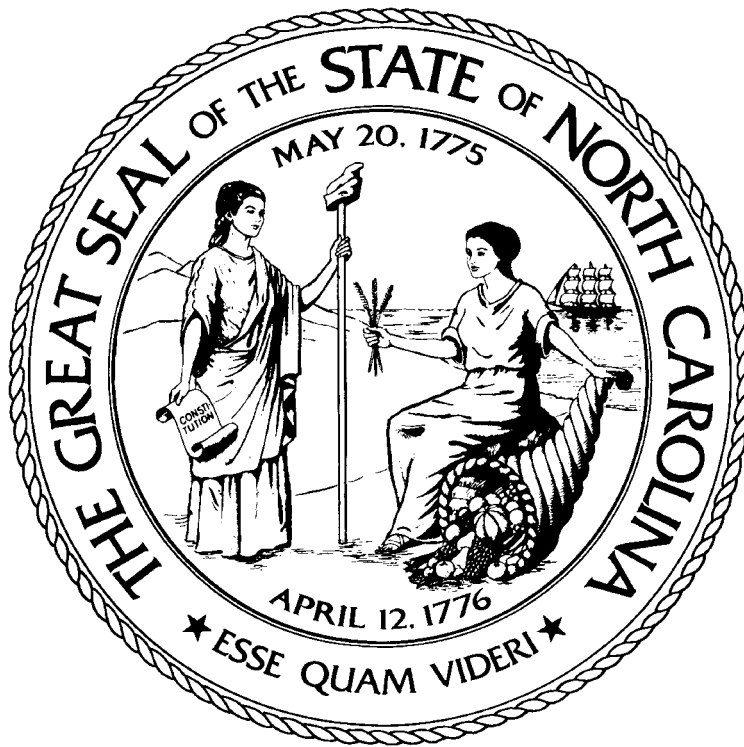


STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
JANUARY 31, 1998



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

February 17, 1998

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the seven months ended January 31, 1998. 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

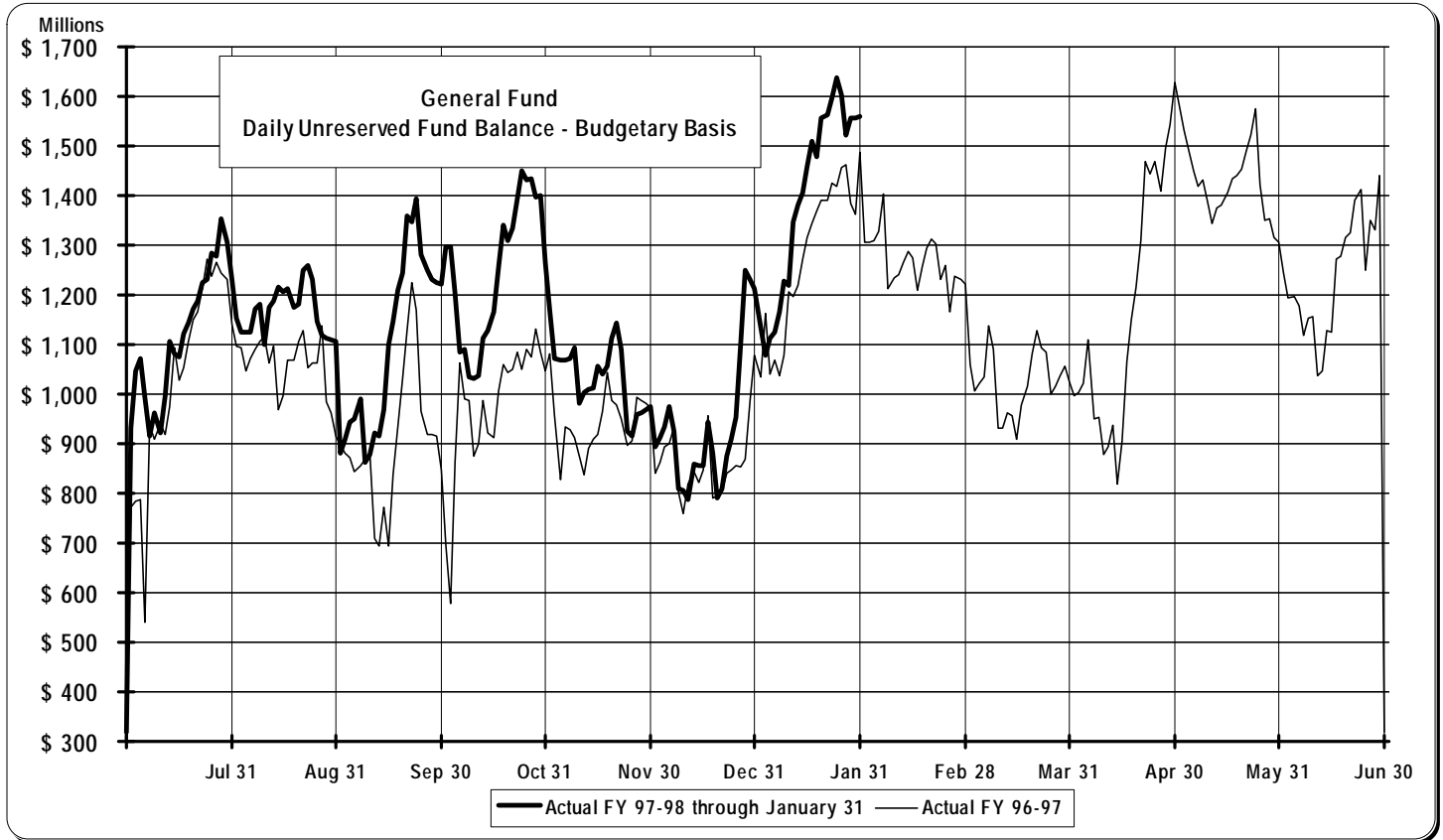
Muriel K. Offerman
Secretary of Revenue
(919) 733-7211

