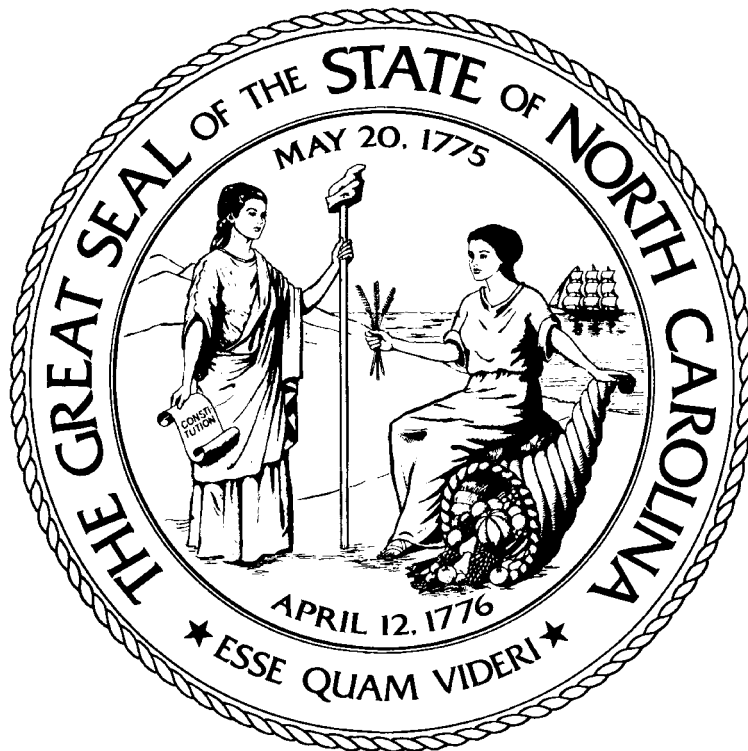


**STATE OF**  
***NORTH CAROLINA***

***SUMMARY OF FINANCIAL CONDITION***  
***AUGUST 31, 2000***

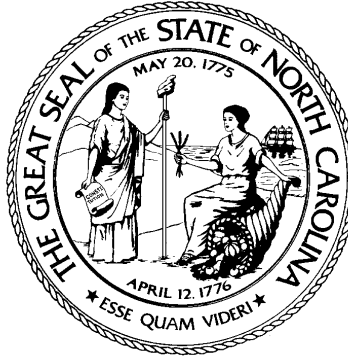
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***OFFICE OF THE STATE CONTROLLER***  
***OFFICE OF STATE BUDGET AND MANAGEMENT***  
***DEPARTMENT OF REVENUE***

# STATE OF NORTH CAROLINA



The Honorable James B. Hunt, Jr.  
Governor of the State of North Carolina

October 18, 2000

We herewith submit the Summary of Financial Condition for the State of North Carolina for the two months ended August 31, 2000. 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

