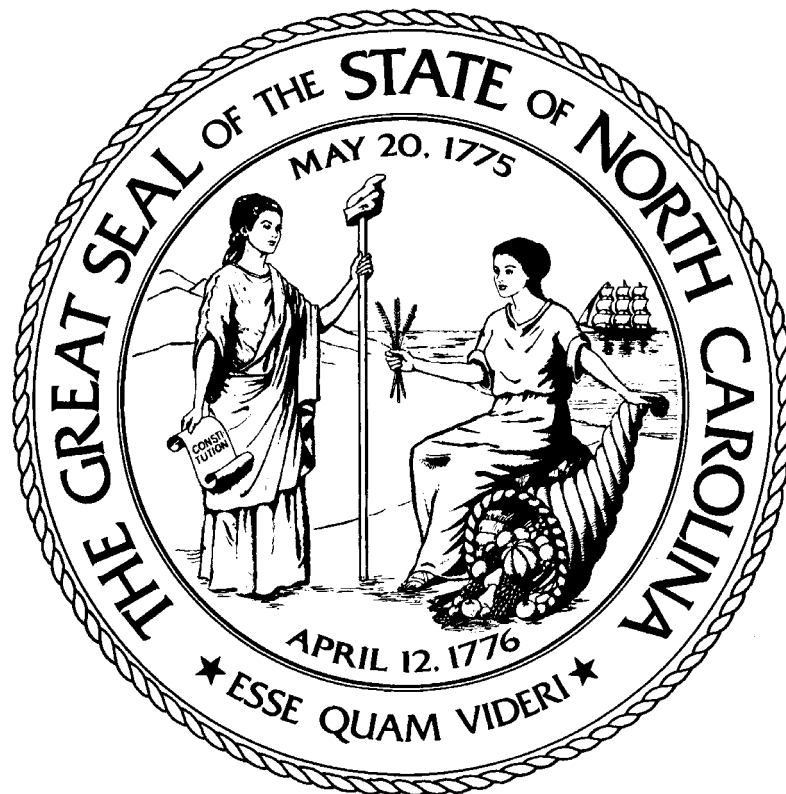


STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
SEPTEMBER 30, 2006



OFFICE OF THE STATE CONTROLLER

STATE OF NORTH CAROLINA



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

November 6, 2006

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the three months ended September 30, 2006. 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.

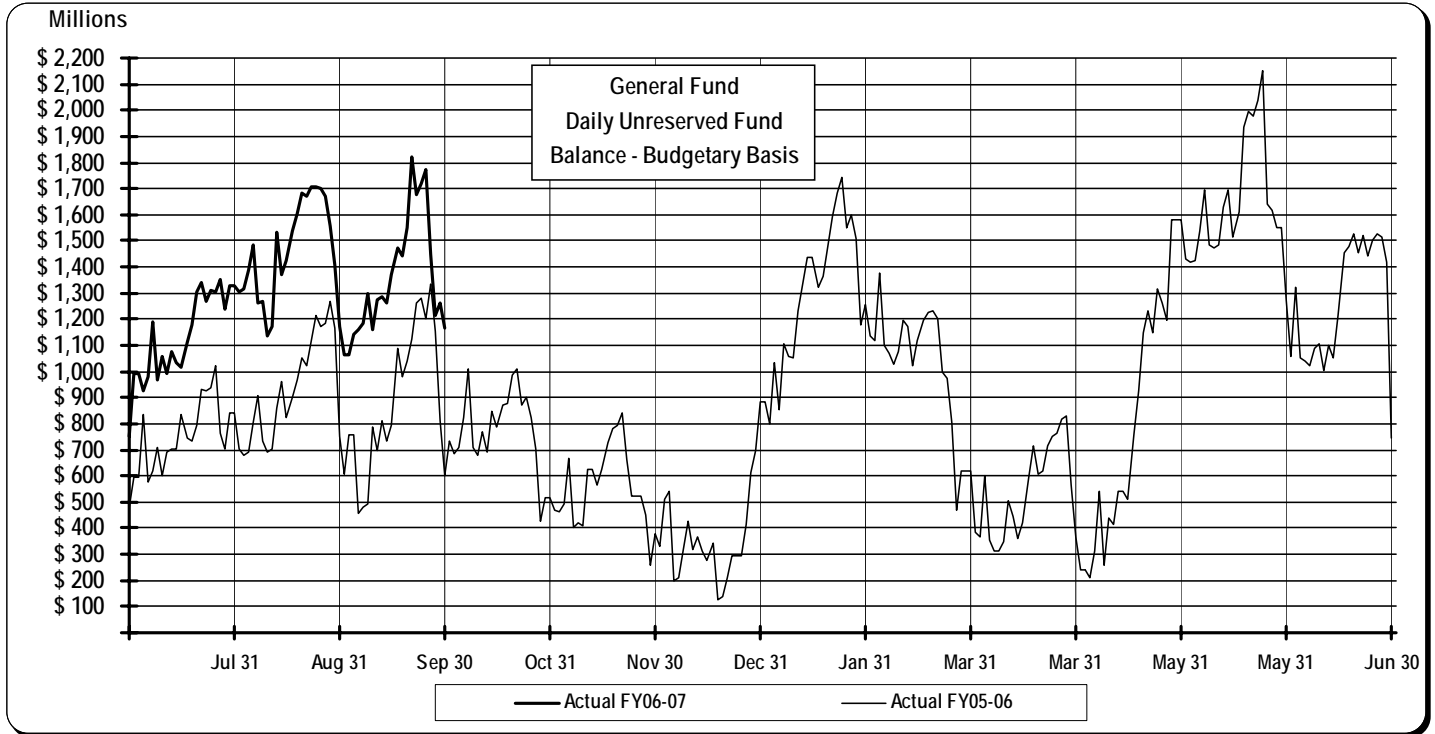
Sincerely,
Robert L. Powell
State Controller
(919) 981-5454

