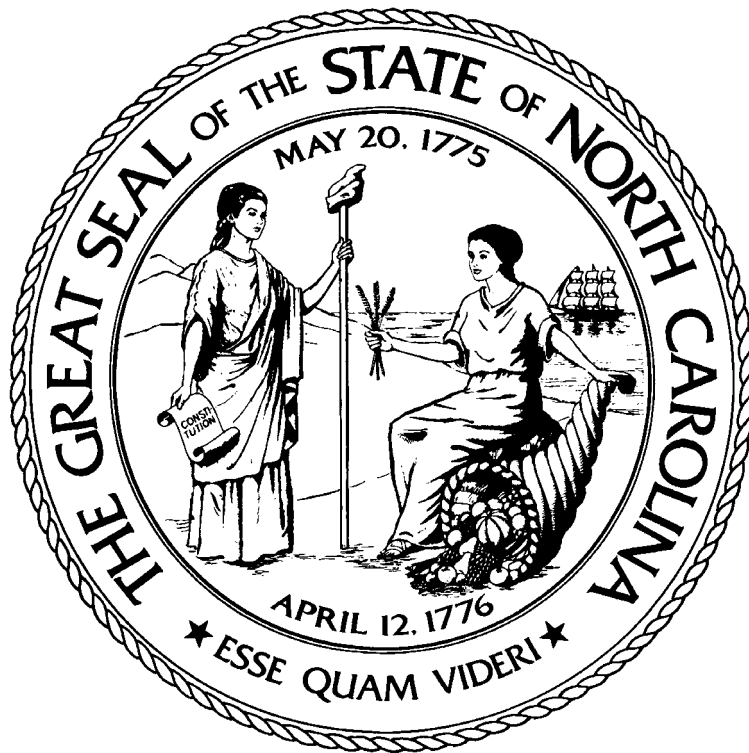


STATE OF  
***NORTH CAROLINA***

*SUMMARY OF FINANCIAL CONDITION*  
*SEPTEMBER 30, 2002*

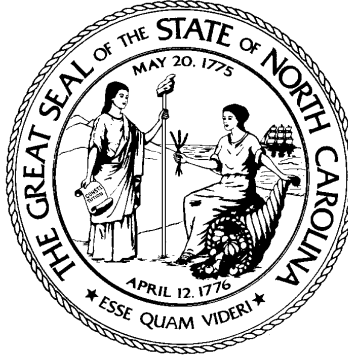
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OFFICE OF THE STATE CONTROLLER

# STATE OF NORTH CAROLINA



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

December 9, 2002

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the three months ended September 30, 2002. 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. We are committed to providing you and the State with the most reliable and timely financial and economic information possible.