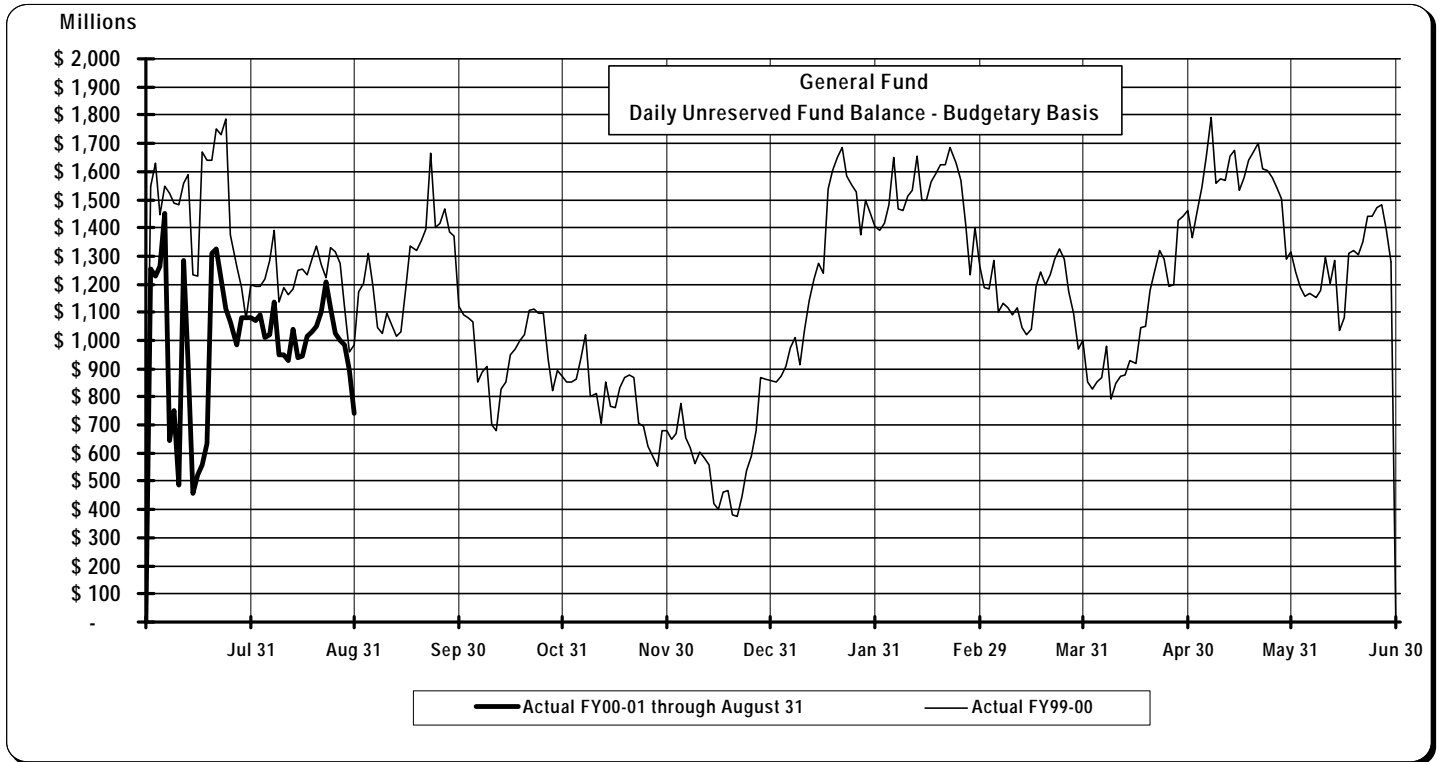
Muriel K. Offerman  
Secretary of Revenue  
(919) 733-7211

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

August 31, 2000

### Fund Balance



At August 31, 2000 and 1999, the reserved and unreserved fund balance was composed of the following (in millions):

| <b>Fund Balance:</b>                          | <b>2000-01</b>    | <b>1999-00</b>    |
|---|-------------------|-------------------|
| <b>Reserved:</b>                              |                   |                   |
| Savings account.....                          | \$ 157.5          | \$ 322.5          |
| Retirees health premiums.....                 | 99.7              | 279.3             |
| Repairs and renovations.....                  | 7.0               | 13.4              |
| Clean water management.....                   | 1.1               | 1.1               |
| North Carolina Railroad acquisition.....      | 42.0              | 61.0              |
| North Carolina Railroad dividend.....         | .9                | —                 |
| Disproportionate Share.....                   | 1.2               | —                 |
| Total Reserved.....                           | <u>309.4</u>      | <u>677.3</u>      |
| <b>Unreserved:</b>                            |                   |                   |
| Fund Balance - July 1.....                    | —                 | 296.7             |
| Transfer from reserves.....                   | —                 | 380.0             |
| Appropriation from reserves.....              | 69.5              | —                 |
| Excess of revenue over (under) expenditures.. | 672.3             | 308.2             |
| Total Unreserved.....                         | <u>741.8</u>      | <u>984.9</u>      |
| Total Fund Balance.....                       | <u>\$ 1,051.2</u> | <u>\$ 1,662.2</u> |

