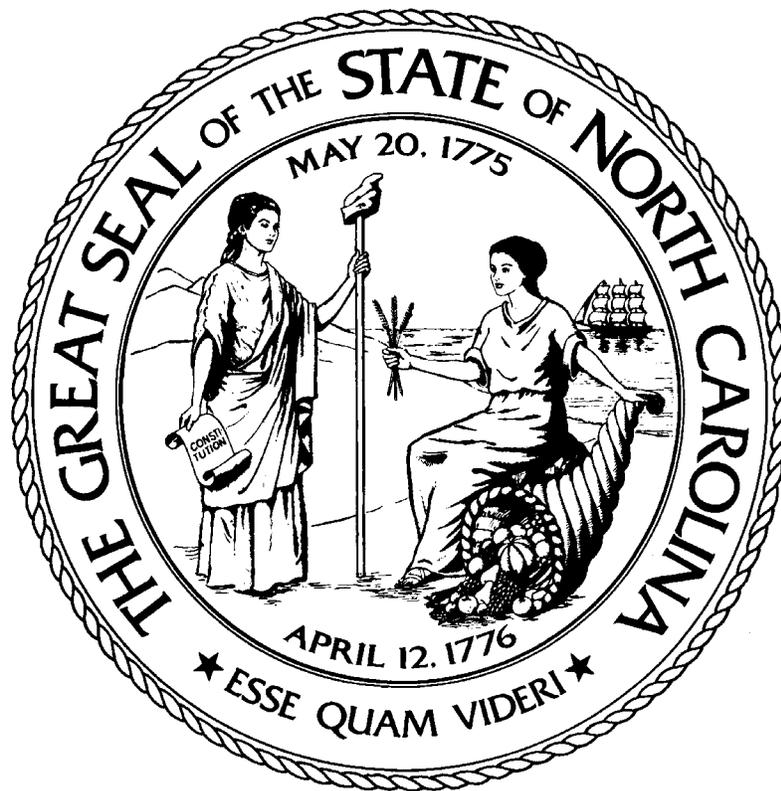


STATE OF
NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION
JANUARY 31, 2007



OFFICE OF THE STATE CONTROLLER

STATE OF NORTH CAROLINA



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

March 7, 2007

We herewith submit the *Summary of Financial Condition* for the State of North Carolina for the seven months ended January 31, 2007. 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.