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 1998

Fund Balance



At January 31, 1998 and 1997, the reserved and unreserved fund balance was composed of the following (in millions):

Fund Balance:	1997-98	1996-97
Reserved:		
Savings account.....	\$ 500.9	\$ 500.9
Retirees health premiums.....	213.5	176.0
Repairs and renovations		
Available from prior years.....	37.3	74.4
1996-97 additions.....	—	—
Clean water management.....	49.4	47.1
North Carolina Railroad acquisition.....	61.0	—
Chemical alcohol testing.....	.4	.4
Library grant.....	—	.3
Total Reserved.....	<u>862.5</u>	<u>799.1</u>
Unreserved:		
Fund Balance - July 1.....	318.7	406.1
Transfer from reserves.....	174.5	1.6
Transfer to reserves.....	—	(115.5)
Excess of revenue over (under) expenditures..	1,066.3	1,195.8
Total Unreserved.....	<u>1,559.5</u>	<u>1,488.0</u>
Total Fund Balance.....	<u>\$ 2,422.0</u>	<u>\$ 2,287.1</u>

Section 7.9, Chapter 18 of the 1996 Session Laws (House Bill 53 adopted in the Second Extra Session) authorized the Director of the Budget to use lapsed salaries for the 1995-97 biennium to match federal funds for disaster relief. In addition, Governor Hunt issued a declaration of disaster under G.S. 166A for certain North Carolina counties as a result of the Winter Storms of 1996, and Hurricanes Bertha and Fran.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 1998