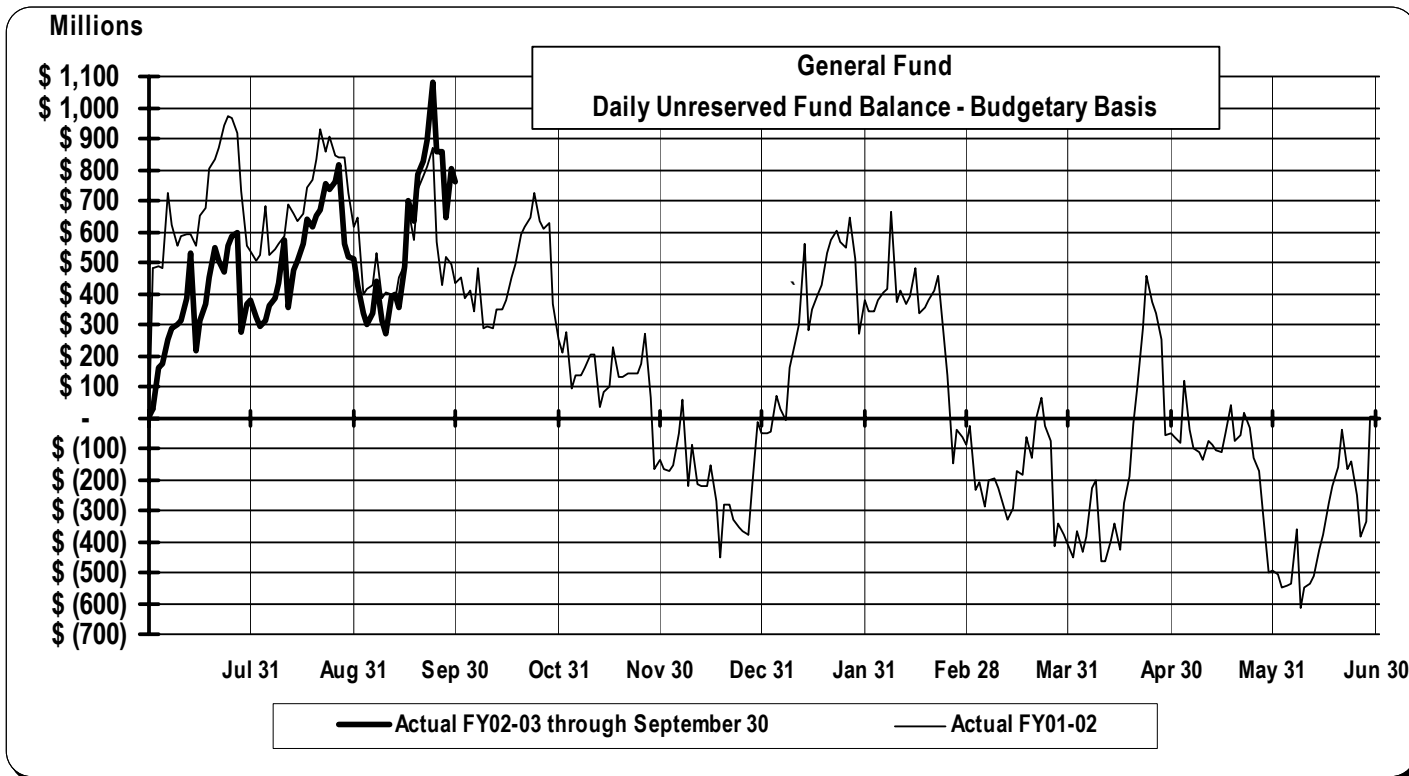
Sincerely,  
Robert L. Powell  
State Controller  
(919) 981-5454

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

September 30, 2002

### Fund Balance



At September 30, 2002 and 2001, the reserved and unreserved fund balance was composed of the following (in millions):

<b>Fund Balance:</b>	<b>2002-03</b>	<b>2001-02</b>
<b>Reserved:</b>		
Savings account.....	\$ —	\$ 157.5
Retirees health premiums.....	40.7	53.9
North Carolina Railroad acquisition.....	22.1	31.8
Disproportionate Share.....	—	1.2
Disaster Relief.....	—	422.1
Budgetary Shortfall Funds.....	244.4	100.4
Total Reserved.....	<u>307.2</u>	<u>766.9</u>
<b>Unreserved:</b>		
Fund Balance - July 1.....	3.8	—
Transfer to reserves.....	21.2	—
Excess of revenue over (under) expenditures....	735.7	432.6
Total Unreserved.....	<u>760.7</u>	<u>432.6</u>
Total Fund Balance.....	<u>\$ 1,067.9</u>	<u>\$ 1,199.5</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). These funds will be used if necessary to address the budget shortfall.