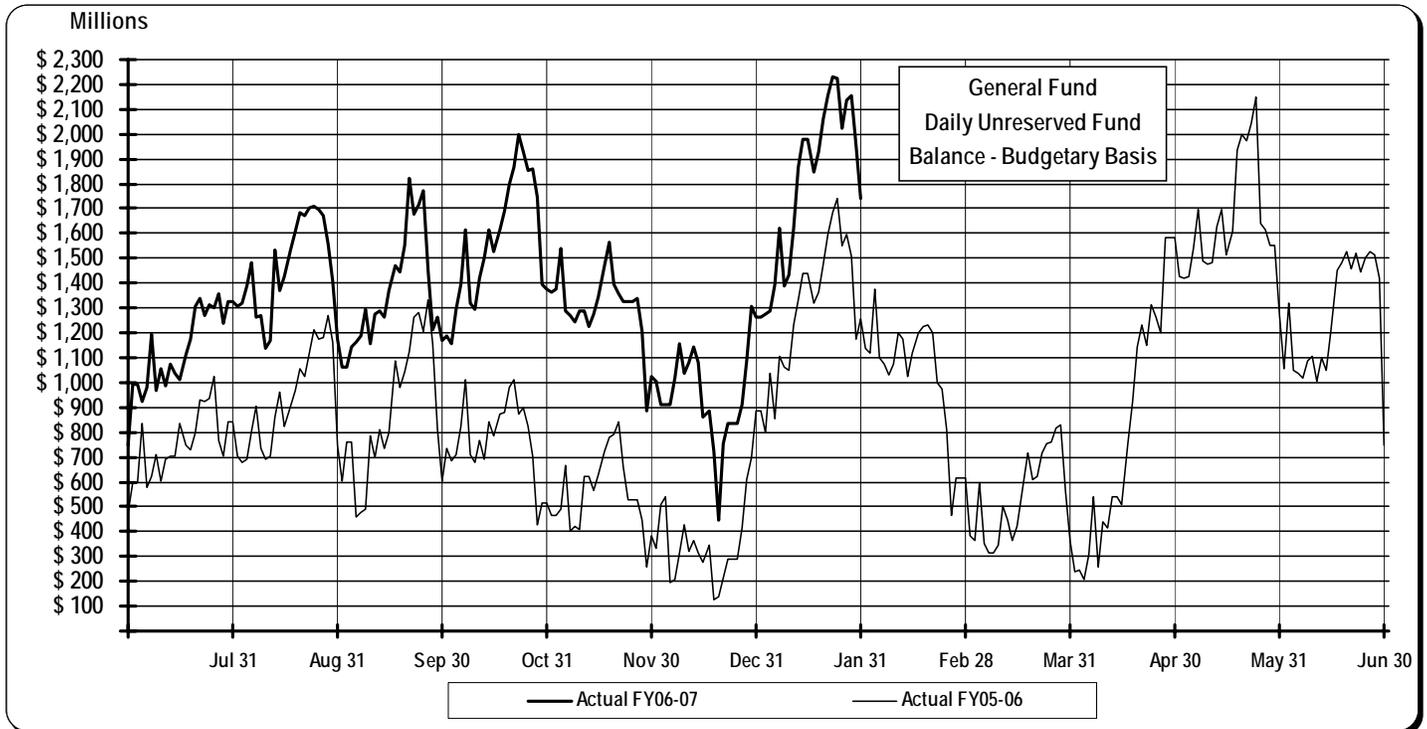
Sincerely,
Robert L. Powell
State Controller
(919) 981-5454

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2007

Fund Balance



At January 31, 2007 and 2006, 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).....	\$ 634.6	\$ 312.6
Job Development Incentive Grants.....	18.4	1.9
Repairs and Renovations (G.S. 143-15.3A).....	222.2	125.0
Disproportionate Share.....	19.3	19.3
Disaster relief.....	126.6	159.7
One NC Fund.....	1.1	1.1
Total Reserved.....	<u>1,022.2</u>	<u>619.6</u>
<u>Unreserved:</u>		
Fund Balance - July 1.....	749.4	478.5
Transfer from reserves.....	—	—
Transfer to reserves.....	(5.8)	—
Excess of revenue over (under) expenditures.....	1,000.1	793.4
Total Unreserved.....	<u>1,743.7</u>	<u>1,271.9</u>
Total Fund Balance.....	<u>\$ 2,765.9</u>	<u>\$ 1,891.5</u>