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 2006

Fund Balance



At September 30, 2006 and 2005, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	<u>2006-07</u>	<u>2005-06</u>
<u>Reserved:</u>		
Savings account (G.S. 143-15.3).....	\$ 628.8	\$ 312.6
Job Development Incentive Grants.....	19.8	1.9
Repairs and Renovations (G.S. 143-15.3A).....	222.2	125.0
Disproportionate Share.....	19.3	19.3
Disaster relief.....	132.8	202.0
One NC Fund.....	1.1	1.1
Total Reserved.....	<u>1,024.0</u>	<u>661.9</u>
<u>Unreserved:</u>		
Fund Balance - July 1.....	749.4	478.5
Transfer from reserves.....	—	—
Transfer to reserves.....	—	—
Excess of revenue over (under) expenditures.....	418.4	124.3
Total Unreserved.....	<u>1,167.8</u>	<u>602.8</u>
Total Fund Balance.....	<u>\$ 2,191.8</u>	<u>\$ 1,264.7</u>

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 2006

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues

Expressed In Millions

	September				Year-To-Date Through September			
	2006-07	2005-06	Change	% Change	2006-07	2005-06	Change	% Change
Tax Revenues:								
Individual Income	\$ 965.6	\$ 860.8	\$ 104.8	12.2%	\$ 2,335.0	\$ 2,145.1	\$ 189.9	8.9%
Corporate Income	290.6	224.0	66.6	29.7%	282.8	236.6	46.2	19.5%
Sales and Use	323.2	378.3	(55.1)	(14.6)%	1,237.2	1,167.3	69.9	6.0%
Franchise	23.1	23.9	(0.8)	(3.3)%	103.7	90.4	13.3	14.7%
Insurance	2.7	2.0	0.7	35.0%	9.7	9.4	0.3	3.2%
Piped Natural Gas	(1.7)	(2.4)	0.7	29.2%	3.5	2.9	0.6	20.7%
Beverage	21.4	19.6	1.8	9.2%	55.4	51.7	3.7	7.2%
Inheritance	20.0	12.1	7.9	65.3%	39.9	30.9	9.0	29.1%
Privilege License	1.0	1.0	—	—	13.6	12.9	0.7	5.4%
Tobacco Products	22.5	7.0	15.5	221.4%	61.9	15.0	46.9	312.7%
Real Estate Conveyance Excise	—	0.4	(0.4)	(100.0)%	6.3	6.9	(0.6)	(8.7)%
Gift	0.3	0.4	(0.1)	(25.0)%	0.9	1.2	(0.3)	(25.0)%
White Goods Disposal	0.4	0.4	—	—	1.5	1.4	0.1	7.1%
Scrap Tire Disposal	1.1	1.1	—	—	3.5	3.5	—	—
Mill Machinery	2.5	—	2.5	—	8.1	—	8.1	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	—	(0.1)	0.1	100.0%	—	(0.2)	0.2	100.0%
Total Tax Revenue	1,672.7	1,528.5	144.2	9.4%	4,163.0	3,775.0	388.0	10.3%
Non-Tax Revenue:								
Treasurer's Investments	17.6	9.4	8.2	87.2%	46.5	27.3	19.2	70.3%
Judicial Fees	13.4	12.6	0.8	6.3%	42.7	37.5	5.2	13.9%
Insurance	0.2	0.4	(0.2)	(50.0)%	1.8	2.3	(0.5)	(21.7)%
Disproportionate Share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	14.4	—	14.4	—	14.4	63.1	(48.7)	(77.2)%
Other	8.0	7.8	0.2	2.6%	20.7	20.5	0.2	1.0%
Total Non-Tax Revenue	53.6	30.2	23.4	77.5%	126.1	150.7	(24.6)	(16.3)%
Total Tax and Non-Tax Revenue	\$ 1,726.3	\$ 1,558.7	\$ 167.6	10.8%	\$ 4,289.1	\$ 3,925.7	\$ 363.4	9.3%