## SUMMARY OF FINANCIAL CONDITION

September 30, 2002

## Revenues - Tax and Non-Tax

## General Fund Actual Net Revenues

Expressed In Millions

	September				Year-To-Date Through September			
	2002-03	2001-02	Change	% Change	2002-03	2001-02	Change	% Change
<b>Tax Revenues:</b>								
Individual Income	\$ 716.4	\$ 701.1	\$ 15.3	2.2%	\$ 1,842.2	\$ 1,855.3	\$ (13.1)	(0.7)%
Corporate Income	209.7	28.2	181.5	643.6%	233.1	35.7	197.4	552.9%
Sales and Use	342.5	266.8	75.7	28.4%	1,067.0	880.0	187.0	21.3%
Franchise	11.1	2.0	9.1	455.0%	76.3	80.6	(4.3)	(5.3)%
Insurance	1.3	0.4	0.9	225.0%	6.7	3.3	3.4	103.0%
Piped Natural Gas	(1.9)	(4.3)	2.4	55.8%	3.4	4.1	(0.7)	(17.1)%
Beverage	17.7	18.5	(0.8)	(4.3)%	44.7	46.6	(1.9)	(4.1)%
Inheritance	8.9	7.2	1.7	23.6%	32.1	26.3	5.8	22.1%
Privilege License	0.9	0.5	0.4	80.0%	12.6	12.0	0.6	5.0%
Tobacco Products	3.7	3.8	(0.1)	(2.6)%	11.2	10.4	0.8	7.7%
Real Estate Conveyance Excise	—	0.1	(0.1)	(100.0)%	10.2	9.7	0.5	5.2%
Gift	0.4	0.1	0.3	300.0%	1.2	1.0	0.2	20.0%
White Goods Disposal	0.4	0.5	(0.1)	(20.0)%	1.4	1.4	—	—
Scrap Tire Disposal	1.0	1.1	(0.1)	(9.1)%	3.1	3.1	—	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	0.2	0.2	—	—	—	—	—	—
<b>Total Tax Revenue</b>	<b>1,312.3</b>	<b>1,026.2</b>	<b>286.1</b>	<b>27.9%</b>	<b>3,345.2</b>	<b>2,969.5</b>	<b>375.7</b>	<b>12.7%</b>
<b>Non-Tax Revenue:</b>								
Treasurer's Investments	9.4	13.9	(4.5)	(32.4)%	28.0	38.7	(10.7)	(27.6)%
Judicial Fees	9.1	8.5	0.6	7.1%	29.0	28.1	0.9	3.2%
Insurance	0.2	0.7	(0.5)	(71.4)%	1.9	2.5	(0.6)	(24.0)%
Disproportionate Share	—	107.0	(107.0)	(100.0)%	—	107.0	(107.0)	(100.0)%
Highway Fund Transfer In	—	—	—	—	3.8	—	3.8	—
Highway Trust Fund Transfer In	94.4	—	94.4	—	94.4	170.0	(75.6)	(44.5)%
Intra State Transfer	—	—	—	—	—	—	—	—
Other	4.9	4.2	0.7	16.7%	16.1	15.6	0.5	3.2%
<b>Total Non-Tax Revenue</b>	<b>118.0</b>	<b>134.3</b>	<b>(16.3)</b>	<b>(12.1)%</b>	<b>173.2</b>	<b>361.9</b>	<b>(188.7)</b>	<b>(52.1)%</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ 1,430.3</b>	<b>\$ 1,160.5</b>	<b>\$ 269.8</b>	<b>23.2%</b>	<b>\$ 3,518.4</b>	<b>\$ 3,331.4</b>	<b>\$ 187.0</b>	<b>5.6%</b>

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 \$187.0 million, or 5.6%.

\$95.1 million for inventories reimbursement to local governments, not previously paid in April 2001, was repaid in July 2001 from the Governor Easley escrow fund (Executive Order #3). For fiscal year 2002-03, this reimbursement to local governments has been repealed. In addition, no funds will be transferred from corporate income tax to the Critical School Facility Needs Fund or the Public School Building Capital Fund. Instead these funds will be deposited into the State Public School Fund. In 2001-02, these transfers, which were netted against corporate income tax, totaled \$208.5 million (see table on following page).

Major components of tax and non-tax revenues that increased from the prior year through the end of September 2002 included:

- \$197.4 million for Corporate Income Tax; and
- \$187.0 million for Sales and Use Tax.