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2007

Revenues - Tax and Non-Tax

General Fund Actual Net Revenues

Expressed In Millions

	January				Year-To-Date Through January			
	2006-07	2005-06	Change	% Change	2006-07	2005-06	Change	% Change
Tax Revenues:								
Individual Income	\$ 1,244.6	\$ 1,053.7	\$ 190.9	18.1%	\$ 5,974.4	\$ 5,496.2	\$ 478.2	8.7%
Corporate Income	35.2	9.9	25.3	255.6%	697.5	567.1	130.4	23.0%
Sales and Use	465.6	450.0	15.6	3.5%	3,003.8	2,885.7	118.1	4.1%
Franchise	35.7	55.3	(19.6)	(35.4)%	272.6	235.2	37.4	15.9%
Insurance	5.5	3.2	2.3	71.9%	152.0	132.9	19.1	14.4%
Piped Natural Gas	7.0	9.2	(2.2)	(23.9)%	20.3	20.4	(0.1)	(0.5)%
Beverage	16.2	16.2	—	—	121.8	115.8	6.0	5.2%
Inheritance	9.7	13.5	(3.8)	(28.1)%	89.1	72.4	16.7	23.1%
Privilege License	5.8	5.6	0.2	3.6%	27.0	27.2	(0.2)	(0.7)%
Tobacco Products	20.8	21.4	(0.6)	(2.8)%	144.3	86.4	57.9	67.0%
Real Estate Conveyance Excise	0.9	1.1	(0.2)	(18.2)%	6.4	6.6	(0.2)	(3.0)%
Gift	0.3	0.2	0.1	50.0%	2.2	2.6	(0.4)	(15.4)%
White Goods Disposal	(0.7)	(0.7)	—	—	0.5	0.5	—	—
Scrap Tire Disposal	(2.1)	(2.0)	(0.1)	5.0%	1.3	1.2	0.1	8.3%
Mill Machinery	3.6	—	3.6	—	20.8	—	20.8	—
Freight Car Lines	—	—	—	—	—	—	—	—
Other	(0.1)	—	(0.1)	—	(0.2)	(0.1)	(0.1)	100.0%
Total Tax Revenue	1,848.0	1,636.6	211.4	12.9%	10,533.8	9,650.1	883.7	9.2%
Non-Tax Revenue:								
Treasurer's Investments	14.7	6.8	7.9	116.2%	113.4	62.9	50.5	80.3%
Judicial Fees	13.7	13.0	0.7	5.4%	95.7	87.0	8.7	10.0%
Insurance	8.4	7.5	0.9	12.0%	20.2	18.7	1.5	8.0%
Disproportionate Share	—	—	—	—	—	91.2	(91.2)	(100.0)%
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	—	—	—	—	28.9	126.3	(97.4)	(77.1)%
Other	20.2	7.9	12.3	155.7%	62.2	60.4	1.8	3.0%
Total Non-Tax Revenue	57.0	35.2	21.8	61.9%	320.4	446.5	(126.1)	(28.2)%
Total Tax and Non-Tax Revenue	\$ 1,905.0	\$ 1,671.8	\$ 233.2	13.9%	\$ 10,854.2	\$ 10,096.6	\$ 757.6	7.5%

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 \$757.6 million, or 7.5%. The net, or actual, tax and non-tax revenues through January 2007 of \$10.9 billion were more than the projected revenues by \$463.5 million.

Major components of tax and non-tax revenues that increased or decreased from the prior year through the end of January 2007 included:

Increase

- \$478.2 million for Individual Income
- \$130.4 million for Corporate Income
- \$118.1 million for Sales and Use
- \$57.9 million for Tobacco Products

Decrease

- \$97.4 million for Highway Trust Transfer In
- \$91.2 million for Disproportionate Share