Smith v. State – Intangibles tax refunds to non-protesting taxpayers. On February 21, 1996, the U.S. Supreme Court declared North Carolina’s intangibles tax unconstitutional. Subsequently, the State made refunds of intangible taxes paid by all persons who had complied with the provisions of G.S. 105-267, Taxes to be paid; suits for recovery of taxes, for obtaining refunds of unconstitutional taxes. The Smith case is an action aimed principally at recovering intangibles tax refunds for taxpayers who failed to comply with the provisions of G.S. 105-267. On December 4, 1998, the Supreme Court ruled that North Carolina will have to pay refunds to non-protesters who paid intangibles taxes. This case was consolidated with Shaver v. State, another action for refund of intangibles tax paid on shares of stock. The consolidated case was settled and the agreement required the State to pay \$440 million into a settlement fund in two installments, \$200 million by October 1, 1999, and \$240 million by July 10, 2000.

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

August 31, 2000

### Revenues - Tax and Non-Tax

### General Fund Actual Net Revenues

Expressed In Millions

|                                      | August          |                 |                  |                | Year-To-Date Through August |                   |                |               |
|--------------------------------------|-----------------|-----------------|------------------|----------------|-----------------------------|-------------------|----------------|---------------|
|                                      | 2000-01         | 1999-00         | Change           | % Change       | 2000-01                     | 1999-00           | Change         | % Change      |
| <b>Tax Revenues:</b>                 |                 |                 |                  |                |                             |                   |                |               |
| Individual Income                    | \$ 395.4        | \$ 375.9        | \$ 19.5          | 5.2%           | \$ 886.6                    | \$ 835.8          | \$ 50.8        | 6.1%          |
| Corporate Income                     | (37.8)          | (36.8)          | (1.0)            | 2.7%           | (23.5)                      | (11.9)            | (11.6)         | 97.5%         |
| Sales and Use                        | 280.2           | 296.2           | (16.0)           | (5.4)%         | 606.0                       | 597.1             | 8.9            | 1.5%          |
| Franchise                            | 41.0            | 49.9            | (8.9)            | (17.8)%        | 78.3                        | 73.3              | 5.0            | 6.8%          |
| Insurance                            | 1.0             | 1.4             | (0.4)            | (28.6)%        | 2.1                         | 2.3               | (0.2)          | (8.7)%        |
| Piped Natural Gas                    | 9.4             | 1.0             | 8.4              | 840.0%         | 12.8                        | 1.0               | 11.8           | 1180.0%       |
| Beverage                             | 16.7            | 16.9            | (0.2)            | (1.2)%         | 27.4                        | 27.0              | 0.4            | 1.5%          |
| Inheritance                          | 8.3             | 19.2            | (10.9)           | (56.8)%        | 17.1                        | 31.9              | (14.8)         | (46.4)%       |
| Soft Drink                           | —               | 0.1             | (0.1)            | (100.0)%       | —                           | 1.2               | (1.2)          | (100.0)%      |