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

September 30, 2002

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

<i>(Expressed In Millions)</i>	Current Month				Year-To-Date			
	Projected Monthly Budget	Actual	Variance	Percent Realized	Projected Monthly Budget	Actual	Variance	Percent Realized
<b>Tax Revenue</b>								
Individual Income [1]	\$ —	\$ 716.4	\$ —	—	\$ —	\$ 1,842.2	\$ —	—
Corporate Income [2]	—	209.7	—	—	—	233.1	—	—
Sales and Use	—	342.5	—	—	—	1,067.0	—	—
Franchise	—	11.1	—	—	—	76.3	—	—
Insurance	—	1.3	—	—	—	6.7	—	—
Piped Natural Gas	—	(1.9)	—	—	—	3.4	—	—
Beverage	—	17.7	—	—	—	44.7	—	—
Inheritance	—	8.9	—	—	—	32.1	—	—
Privilege License	—	0.9	—	—	—	12.6	—	—
Tobacco Products	—	3.7	—	—	—	11.2	—	—
Real Estate Conveyance Excise	—	—	—	—	—	10.2	—	—
Gift	—	0.4	—	—	—	1.2	—	—
White Goods Disposal	—	0.4	—	—	—	1.4	—	—
Scrap Tire Disposal	—	1.0	—	—	—	3.1	—	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	—	0.2	—	—	—	—	—	—
<b>Total Tax Revenue</b>	<b>—</b>	<b>1,312.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,345.2</b>	<b>—</b>	<b>—</b>
<b>Non-Tax Revenue</b>								
Treasurer's Investments	—	9.4	—	—	—	28.0	—	—
Judicial Fees	—	9.1	—	—	—	29.0	—	—
Insurance	—	0.2	—	—	—	1.9	—	—
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	3.8	—	—
Highway Trust Fund Transfer In	—	94.4	—	—	—	94.4	—	—
Intra State Transfer	—	—	—	—	—	—	—	—
Other	—	4.9	—	—	—	16.1	—	—
<b>Total Non-Tax Revenue</b>	<b>—</b>	<b>118.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>173.2</b>	<b>—</b>	<b>—</b>
<b>Total Tax and Non-Tax Revenue</b>	<b>\$ —</b>	<b>\$ 1,430.3</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 3,518.4</b>	<b>\$ —</b>	<b>—</b>

Projected Monthly Budget numbers not yet made available by the Office of State Budget and Management and the General Assembly's Fiscal Research Division.

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

	2002-03		2001-02	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Individual Income Tax, Reported Net	\$ 716.4	\$ 1,842.2	\$ 701.1	\$ 1,855.3
Local Government Tax Reimbursement	—	—	—	—
Individual Income Tax, Adjusted for Transfers	<u>\$ 716.4</u>	<u>\$ 1,842.2</u>	<u>\$ 701.1</u>	<u>\$ 1,855.3</u>

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

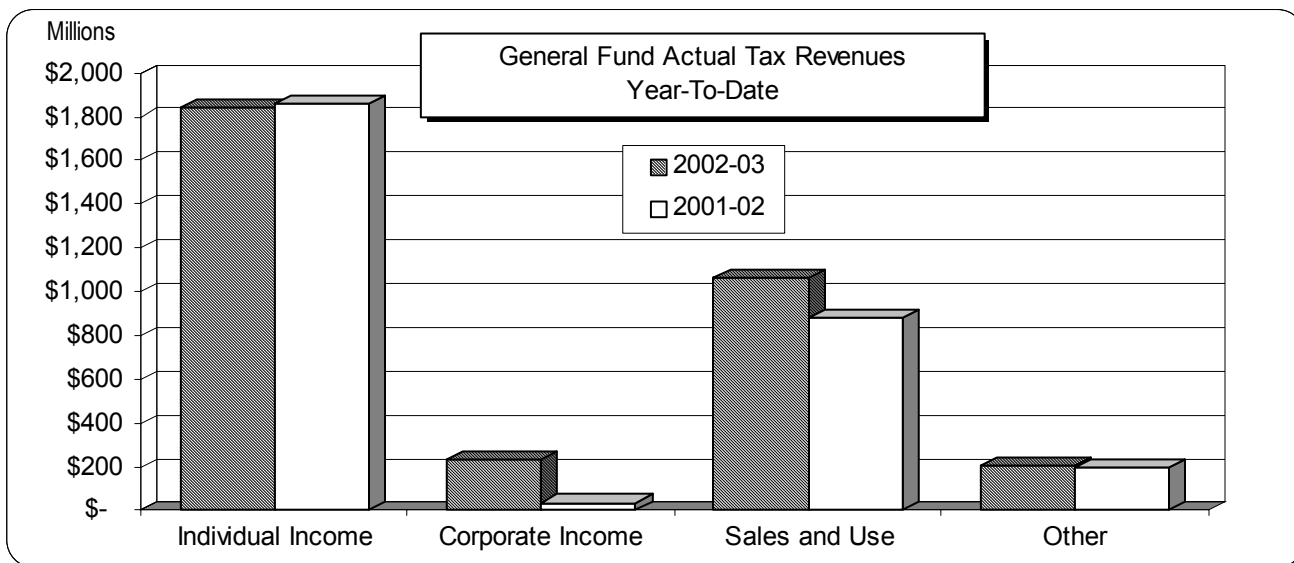
	2002-03		2001-02	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 209.7	\$ 233.1	\$ 28.2	\$ 35.7
Public School Building Capital Fund	—	—	15.8	15.8
Critical School Facility Needs Fund	—	—	2.5	2.5
Local Government Tax Reimbursement	—	—	95.1	95.1
Executive Order #3	—	—	—	95.1
	<u>—</u>	<u>—</u>	<u>113.4</u>	<u>208.5</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 209.7</u>	<u>\$ 233.1</u>	<u>\$ 141.6</u>	<u>\$ 244.2</u>