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2007

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

For the Month of January 2007, and the Seven Months Ended January 31, 2007
(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	\$ 1,066.3	\$ 1,244.6	\$ 178.3	116.7%	\$ 5,765.1	\$ 5,974.4	\$ 209.3	103.6%
Corporate Income [1]	12.7	35.2	22.5	277.2%	521.8	697.5	175.7	133.7%
Sales and Use	454.0	465.6	11.6	102.6%	3,008.4	3,003.8	(4.6)	99.8%
Franchise	54.0	35.7	(18.3)	66.1%	253.6	272.6	19.0	107.5%
Insurance	3.5	5.5	2.0	157.1%	155.5	152.0	(3.5)	97.7%
Beverage	11.9	16.2	4.3	136.1%	117.2	121.8	4.6	103.9%
Inheritance	11.4	9.7	(1.7)	85.1%	82.2	89.1	6.9	108.4%
Privilege License	4.4	5.8	1.4	131.8%	26.4	27.0	0.6	102.3%
Tobacco Products	20.2	20.8	0.6	103.0%	138.2	144.3	6.1	104.4%
Real Estate Conveyance Excise	0.9	0.9	—	100.0%	6.4	6.4	—	100.0%
Gift	0.3	0.3	—	100.0%	2.9	2.2	(0.7)	75.9%
White Goods Disposal	(0.7)	(0.7)	—	100.0%	0.5	0.5	—	100.0%
Scrap Tire Disposal	(2.1)	(2.1)	—	100.0%	1.3	1.3	—	100.0%
Freight Car Lines	—	—	—	—	—	—	—	—
Piped Natural Gas	8.3	7.0	(1.3)	84.3%	22.0	20.3	(1.7)	92.3%
Mill Machinery	2.7	3.6	0.9	133.3%	18.9	20.8	1.9	110.1%
Other	—	(0.1)	(0.1)	—	0.5	(0.2)	(0.7)	(40.0%)
Total Tax Revenue	<u>1,647.8</u>	<u>1,848.0</u>	<u>200.2</u>	<u>112.1%</u>	<u>10,120.9</u>	<u>10,533.8</u>	<u>412.9</u>	<u>104.1%</u>
Non-Tax Revenue								
Treasurer's Investments	10.4	14.7	4.3	141.3%	72.2	113.4	41.2	157.1%
Judicial Fees	15.4	13.7	(1.7)	89.0%	86.8	95.7	8.9	110.3%
Insurance	6.9	8.4	1.5	121.7%	18.7	20.2	1.5	108.0%
Disproportionate share	—	—	—	—	—	—	—	—
Highway Fund Transfer In	—	—	—	—	—	—	—	—
Highway Trust Fund Transfer In	—	—	—	—	28.9	28.9	—	100.0%
Other	24.5	20.2	(4.3)	82.4%	63.2	62.2	(1.0)	98.4%
Total Non-Tax Revenue	<u>57.2</u>	<u>57.0</u>	<u>(0.2)</u>	<u>99.7%</u>	<u>269.8</u>	<u>320.4</u>	<u>50.6</u>	<u>118.8%</u>
Total Tax and Non-Tax Revenue	<u>\$ 1,705.0</u>	<u>\$ 1,905.0</u>	<u>\$ 200.0</u>	<u>111.7%</u>	<u>\$ 10,390.7</u>	<u>\$ 10,854.2</u>	<u>\$ 463.5</u>	<u>104.5%</u>

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

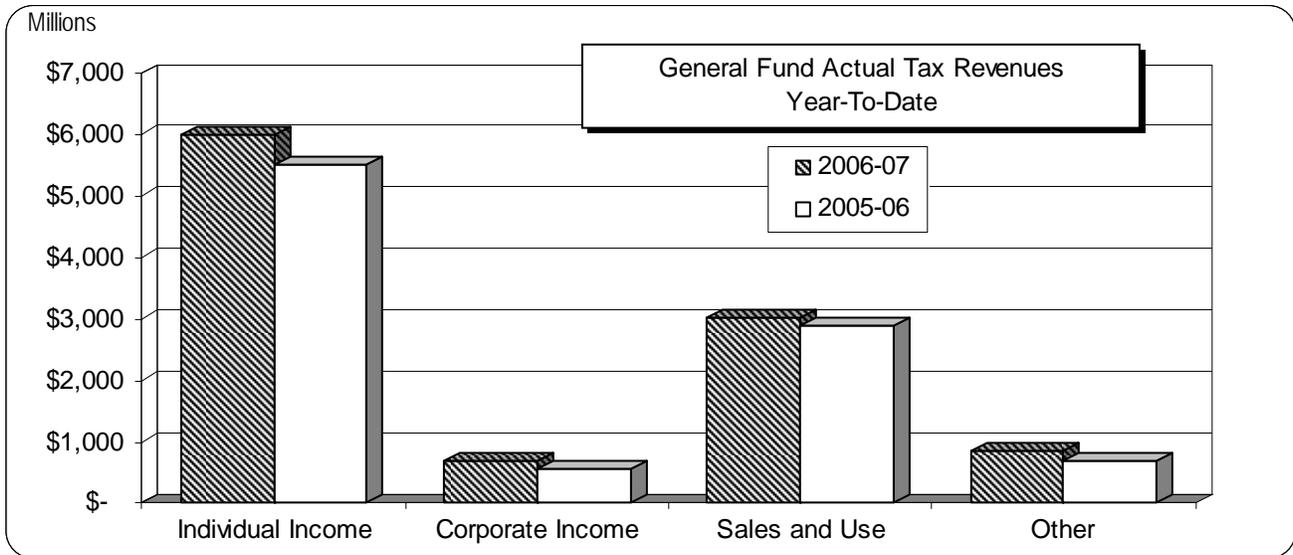
	2006-07		2005-06	
	Current Month	Year-To-Date	Current Month	Year-To-Date
Corporate Income Tax, Reported Net	\$ 35.2	\$ 697.5	\$ 9.9	\$ 567.1
Public School Building Capital Fund	—	53.2	—	53.9
Critical School Facility Needs Fund	—	—	—	—
Public School Fund (General Fund receipt to DPI)	—	—	—	—
	<u>—</u>	<u>53.2</u>	<u>—</u>	<u>53.9</u>
Corporate Income Tax, Adjusted for Transfers	<u>\$ 35.2</u>	<u>\$ 750.7</u>	<u>\$ 9.9</u>	<u>\$ 621.0</u>