| Privilege License                    | 1.3             | 1.2             | 0.1              | 8.3%           | 10.7                        | 13.6              | (2.9)          | (21.3)%       |
| Tobacco Products                     | 3.6             | 3.5             | 0.1              | 2.9%           | 7.1                         | 7.6               | (0.5)          | (6.6)%        |
| Real Estate Conveyance Excise        | 1.9             | 0.6             | 1.3              | 216.7%         | 9.4                         | 9.6               | (0.2)          | (2.1)%        |
| Intangibles                          | —               | —               | —                | —              | —                           | —                 | —              | —             |
| Gift                                 | 0.7             | 0.4             | 0.3              | 75.0%          | 1.0                         | 1.9               | (0.9)          | (47.4)%       |
| White Goods Disposal                 | 0.4             | 0.5             | (0.1)            | (20.0)%        | 0.9                         | 0.9               | —              | —             |
| Scrap Tire Disposal                  | 0.9             | 0.9             | —                | —              | 1.9                         | 1.9               | —              | —             |
| Freight Car Lines                    | —               | —               | —                | —              | —                           | —                 | —              | —             |
| Other                                | (0.1)           | —               | (0.1)            | —              | —                           | (0.1)             | 0.1            | 100.0%        |
| <b>Total Tax Revenue</b>             | <b>722.9</b>    | <b>730.9</b>    | <b>(8.0)</b>     | <b>(1.1)%</b>  | <b>1,637.8</b>              | <b>1,593.1</b>    | <b>44.7</b>    | <b>2.8%</b>   |
| <b>Non-Tax Revenue:</b>              |                 |                 |                  |                |                             |                   |                |               |
| Treasurer's Investments              | 17.6            | 20.8            | (3.2)            | (15.4)%        | 34.0                        | 41.4              | (7.4)          | (17.9)%       |
| Judicial Fees                        | 9.6             | 10.4            | (0.8)            | (7.7)%         | 17.9                        | 19.1              | (1.2)          | (6.3)%        |
| Insurance                            | —               | —               | —                | —              | —                           | 0.2               | (0.2)          | (100.0)%      |
| Disproportionate Share               | —               | —               | —                | —              | —                           | —                 | —              | —             |
| Highway Fund Transfer In             | —               | —               | —                | —              | —                           | —                 | —              | —             |
| Highway Trust Fund Transfer In       | —               | —               | —                | —              | 170.0                       | 170.0             | —              | —             |
| Other                                | 10.0            | 26.6            | (16.6)           | (62.4)%        | 15.2                        | 31.6              | (16.4)         | (51.9)%       |
| <b>Total Non-Tax Revenue</b>         | <b>37.2</b>     | <b>57.8</b>     | <b>(20.6)</b>    | <b>(35.6)%</b> | <b>237.1</b>                | <b>262.3</b>      | <b>(25.2)</b>  | <b>(9.6)%</b> |
| <b>Total Tax and Non-Tax Revenue</b> | <b>\$ 760.1</b> | <b>\$ 788.7</b> | <b>\$ (28.6)</b> | <b>(3.6)%</b>  | <b>\$ 1,874.9</b>           | <b>\$ 1,855.4</b> | <b>\$ 19.5</b> | <b>1.1%</b>   |

