-05		2003-04	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 19.1	\$ 19.1	\$ 25.1	\$ 25.1
Public School Building Capital Fund	—	—	—	—
Critical School Facility Needs Fund	—	—	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	—
Corporate Income Tax, Adjusted for Transfers	<u>\$ 19.1</u>	<u>\$ 19.1</u>	<u>\$ 25.1</u>	<u>\$ 25.1</u>

SUMMARY OF FINANCIAL CONDITION

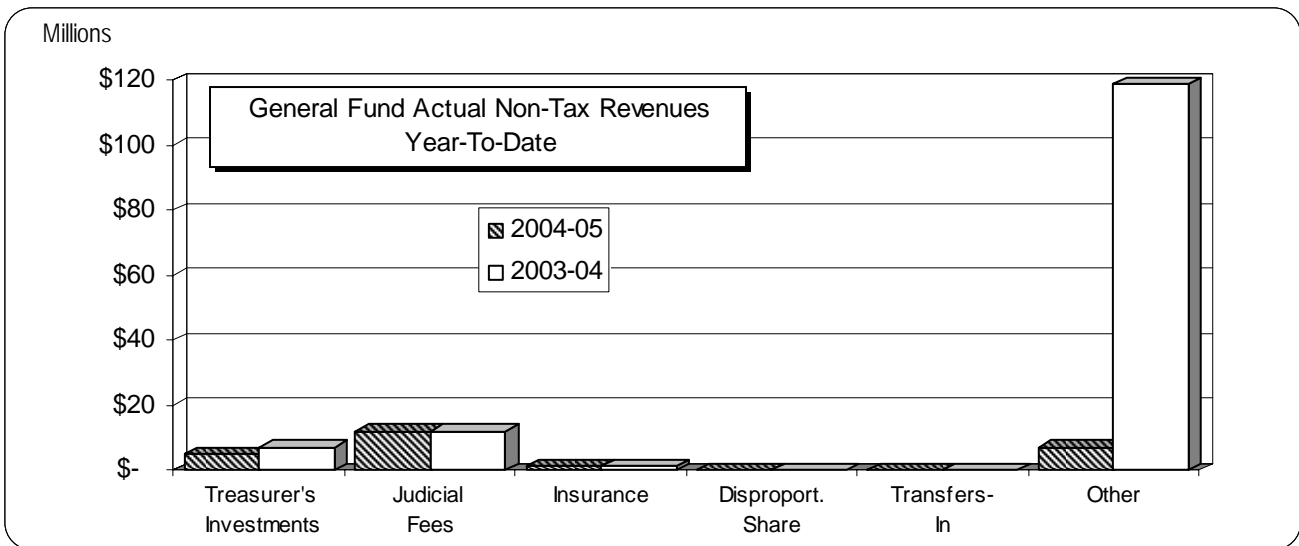
July 31, 2004

Tax revenues through July 2004 were less than the period through July 2003 by \$73.0 million, or 6.5%. 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 2004 was \$113.9 million, or 82.1%, less than through the end of July 2003. The substantial decrease in non-tax revenue is due to a transfer of \$108.8 million from reserves to generate additional funds for the 2004 fiscal year. Investment revenues decreased by \$1.8 million from the prior year through the end of July.



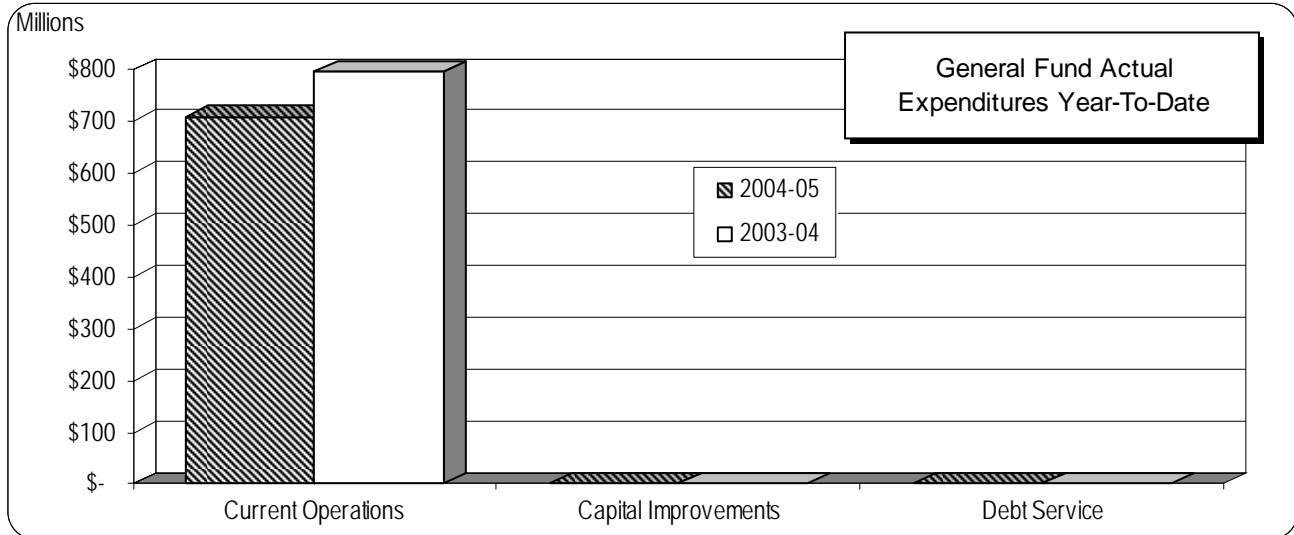
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