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 \$363.4 million, or 9.3%. The net, or actual, tax and non-tax revenues through September 2006 of \$4.3 billion were more than the projected revenues by \$86.4 million.

Major components of tax and non-tax revenues that increased or decreased from the prior year through the end of September 2006 included:

Increase

- \$189.9 million for Individual Income
- \$69.9 million for Sales and Use
- \$46.9 million for Tobacco Products
- \$46.2 million for Corporate Income

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 2006

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

For the Month of September 2006, and the Three Months Ended September 30, 2006
(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	\$ 935.6	\$ 965.6	\$ 30.0	103.2%	\$ 2,294.5	\$ 2,335.0	\$ 40.5	101.8%
Corporate Income [1]	228.9	290.6	61.7	127.0%	228.6	282.8	54.2	123.7%
Sales and Use	363.6	323.2	(40.4)	88.9%	1,278.6	1,237.2	(41.4)	96.8%
Franchise	26.8	23.1	(3.7)	86.2%	100.5	103.7	3.2	103.2%
Insurance	2.2	2.7	0.5	122.7%	9.7	9.7	—	100.0%
Beverage	20.7	21.4	0.7	103.4%	54.7	55.4	0.7	101.3%
Inheritance	11.8	20.0	8.2	169.5%	35.4	39.9	4.5	112.7%
Privilege License	1.0	1.0	—	100.0%	12.9	13.6	0.7	105.4%
Tobacco Products	22.5	22.5	—	100.0%	59.5	61.9	2.4	104.0%
Real Estate Conveyance Excise	—	—	—	—	6.3	6.3	—	100.0%
Gift	0.3	0.3	—	100.0%	1.2	0.9	(0.3)	75.0%
White Goods Disposal	0.4	0.4	—	100.0%	1.5	1.5	—	100.0%
Scrap Tire Disposal	1.1	1.1	—	100.0%	3.5	3.5	—	100.0%
Freight Car Lines	—	—	—	—	—	—	—	—
Piped Natural Gas	(2.4)	(1.7)	0.7	70.8%	2.7	3.5	0.8	129.6%
Mill Machinery	2.7	2.5	(0.2)	92.6%	8.1	8.1	—	100.0%
Other	—	—	—	—	—	—	—	—
Total Tax Revenue	<u>1,615.2</u>	<u>1,672.7</u>	<u>57.5</u>	103.6%	<u>4,097.7</u>	<u>4,163.0</u>	<u>65.3</u>	101.6%
Non-Tax Revenue								
Treasurer's Investments	10.3	17.6	7.3	170.9%	30.9	46.5	15.6	150.5%
Judicial Fees	11.9	13.4	1.5	112.6%	35.7	42.7	7.0	119.6%
Insurance	0.8	0.2	(0.6)	25.0%	2.8	1.8	(1.0)	64.3%
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	14.4	14.4	—	100.0%	14.4	14.4	—	100.0%
Other	7.7	8.0	0.3	103.9%	21.2	20.7	(0.5)	97.6%
Total Non-Tax Revenue	<u>45.1</u>	<u>53.6</u>	<u>8.5</u>	118.8%	<u>105.0</u>	<u>126.1</u>	<u>21.1</u>	120.1%
Total Tax and Non-Tax Revenue	<u>\$ 1,660.3</u>	<u>\$ 1,726.3</u>	<u>\$ 66.0</u>	104.0%	<u>\$ 4,202.7</u>	<u>\$ 4,289.1</u>	<u>\$ 86.4</u>	102.1%