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues — Year-To-Date								
Expressed In Millions	Month				Year-To-Date			
	1997-98	1996-97	Change	% Change	1997-98	1996-97	Change	% Change
Tax Revenues:								
Individual Income	\$ 726.4	\$ 715.4	\$ 11.0	1.5%	\$ 3,521.5	\$ 3,181.1	\$ 340.4	10.7%
Corporate Income	37.1	50.9	(13.8)	(27.1)%	344.2	328.3	15.9	4.8%
Sales and Use	291.0	304.9	(13.9)	(4.6)%	1,924.8	1,874.7	50.1	2.7%
Franchise	16.8	40.8	(24.0)	(58.8)%	183.1	183.6	(0.5)	(0.3)%
Insurance	0.5	0.7	(0.2)	(28.6)%	80.5	71.9	8.6	12.0%
Beverage	12.0	11.0	1.0	9.1%	87.6	84.6	3.0	3.5%
Inheritance	8.8	10.6	(1.8)	(17.0)%	78.5	72.0	6.5	9.0%
Soft Drink	1.4	2.2	(0.8)	(36.4)%	13.9	18.5	(4.6)	(24.9)%
Privilege License	4.5	4.6	(0.1)	(2.2)%	23.3	29.4	(6.1)	(20.7)%
Tobacco Products	4.3	3.9	0.4	10.3%	28.6	27.9	0.7	2.5%
Real Estate Conveyance Excise	(1.1)	(0.4)	(0.7)	175.0%	6.3	5.9	0.4	6.8%
Intangibles	—	0.1	(0.1)	(100.0)%	0.1	0.4	(0.3)	(75.0)%
Gift	0.6	0.3	0.3	100.0%	2.2	1.9	0.3	15.8%
White Goods Disposal	(1.0)	(1.4)	0.4	28.6%	0.7	0.6	0.1	16.7%
Scrap Tire Disposal	(1.6)	(1.6)	—	—	0.8	0.8	—	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	0.1	(0.1)	0.2	200.0%	—	(0.1)	0.1	100.0%
Total Tax Revenue	1,099.8	1,141.9	(42.1)	(3.7)%	6,296.1	5,881.5	414.6	7.0%
Non-Tax Revenue:								
Treasurer's Investments	19.7	18.5	1.2	6.5%	143.6	129.5	14.1	10.9%
Judicial Fees	9.4	8.6	0.8	9.3%	63.1	56.4	6.7	11.9%
Insurance	0.2	0.2	—	—	10.2	9.9	0.3	3.0%
Disproportionate Share	—	—	—	—	—	83.6	(83.6)	(100.0)%
Highway Fund Transfer In	—	—	—	—	6.2	5.8	0.4	6.9%
Highway Trust Fund Transfer In	—	—	—	—	170.0	170.0	—	—
Other	13.8	10.4	3.4	32.7%	43.4	41.5	1.9	4.6%
Total Non-Tax Revenue	43.1	37.7	5.4	14.3%	436.5	496.7	(60.2)	(12.1)%
Total Tax and Non-Tax Revenue	\$1,142.9	\$1,179.6	\$ (36.7)	(3.1)%	\$ 6,732.6	\$ 6,378.2	\$ 354.4	5.6%

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 \$354.4 million, or 5.6%. The net, or actual, tax and non-tax revenues through January 1998 of \$6,732.6 million were greater than the projected revenues by \$159.7 million, or 2.4%. The 1996-97 non-tax revenue included \$83.6 million of receipts from Disproportionate Share funds, these receipts are reflected as Department of Health and Human Service departmental receipts for 1997-98. Major components of tax and non-tax revenues that increased from the prior year through the end of January 1998 included:

- \$340.4 million for Individual Income Tax;
- \$50.1 million for Sales and Use Tax (All references to Sales and Use Tax in schedules, narrative, and graphs, reflect an *estimate for the current month reserve*);
- \$15.9 million for Corporate Income Tax; and
- \$14.1 million for Treasurer's Investments.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 1998