July 31, 2004

Expenditures

Actual appropriation expenditures through July 2004 were less than actual appropriation expenditures through July 2003 by \$86.4 million, or 10.9%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through July 2004 were less than such expenditures through July 2003 by \$87.1 million, or 10.9%.

State of North Carolina

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

Expressed in Millions

	2004-05	2003-04	Change	Percent Change	Percent of Total Expenditures	
					2004-05	2003-04
Current Operations:						
General Government	\$ 10.6	\$ 19.4	\$ (8.8)	(45.4%)	1.5%	2.4%
Education	382.7	423.6	(40.9)	(9.7%)	54.0%	53.3%
Health and Human Services	247.8	238.8	9.0	3.8%	35.0%	30.0%
Economic Development	(52.2)	(0.2)	(52.0)	26000.0%	(7.4%)	—
Environment and Natural Resources	15.3	17.5	(2.2)	(12.6%)	2.2%	2.2%
Public Safety, Correction, and Regulation	103.1	96.7	6.4	6.6%	14.5%	12.2%
Agriculture	2.3	2.8	(0.5)	(17.9%)	0.3%	0.4%
Operating Reserves/Rounding	(0.4)	(2.3)	1.9	(82.6%)	(0.1%)	(0.3%)
Total Current Operations	709.2	796.3	(87.1)	(10.9%)	100.1%	100.1%
Capital Improvements:						
Funded by General Fund	—	—	—	—	—	—
Debt Service	(0.4)	(1.1)	0.7	(63.6%)	(0.1%)	(0.1%)
Total Expenditures	\$ 708.8	\$ 795.2	\$ (86.4)	(10.9%)	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, 2004

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND								
COMPARATIVE STATEMENT OF NET COLLECTIONS								
For the Months of July 2005 and 2004								
(Expressed in Millions)								
	Month				Year-To-Date			
	2004-05	2003-04	Change	Percent Change	2004-05	2003-04	Change	Percent Change
Highway Fund								
Motor Fuels Tax	\$ 72.9	\$ 74.0	\$ (1.1)	(1.5%)	\$ 72.9	\$ 74.0	\$ (1.1)	(1.5%)
Motor Vehicle License Fees	16.7	16.0	0.7	4.4%	16.7	16.0	0.7	4.4%
Driver License Fees	6.7	6.3	0.4	6.3%	6.7	6.3	0.4	6.3%
Motor Fuels and Oil Inspection Fees	1.4	1.1	0.3	27.3%	1.4	1.1	0.3	27.3%
Other	4.7	4.1	0.6	14.6%	4.7	4.1	0.6	14.6%
Subtotal - Highway Fund	102.4	101.5	0.9	0.9%	102.4	101.5	0.9	0.9%
Highway Trust Fund								
Highway Use Tax	48.1	51.9	(3.8)	(7.3%)	48.1	51.9	(3.8)	(7.3%)
Motor Fuels Tax	24.2	24.7	(0.5)	(2.0%)	24.2	24.7	(0.5)	(2.0%)
Title Fee	7.3	7.6	(0.3)	(3.9%)	7.3	7.6	(0.3)	(3.9%)
Motor Vehicle Lease	2.9	3.3	(0.4)	(12.1%)	2.9	3.3	(0.4)	(12.1%)
Registration	0.9	0.9	-	-	0.9	0.9	-	-
Lien Recording	0.2	0.2	-	-	0.2	0.2	-	-
Repayment Fee	0.1	0.1	-	-	0.1	0.1	-	-
Subtotal - Highway Trust Fund	83.7	88.7	(5.0)	(5.6%)	83.7	88.7	(5.0)	(5.6%)
Payables and Receipts								
Special Registration Plate Fund	0.4	0.3	0.1	33.3%	0.4	0.3	0.1	33.3%
Safety Inspection and Exhaust Emission	0.4	0.3	0.1	33.3%	0.4	0.3	0.1	33.3%
Transportation Authority/TransPark	0.4	0.4	-	-	0.4	0.4	-	-
Recreation and Natural Heritage Trust Fund	0.4	0.2	0.2	100.0%	0.4	0.2	0.2	100.0%
Other Receipts	1.7	1.1	0.6	54.5%	1.7	1.1	0.6	54.5%
Subtotal - Payables and Receipts	3.3	2.3	1.0	43.5%	3.3	2.3	1.0	43.5%
	\$ 189.4	\$ 192.5	\$ (3.1)	(1.6%)	\$ 189.4	\$ 192.5	\$ (3.1)	(1.6%)