SUMMARY OF FINANCIAL CONDITION

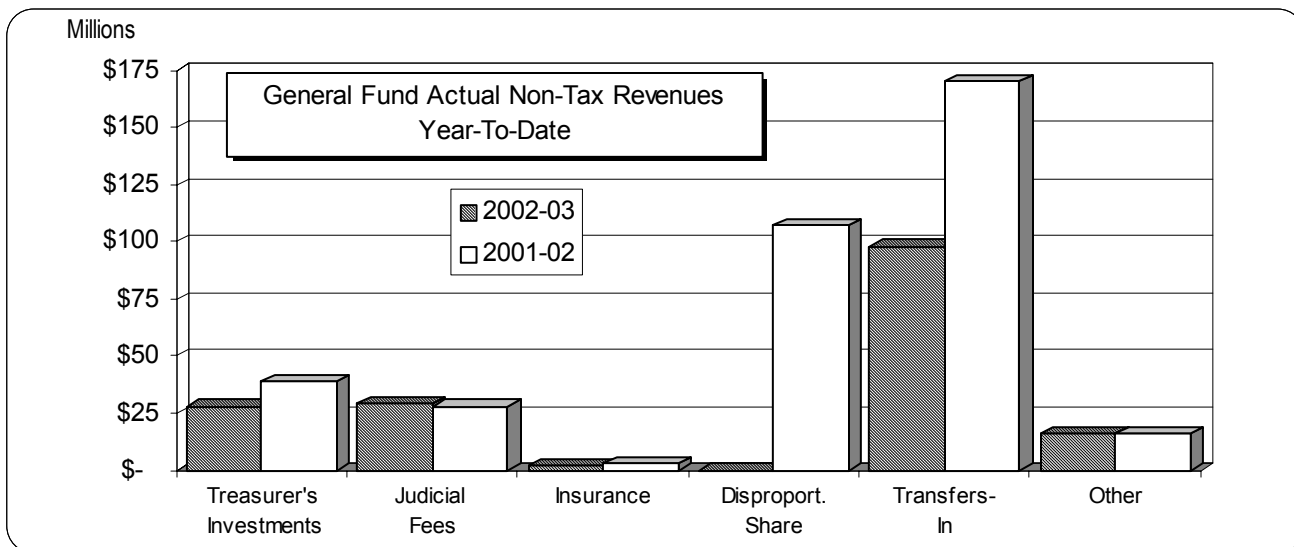
September 30, 2002

Tax revenues through September 2002 were greater than the period through September 2001 by \$375.7 million, or 12.7%. If comparing current and prior year tax revenues without taking into account the \$208.5 million of transfers, which net against corporate income tax for the period through September 2001, tax revenues increased by \$167.2 million, or 5.3%. 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 2002 was \$188.7 million, or 52.1%, less than through the end of September 2001. Effective with the 2002-03 fiscal year, the Highway Trust Fund Transfer In will occur on a quarterly rather than annual basis. In 2001-02, the Highway Trust Fund transferred \$170 million annually. In 2002-03, \$377.4 million (including a \$125 million loan from the Highway Trust Fund) will be transferred over four quarterly installments of approximately \$94.4 million. Investment revenues decreased by \$10.7 million from the prior year through the end of September 2002.