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

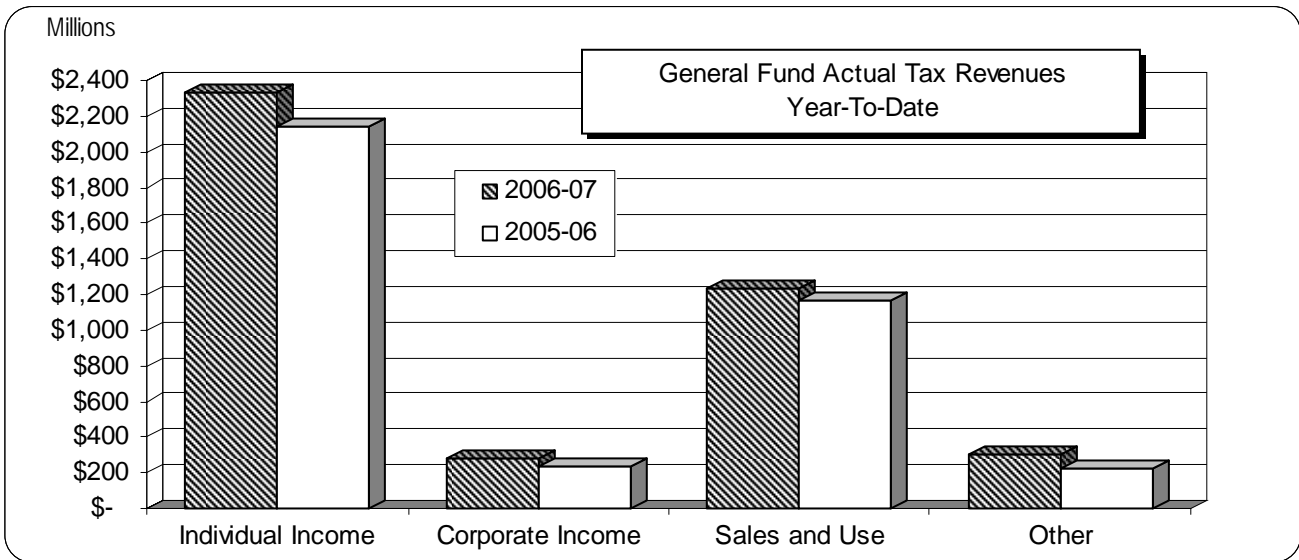
	2006-07		2005-06	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 290.6	\$ 282.8	\$ 224.0	\$ 236.6
Public School Building Capital Fund	—	30.5	—	34.3
Critical School Facility Needs Fund	—	—	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	—
	<u>—</u>	<u>30.5</u>	<u>—</u>	<u>34.3</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 290.6</u>	<u>\$ 313.3</u>	<u>\$ 224.0</u>	<u>\$ 270.9</u>