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]	\$ 709.2	\$ 726.4	\$ 17.2	102.4%	\$ 3,376.2	\$ 3,521.5	\$ 145.3	104.3%
Corporate Income [2]	51.0	37.1	(13.9)	72.7%	330.3	344.2	13.9	104.2%
Sales and Use	307.3	291.0	(16.3)	94.7%	1,924.9	1,924.8	(0.1)	100.0%
Franchise	42.7	16.8	(25.9)	39.3%	197.4	183.1	(14.3)	92.8%
Insurance	0.7	0.5	(0.2)	71.4%	76.5	80.5	4.0	105.2%
Beverage	12.1	12.0	(0.1)	99.2%	86.3	87.6	1.3	101.5%
Inheritance	11.5	8.8	(2.7)	76.5%	80.3	78.5	(1.8)	97.8%
Soft Drink	1.7	1.4	(0.3)	82.4%	13.8	13.9	0.1	100.7%
Privilege License	3.1	4.5	1.4	145.2%	16.3	23.3	7.0	142.9%
Tobacco Products	3.9	4.3	0.4	110.3%	27.2	28.6	1.4	105.1%
Real Estate Conveyance Excise	(1.1)	(1.1)	—	100.0%	6.3	6.3	—	100.0%
Intangibles	—	—	—	—	—	0.1	0.1	—
Gift	0.2	0.6	0.4	300.0%	1.5	2.2	0.7	146.7%
White Goods Disposal	(1.0)	(1.0)	—	100.0%	0.7	0.7	—	100.0%
Scrap Tire Disposal	(1.6)	(1.6)	—	100.0%	0.8	0.8	—	100.0%
Freight Car Lines	—	—	—	—	—	—	—	—
Other	—	0.1	0.1	—	—	—	—	—
Total Tax Revenue	<u>1,139.7</u>	<u>1,099.8</u>	<u>(39.9)</u>	<u>96.5%</u>	<u>6,138.5</u>	<u>6,296.1</u>	<u>157.6</u>	<u>102.6%</u>
Non-Tax Revenue								
Treasurer's Investments	19.6	19.7	0.1	100.5%	137.1	143.6	6.5	104.7%
Judicial Fees	10.0	9.4	(0.6)	94.0%	66.8	63.1	(3.7)	94.5%
Insurance	0.2	0.2	—	100.0%	11.0	10.2	(0.8)	92.7%
Highway Fund Transfer In	—	—	—	—	6.1	6.2	0.1	101.6%
Highway Trust Fund Transfer In	—	—	—	—	170.0	170.0	—	100.0%
Other	6.3	13.8	7.5	219.0%	43.4	43.4	—	100.0%
Total Non-Tax Revenue	<u>36.1</u>	<u>43.1</u>	<u>7.0</u>	<u>119.4%</u>	<u>434.4</u>	<u>436.5</u>	<u>2.1</u>	<u>100.5%</u>
Total Tax and Non-Tax Revenue	<u>\$ 1,175.8</u>	<u>\$ 1,142.9</u>	<u>\$ (32.9)</u>	<u>97.2%</u>	<u>\$ 6,572.9</u>	<u>\$ 6,732.6</u>	<u>\$ 159.7</u>	<u>102.4%</u>

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

	1997-98		1996-97	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Individual Income Tax, Reported Net	\$ 726.4	\$ 3,521.5	\$ 715.4	\$ 3,181.1
Local Government Tax Reimbursement	—	129.0	—	129.0
Individual Income Tax, Adjusted for Transfers	<u>\$ 726.4</u>	<u>\$ 3,650.5</u>	<u>\$ 715.4</u>	<u>\$ 3,310.1</u>

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

	1997-98		1996-97	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 37.1	\$ 344.2	\$ 50.9	\$ 328.3
Public School Building Capital Fund	—	37.0	—	31.7
Critical School Facility Needs Fund	—	5.0	—	5.0
Local Government Tax Reimbursement	—	101.5	—	101.5
	—	143.5	—	138.2
Corporate Income Tax, Adjusted for Transfers	<u>\$ 37.1</u>	<u>\$ 487.7</u>	<u>\$ 50.9</u>	<u>\$ 466.5</u>

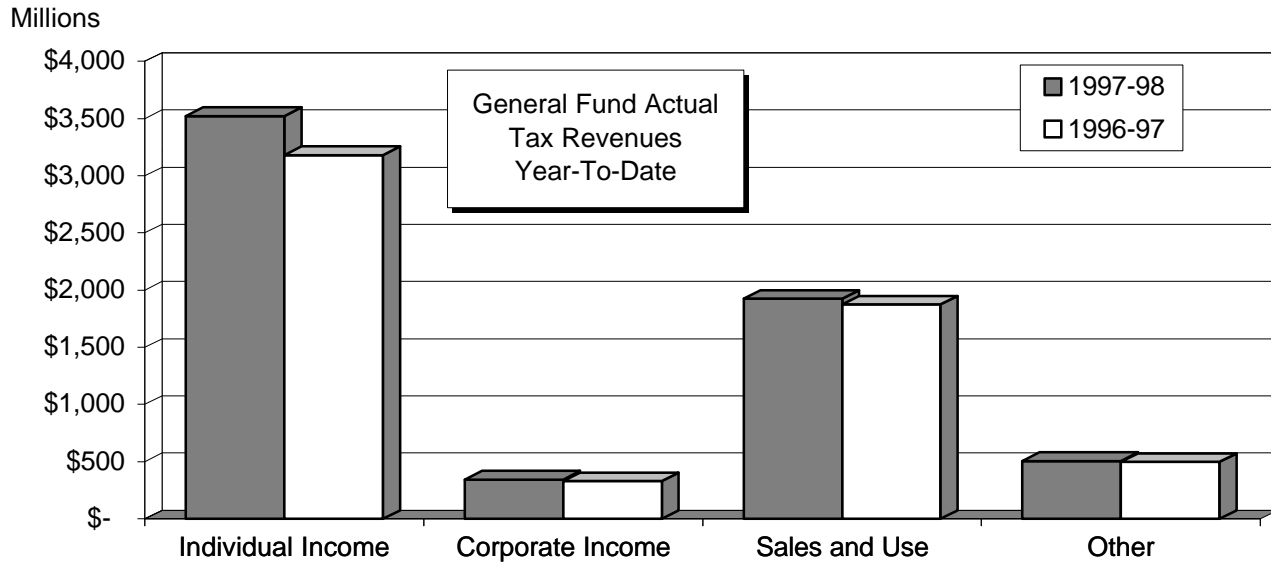
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