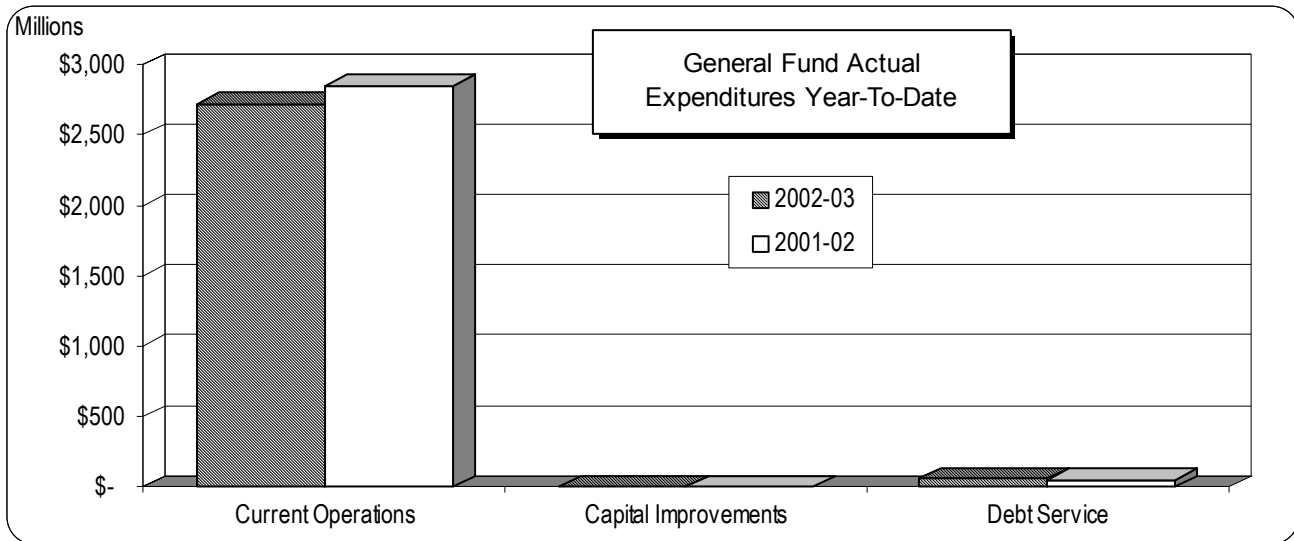


SUMMARY OF FINANCIAL CONDITION

September 30, 2002

**Expenditures**

Actual appropriation expenditures through September 30, 2002, exclusive of appropriation expenditures for capital improvements funded by bond proceeds, were less than actual appropriation expenditures through September 2001 by \$116.1 million, or 4.0%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through September 2002 were less than such expenditures through September 2001 by \$124.9 million, or 4.4%.

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

*Expressed in Millions*

	2002-03	2001-02	Change	Percent Change	Percent of Total Expenditures	
					2002-03	2001-02
<b>Current Operations:</b>						
General Government	\$ 56.8	\$ 47.1	\$ 9.7	20.6%	2.0%	1.6%
Education	1,646.4	1,603.1	43.3	2.7%	59.2%	55.3%
Health and Human Services	670.8	781.9	(111.1)	(14.2%)	24.1%	27.0%
Economic Development	(8.5)	4.3	(12.8)	(297.7%)	(0.3%)	0.1%
Environment and Natural Resources	43.7	47.1	(3.4)	(7.2%)	1.6%	1.6%
Public Safety, Correction, and Regulation	310.6	325.1	(14.5)	(4.5%)	11.2%	11.2%
Agriculture	11.2	11.7	(0.5)	(4.3%)	0.4%	0.4%
Operating Reserves/Rounding	(6.6)	29.0	(35.6)	(122.8%)	(0.2%)	1.0%
<b>Total Current Operations</b>	<b>2,724.4</b>	<b>2,849.3</b>	<b>(124.9)</b>	<b>(4.4%)</b>	<b>97.9%</b>	<b>98.3%</b>
<b>Capital Improvements:</b>						
Funded by General Fund	—	—	—	—	—	—
<b>Debt Service</b>	<b>58.3</b>	<b>49.5</b>	<b>8.8</b>	<b>17.8%</b>	<b>2.1%</b>	<b>1.7%</b>
	<b>2,782.7</b>	<b>2,898.8</b>	<b>(116.1)</b>	<b>(4.0%)</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Capital Improvements:</b>						
Funded by Bond Proceeds	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>\$ 2,782.7</b>	<b>\$ 2,898.8</b>	<b>\$ (116.1)</b>	<b>(4.0%)</b>	<b>100.0%</b>	<b>100.0%</b>