SUMMARY OF FINANCIAL CONDITION

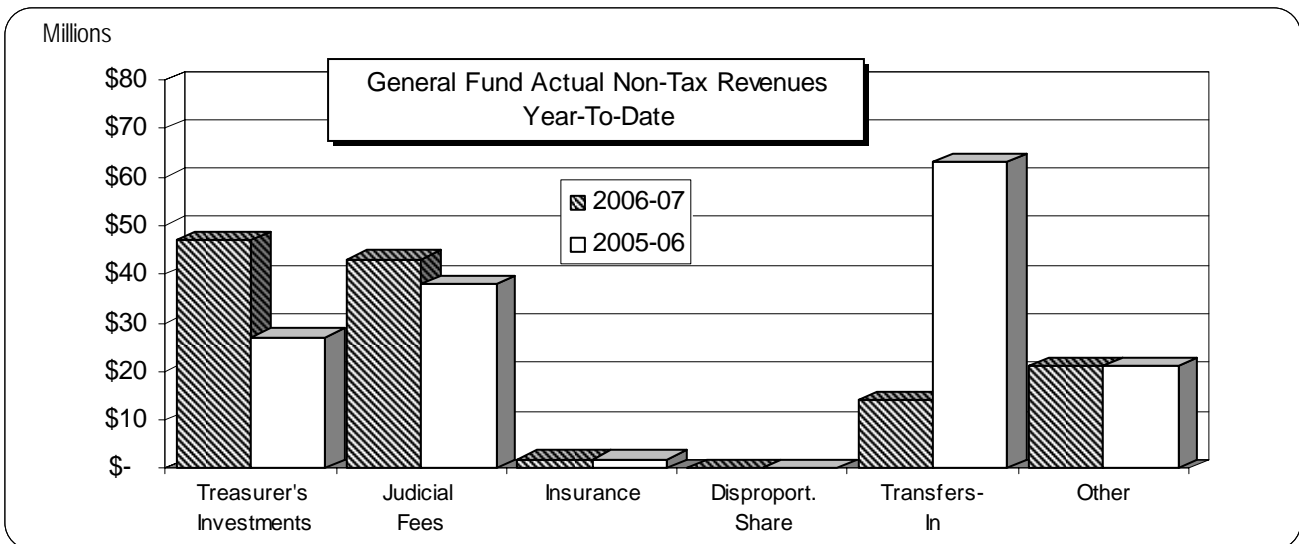
September 30, 2006

Tax revenues through September 2006 were more than the period through September 2005 by \$388.0 million, or 10.3%. 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 2006 was \$24.6 million, or 16.3%, less than through the end of September 2005. The substantial decrease is due to a transfer in for the highway trust in fiscal year 2006. Investment revenues increased by \$19.2 million from the prior year through the end of September.

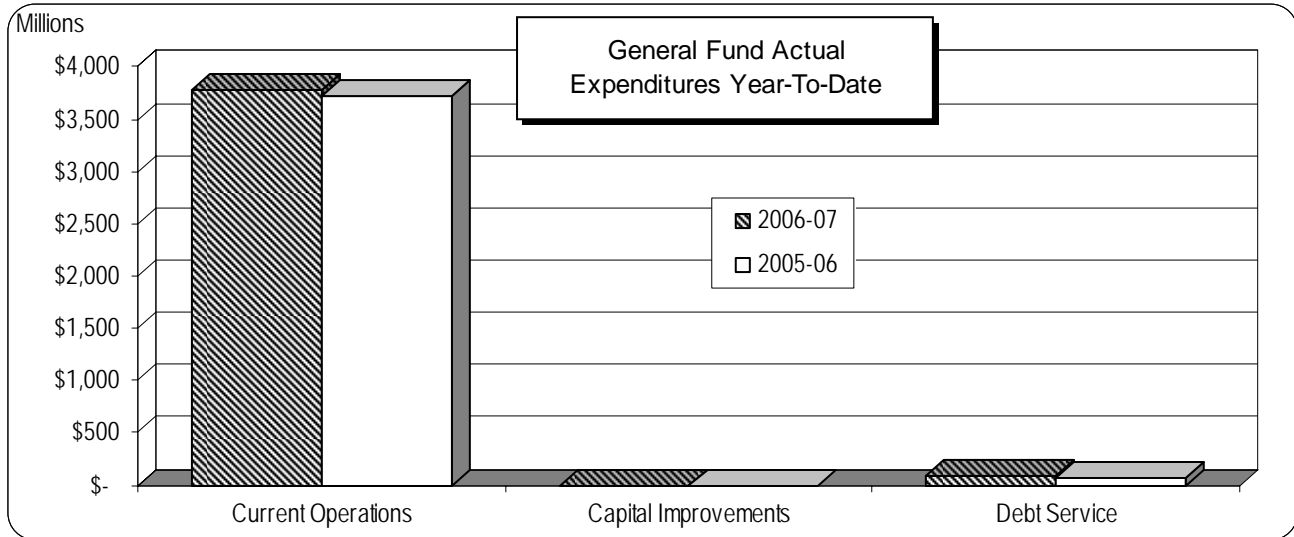


SUMMARY OF FINANCIAL CONDITION

September 30, 2006

Expenditures

Actual appropriation expenditures through September 2006 were more than actual appropriation expenditures through September 2005 by \$69.3 million, or 1.8%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through September 2006 were more than such expenditures through September 2005 by \$54.8 million, or 1.5%.