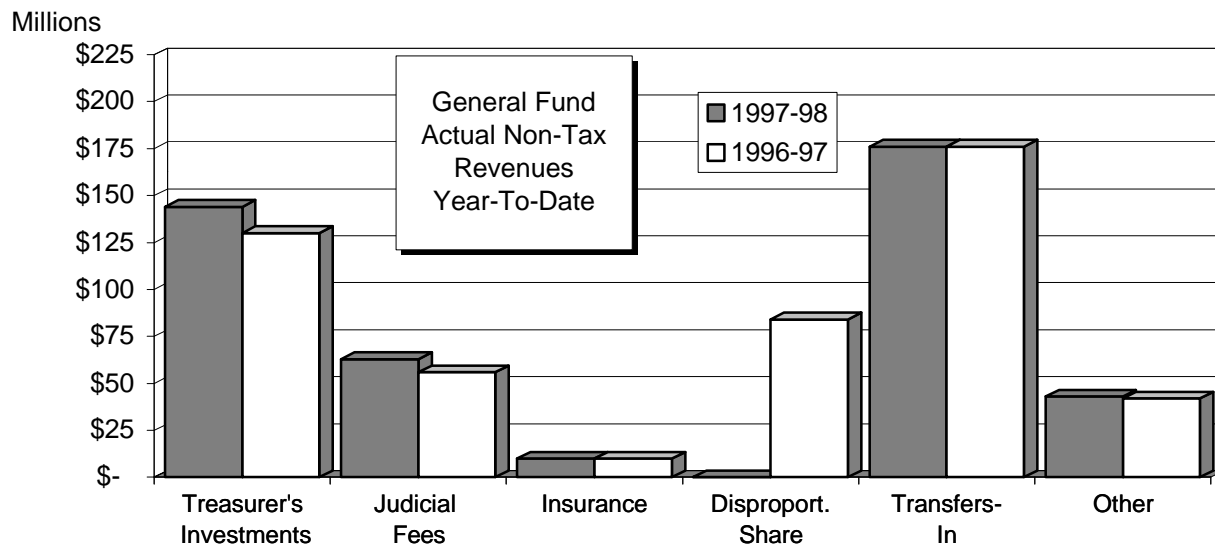
January 31, 1998

Tax revenues through January 1998 were greater than the period through January 1997 tax revenues by \$414.6 million, or 7.0%. 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 1998 was \$60.2 million or 12.1% less than through the end of January 1997. Investment earnings increased through January over the previous year by \$14.1 million, or a 10.9% increase.



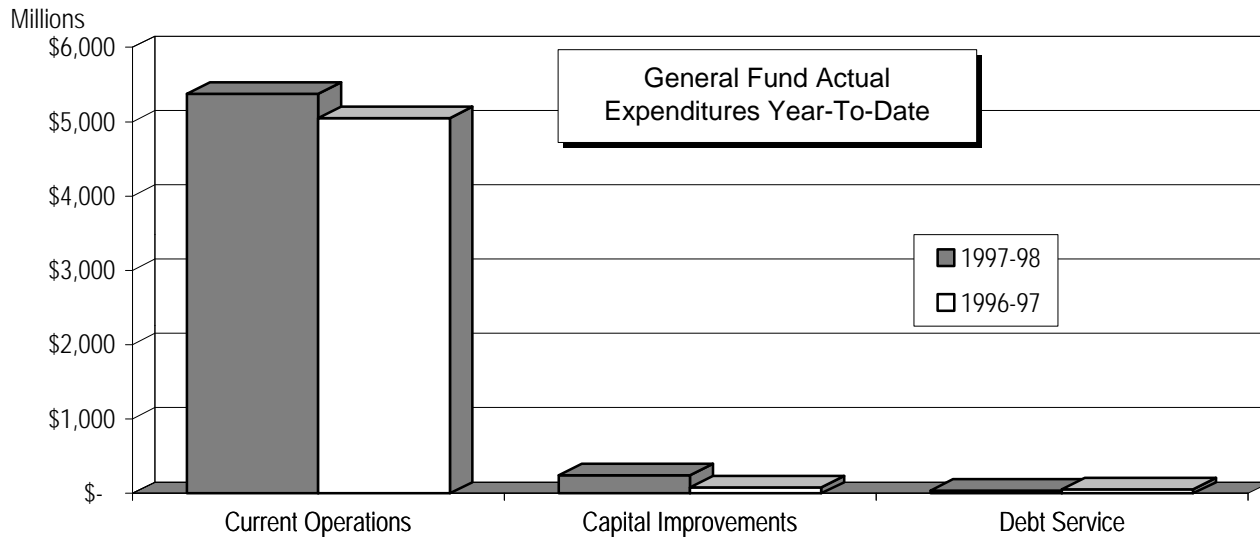
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 1998