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

September 30, 2002

### Summary Information - Highway Fund and Highway Trust Fund

<b>HIGHWAY FUND AND HIGHWAY TRUST FUND</b>								
<b>COMPARATIVE STATEMENT OF NET COLLECTIONS</b>								
For the Months of September 2002 and 2001, and the Three Months Ended September 30, 2002 and 2001								
(Expressed in Millions)								
	Month				Year-To-Date			
	2002-03	2001-02	Change	Percent Change	2002-03	2001-02	Change	Percent Change
<b>Highway Fund</b>								
Motor Fuels Tax	\$ 72.7	\$ 77.5	\$ (4.8)	(6.2%)	\$ 220.9	\$ 227.9	\$ (7.0)	(3.1%)
Motor Vehicle License Fees	15.1	12.2	2.9	23.8%	45.2	44.0	1.2	2.7%
Driver License Fees	5.3	5.0	0.3	6.0%	17.6	16.7	0.9	5.4%
Motor Fuels and Oil Inspection Fees	1.2	1.1	0.1	9.1%	3.5	3.3	0.2	6.1%
Other	3.6	3.2	0.4	12.5%	10.9	10.1	0.8	7.9%
<b>Subtotal - Highway Fund</b>	<b>97.9</b>	<b>99.0</b>	<b>(1.1)</b>	<b>(1.1%)</b>	<b>298.1</b>	<b>302.0</b>	<b>(3.9)</b>	<b>(1.3%)</b>
<b>Highway Trust Fund</b>								
Highway Use Tax	44.6	37.3	7.3	19.6%	138.7	123.8	14.9	12.0%
Motor Fuels Tax	24.2	25.7	(1.5)	(5.8%)	73.8	75.7	(1.9)	(2.5%)
Title Fee	6.5	5.8	0.7	12.1%	20.5	19.4	1.1	5.7%
Motor Vehicle Lease	3.4	5.5	(2.1)	(38.2%)	10.0	12.1	(2.1)	(17.4%)
Registration	0.8	0.7	0.1	14.3%	2.5	2.4	0.1	4.2%
Lien Recording	0.1	0.2	(0.1)	(50.0%)	0.5	0.5	-	-
<b>Subtotal - Highway Trust Fund</b>	<b>79.6</b>	<b>75.2</b>	<b>4.4</b>	<b>5.9%</b>	<b>246.0</b>	<b>233.9</b>	<b>12.1</b>	<b>5.2%</b>
<b>Payables and Receipts</b>								
Special Registration Plate Fund	0.3	0.2	0.1	50.0%	0.9	0.7	0.2	28.6%
Safety Inspection and Exhaust Emission	0.3	0.2	0.1	50.0%	0.9	0.6	0.3	50.0%
Transportation Authority/TransPark	0.4	0.3	0.1	33.3%	1.2	1.1	0.1	9.1%
Recreation and Natural Heritage Trust Fund	0.3	0.1	0.2	200.0%	0.7	0.5	0.2	40.0%
Other Receipts	1.1	0.5	0.6	120.0%	3.6	1.7	1.9	111.8%
<b>Subtotal - Payables and Receipts</b>	<b>2.4</b>	<b>1.3</b>	<b>1.1</b>	<b>84.6%</b>	<b>7.3</b>	<b>4.6</b>	<b>2.7</b>	<b>58.7%</b>
	<b>\$ 179.9</b>	<b>\$ 175.5</b>	<b>\$ 4.4</b>	<b>2.5%</b>	<b>\$ 551.4</b>	<b>\$ 540.5</b>	<b>\$ 10.9</b>	<b>2.0%</b>