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

Expressed in Millions

	2006-07	2005-06	Change	Percent Change	Percent of Total Expenditures	
					2006-07	2005-06
Current Operations:						
General Government	\$ 65.6	\$ 53.2	\$ 12.4	23.3%	1.7%	1.4%
Education	2,242.5	2,136.2	106.3	5.0%	57.9%	56.2%
Health and Human Services ¹	872.8	1,023.2	(150.4)	(14.7%)	22.5%	26.9%
Economic Development	20.2	13.6	6.6	48.5%	0.5%	0.4%
Environment and Natural Resources	73.0	57.6	15.4	26.7%	1.9%	1.5%
Public Safety, Correction, and Regulation	436.8	409.3	27.5	6.7%	11.3%	10.8%
Agriculture	15.0	11.5	3.5	30.4%	0.4%	0.3%
Operating Reserves/Rounding	59.2	25.7	33.5	130.4%	1.5%	0.7%
Total Current Operations	3,785.1	3,730.3	54.8	1.5%	97.8%	98.1%
Capital Improvements:						
Funded by General Fund	—	—	—	—	—	—
Debt Service	85.6	71.1	14.5	20.4%	2.2%	1.9%
Total Expenditures	\$ 3,870.7	\$ 3,801.4	\$ 69.3	1.8%	100.0%	100.0%

A negative appropriation expenditure indicates that a budget code has non-appropriated authorized receipts that exceed authorized expenditures.

¹ Substantial decrease from prior year due to a federal mandated change that reduced expenditures for drug administration.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

September 30, 2006

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND								
COMPARATIVE STATEMENT OF NET COLLECTIONS								
For the Months of September 2006 and 2005, and the Three Months Ended September 30, 2006 and 2005								
(Expressed in Millions)								
	Month				Year-To-Date			
	2006-07	2005-06	Change	Percent Change	2006-07	2005-06	Change	Percent Change
Highway Fund								
Motor Fuels Tax	\$ 104.6	\$ 94.4	\$ 10.2	10.8%	\$ 303.0	\$ 272.5	\$ 30.5	11.2%
Motor Vehicle License Fees	28.4	15.4	13.0	84.4%	89.1	49.9	39.2	78.6%
Driver License Fees	9.1	6.5	2.6	40.0%	29.9	20.5	9.4	45.9%
Motor Fuels and Oil Inspection Fees	1.3	1.3	-	-	3.8	3.9	(0.1)	(2.6%)
Other	4.9	5.3	(0.4)	(7.5%)	15.0	14.7	0.3	2.0%
Subtotal - Highway Fund	148.3	122.9	25.4	20.7%	440.8	361.5	79.3	21.9%
Highway Trust Fund								
Highway Use Tax	48.0	49.5	(1.5)	(3.0%)	151.0	157.7	(6.7)	(4.2%)
Motor Fuels Tax	34.8	31.3	3.5	11.2%	100.9	90.6	10.3	11.4%
Title Fee	7.6	7.6	-	-	23.8	23.0	0.8	3.5%
Motor Vehicle Lease	1.8	2.1	(0.3)	(14.3%)	8.4	6.7	1.7	25.4%
Registration	1.2	0.9	0.3	33.3%	3.6	2.7	0.9	33.3%
Lien Recording	0.2	0.2	-	-	0.8	0.6	0.2	33.3%
Repayment Fee	-	0.1	(0.1)	(100.0%)	0.2	0.3	(0.1)	(33.3%)
Subtotal - Highway Trust Fund	93.6	91.7	1.9	2.1%	288.7	281.6	7.1	2.5%
Payables and Receipts								
Special Registration Plate Fund	0.3	0.3	-	-	1.1	1.0	0.1	10.0%
Safety Inspection and Exhaust Emission	0.4	0.4	-	-	1.2	1.2	-	-
Transportation Authority/TransPark	0.4	0.3	0.1	33.3%	1.4	1.2	0.2	16.7%
Recreation and Natural Heritage Trust Fund	0.3	0.4	(0.1)	(25.0%)	1.1	1.0	0.1	10.0%
Other Receipts	2.4	1.5	0.9	60.0%	7.2	5.9	1.3	22.0%
Subtotal - Payables and Receipts	3.8	2.9	0.9	31.0%	12.0	10.3	1.7	16.5%
	\$ 245.7	\$ 217.5	\$ 28.2	13.0%	\$ 741.5	\$ 653.4	\$ 88.1	13.5%