Expenditures

Actual appropriation expenditures through January 31, 1998, exclusive of appropriation expenditures for capital improvements funded by bond proceeds, were greater than actual appropriation expenditures through January 1997 by \$483.9 million, or 9.3%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through January 1998 were greater than such expenditures through January 1997 by \$332.4 million, or 6.6%.

General Fund Actual Appropriation Expenditures — Year-To-Date

Expressed in Millions

	1997-98	1996-97	Change	Percent Change	Percent of Total Expenditures	
					1997-98	1996-97
Current Operations:						
General Government [1]	\$ 45.3	\$ 25.9	\$ 19.4	74.9%	0.8%	0.5%
Education	3,326.4	3,038.5	287.9	9.5%	58.7%	56.5%
Human Resources	1,121.0	1,089.1	31.9	2.9%	19.8%	20.3%
Economic Development	57.0	46.9	10.1	21.5%	1.0%	0.9%
Environment, Health and Natural Resources	80.9	152.4	(71.5)	(46.9%)	1.4%	2.8%
Public Safety, Correction, and Regulation	719.8	671.9	47.9	7.1%	12.7%	12.5%
Agriculture	25.7	24.6	1.1	4.5%	0.5%	0.5%
Operating Reserves/Rounding	2.0	(3.6)	5.6	(155.6%)	—	(0.1%)
Total Current Operations	5,378.1	5,045.7	332.4	6.6%	94.9%	93.8%
Capital Improvements:						
Funded by General Fund	245.4	78.6	166.8	212.2%	4.3%	1.5%
Debt Service	42.8	58.1	(15.3)	(26.3%)	0.8%	1.1%
	5,666.3	5,182.4	483.9	9.3%	100.0%	96.4%
Capital Improvements:						
Funded by Bond Proceeds	—	195.0	(195.0)	(100.0%)	—	3.6%
Total Expenditures	\$ 5,666.3	\$ 5,377.4	\$ 288.9	5.4%	100.0%	100.0%

[1] General Government expenditures reflect a carryforward from FY 1996-97 of a transfer-in for disaster relief (\$115 million) from unreserved fund balance.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 1998

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.

In November 1996, the voters of North Carolina approved bonds in the amount of \$1.8 billion for school construction and \$950 million for highway construction.

The amount of authorized, but unissued bonds was \$2.05 billion as of January 31, 1998. The first bond issue, related to the \$1.8 billion of school construction bonds which were approved in November 1996, was sold during March 1997 in the amount of \$450 million. These bonds were issued at rates ranging from 5.1% to 5.2% with a final maturity of March 1, 2016.

The first bond issue related to highway construction was issued on November 1, 1997 in the amount of \$250 million, with rates ranging from 4.5% to 5.00%. The proceeds of this bond issue will be used to pay the capital costs of urban loops, intrastate system projects, and State secondary road projects.

The adjacent schedule includes only bonds issued through January 31, 1998.