Note that the table represents net tax and non-tax collections and not gross collections. When compared to the prior year through August 31, actual tax and non-tax revenues increased by \$19.5 million, or 1.1%. The net, or actual, tax and non-tax revenues through August 2000 of \$1,874.9 million were less than the projected revenues by \$91.7 million. Major components of tax and non-tax revenues that increased from the prior year through the end of August 2000 included:

- \$50.8 million for Individual Income Tax;
- \$11.8 million for Piped Natural Gas; and
- \$8.9 million for Sales and Use Tax.

# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

August 31, 2000

| <b>GENERAL FUND NET TAX AND NON-TAX REVENUES AND TRANSFERS IN BUDGET VS. ACTUAL</b> |                                 |                 |                  |                         |                                 |                   |                  |                         |
|---|---------------------------------|-----------------|------------------|-------------------------|---------------------------------|-------------------|------------------|-------------------------|
| <i>(Expressed In Millions)</i>  |                                 |                 |                  |                         |                                 |                   |                  |                         |
|   | <b>Current Month</b>            |                 |                  |                         | <b>Year-To-Date</b>             |                   |                  |                         |
|   | <b>Projected Monthly Budget</b> | <b>Actual</b>   | <b>Variance</b>  | <b>Percent Realized</b> | <b>Projected Monthly Budget</b> | <b>Actual</b>     | <b>Variance</b>  | <b>Percent Realized</b> |
| <b>Tax Revenue</b>  |                                 |                 |                  |                         |                                 |                   |                  |                         |
| Individual Income [1]   | \$ 470.2                        | \$ 395.4        | \$ (74.8)        | 84.1%                   | \$ 965.5                        | \$ 886.6          | \$ (78.9)        | 91.8%                   |
| Corporate Income [2]  | (44.7)                          | (37.8)          | 6.9              | 84.6%                   | (8.7)                           | (23.5)            | (14.8)           | 270.1%                  |
| Sales and Use   | 285.0                           | 280.2           | (4.8)            | 98.3%                   | 595.8                           | 606.0             | 10.2             | 101.7%                  |
| Franchise   | 38.6                            | 41.0            | 2.4              | 106.2%                  | 75.6                            | 78.3              | 2.7              | 103.6%                  |
| Insurance   | 0.8                             | 1.0             | 0.2              | 125.0%                  | 1.7                             | 2.1               | 0.4              | 123.5%                  |
| Piped Natural Gas   | 6.5                             | 9.4             | 2.9              | 144.6%                  | 9.9                             | 12.8              | 2.9              | 129.3%                  |
| Beverage  | 18.7                            | 16.7            | (2.0)            | 89.3%                   | 28.9                            | 27.4              | (1.5)            | 94.8%                   |
| Inheritance   | 13.1                            | 8.3             | (4.8)            | 63.4%                   | 25.6                            | 17.1              | (8.5)            | 66.8%                   |
| Soft Drink  | —                               | —               | —                | —                       | —                               | —                 | —                | —                       |
| Privilege License   | 1.6                             | 1.3             | (0.3)            | 81.3%                   | 12.6                            | 10.7              | (1.9)            | 84.9%                   |
| Tobacco Products  | 3.7                             | 3.6             | (0.1)            | 97.3%                   | 7.2                             | 7.1               | (0.1)            | 98.6%                   |
| Real Estate Conveyance Excise   | 1.9                             | 1.9             | —                | 100.0%                  | 9.4                             | 9.4               | —                | 100.0%                  |
| Gift  | 0.1                             | 0.7             | 0.6              | 700.0%                  | 1.5                             | 1.0               | (0.5)            | 66.7%                   |
| White Goods Disposal  | 0.4                             | 0.4             | —                | 100.0%                  | 0.9                             | 0.9               | —                | 100.0%                  |
| Scrap Tire Disposal   | 0.9                             | 0.9             | —                | 100.0%                  | 1.9                             | 1.9               | —                | 100.0%                  |
| Other   | —                               | (0.1)           | (0.1)            | —                       | —                               | —                 | —                | —                       |
| <b>Total Tax Revenue</b>  | <b>796.8</b>                    | <b>722.9</b>    | <b>(73.9)</b>    | <b>90.7%</b>            | <b>1,727.8</b>                  | <b>1,637.8</b>    | <b>(90.0)</b>    | <b>94.8%</b>            |
| <b>Non-Tax Revenue</b>  |                                 |                 |                  |                         |                                 |                   |                  |                         |
| Treasurer's Investments   | 18.0                            | 17.6            | (0.4)            | 97.8%                   | 35.0                            | 34.0              | (1.0)            | 97.1%                   |
| Judicial Fees   | 9.2                             | 9.6             | 0.4              | 104.3%                  | 18.4                            | 17.9              | (0.5)            | 97.3%                   |
| Insurance   | 1.1                             | —               | (1.1)            | —                       | 1.1                             | —                 | (1.1)            | —                       |
| Disproportionate share  | —                               | —               | —                | —                       | —                               | —                 | —                | —                       |
| Highway Fund Transfer In  | —                               | —               | —                | —                       | —                               | —                 | —                | —                       |
| Highway Trust Fund Transfer In  | —                               | —               | —                | —                       | 170.0                           | 170.0             | —                | 100.0%                  |
| Other   | 9.4                             | 10.0            | 0.6              | 106.4%                  | 14.3                            | 15.2              | 0.9              | 106.3%                  |
| <b>Total Non-Tax Revenue</b>  | <b>37.7</b>                     | <b>37.2</b>     | <b>(0.5)</b>     | <b>98.7%</b>            | <b>238.8</b>                    | <b>237.1</b>      | <b>(1.7)</b>     | <b>99.3%</b>            |
| <b>Total Tax and Non-Tax Revenue</b>  | <b>\$ 834.5</b>                 | <b>\$ 760.1</b> | <b>\$ (74.4)</b> | <b>91.1%</b>            | <b>\$ 1,966.6</b>               | <b>\$ 1,874.9</b> | <b>\$ (91.7)</b> | <b>95.3%</b>            |

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

|   | 2000-01         |                   | 1999-00         |                 |
|---|-----------------|-------------------|-----------------|-----------------|
|   | Current Month   | Year-To-Date      | Current Month   | Year-To-Date    |
| Individual Income Tax, Reported Net           | \$ 395.4        | \$ 886.6          | \$ 375.9        | \$ 835.8        |
| Local Government Tax Reimbursement            | 129.0           | 129.0             | 129.0           | 129.0           |
| Individual Income Tax, Adjusted for Transfers | <u>\$ 524.4</u> | <u>\$ 1,015.6</u> | <u>\$ 504.9</u> | <u>\$ 964.8</u> |

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

|  | 2000-01         |               | 1999-00         |                |
|--|-----------------|---------------|-----------------|----------------|
|  | Current Month   | Year-To-Date  | Current Month   | Year-To-Date   |
| Corporate Income Tax, Reported Net           | \$ (37.8)       | \$ (23.5)     | \$ (36.8)       | \$ (11.9)      |
| Public School Building Capital Fund          | 22.2            | 22.2          | 26.1            | 26.1           |
| Critical School Facility Needs Fund          | 2.5             | 2.5           | 2.5             | 2.5            |
| Local Government Tax Reimbursement           | 6.4             | 6.4           | 6.4             | 6.4            |
|  | <u>31.1</u>     | <u>31.1</u>   | <u>35.0</u>     | <u>35.0</u>    |
| Corporate Income Tax, Adjusted for Transfers | <u>\$ (6.7)</u> | <u>\$ 7.6</u> | <u>\$ (1.8)</u> | <u>\$ 23.1</u> |

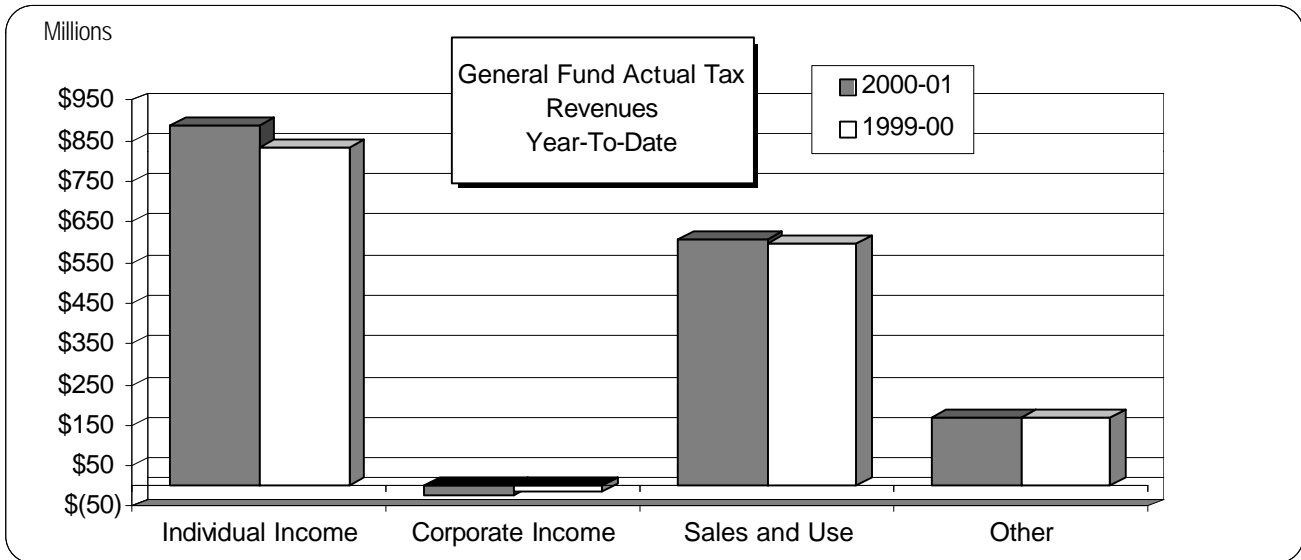
# STATE OF NORTH CAROLINA

## SUMMARY OF FINANCIAL CONDITION

August 31, 2000

Tax revenues through August 2000 were greater than the period through August 1999 by \$44.7 million, or 2.8%. 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 August 2000 was \$25.2 million less, or 9.6% less, than through the end of August 1999.