SCHEDULE OF BOND PRINCIPAL PAYMENT REQUIREMENTS			
GENERAL OBLIGATION BONDS			
<i>(Expressed in Thousands)</i>			
	<i>Payable from:</i>		Total Principal Requirements
	General Fund Revenues	Highway Fund Revenues	
1997-98 Requirements:			
August 1997.....	\$ 18,475	\$ —	\$ 18,475
December 1997.....	3,000	—	3,000
February 1998.....	7,000	—	7,000
March 1998.....	23,565	—	23,565
April 1998.....	6,200	—	6,200
May 1998.....	9,910	—	9,910
June 1998.....	23,435	—	23,435
Totals—1997-98.....	91,585	—	91,585
Future Years' Requirements:			
1999.....	91,695	16,675	108,370
2000.....	91,590	16,675	108,265
2001.....	91,600	16,675	108,275
2002.....	91,680	16,675	108,355
2003.....	91,710	16,675	108,385
2004.....	91,600	16,675	108,275
2005.....	91,995	16,675	108,670
2006.....	91,885	16,675	108,560
2007.....	91,770	16,675	108,445
2008.....	91,855	16,675	108,530
2009.....	85,735	16,675	102,410
2010.....	77,000	16,675	93,675
2011.....	77,000	16,675	93,675
2012.....	77,000	16,675	93,675
2013.....	69,500	16,550	86,050
2014.....	49,000	—	49,000
2015.....	49,000	—	49,000
2016.....	26,000	—	26,000
2016.....	3,000	—	3,000
2017.....	—	—	—
Totals—All Years.....	\$ 1,522,200	\$ 250,000	\$ 1,772,200
Less			
Unamortized Discount..	(7,723)	—	(7,723)
Total Principal, Net.....	\$ 1,514,477	\$ 250,000	\$ 1,764,477

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 1998

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND								
COMPARATIVE STATEMENT OF NET COLLECTIONS								
For the Months of January 1998 and 1997, and the Seven Months Ended January 31, 1998 and 1997								
(Expressed in Millions)								
	Month				Year-To-Date			
	1997-98	1996-97	Change	Percent Change	1997-98	1996-97	Change	Percent Change
Highway Fund								
Motor Fuels Tax	\$ 67.5	\$ 61.2	\$ 6.3	10.3%	\$ 457.1	\$ 427.7	\$ 29.4	6.9%
Motor Vehicle License Fees	35.9	41.0	(5.1)	(12.4%)	111.5	113.0	(1.5)	(1.3%)
Driver License Fees	7.2	5.9	1.3	22.0%	40.4	40.2	0.2	0.5%
Motor Fuels and Oil Inspection Fees	1.0	1.0	-	-	7.0	6.9	0.1	1.4%
Title Fee	-	-	-	-	-	-	-	-
Other	2.1	1.8	0.3	16.7%	14.3	12.8	1.5	11.7%
Subtotal - Highway Fund	113.7	110.9	2.8	2.5%	630.3	600.6	29.7	4.9%
Highway Trust Fund								
Highway Use Tax	31.5	31.3	0.2	0.6%	230.8	216.0	14.8	6.9%
Motor Fuels Tax	22.3	20.5	1.8	8.8%	152.1	142.1	10.0	7.0%
Title Fee	5.4	5.7	(0.3)	(5.3%)	41.3	39.4	1.9	4.8%
Motor Vehicle Lease	3.5	3.0	0.5	16.7%	21.8	17.1	4.7	27.5%
Registration	0.7	0.7	-	-	5.5	6.0	(0.5)	(8.3%)
Lien Recording	0.2	0.1	0.1	100.0%	1.4	1.4	-	-
Subtotal - Highway Trust Fund	63.6	61.3	2.3	3.8%	452.9	422.0	30.9	7.3%
Payables and Receipts								
Special Registration Plate Fund	0.2	0.1	0.1	100.0%	1.2	1.2	-	-
Safety Inspection and Exhaust Emission	0.2	0.2	-	-	1.3	1.3	-	-
Transportation Authority/TransPark	0.6	0.6	-	-	2.4	3.9	(1.5)	(38.5%)
Recreation and Natural Heritage Trust Fund	0.1	0.1	-	-	1.0	1.0	-	-
Other Receipts	0.4	1.1	(0.7)	(63.6%)	3.9	3.7	0.2	5.4%
Subtotal - Payables and Receipts	1.5	2.1	(0.6)	(28.6%)	9.8	11.1	(1.3)	(11.7%)
	\$ 178.8	\$ 174.3	\$ 4.5	2.6%	\$ 1,093.0	\$ 1,033.7	\$ 59.3	5.7%