SUMMARY OF FINANCIAL CONDITION

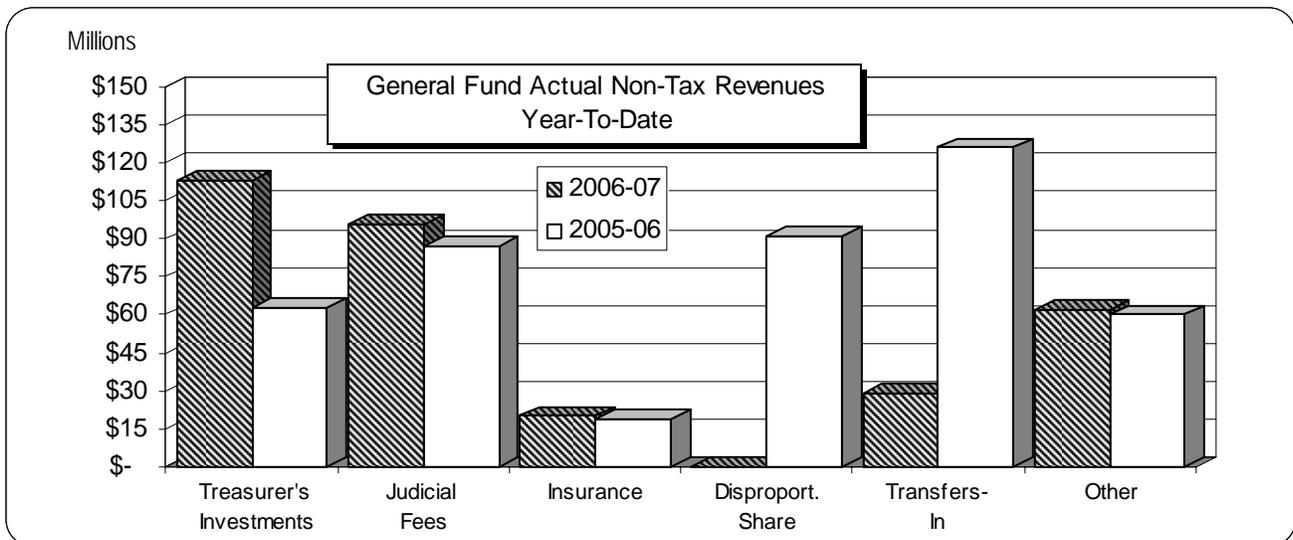
January 31, 2007

Tax revenues through January 2007 were more than the period through January 2006 by \$883.7 million, or 9.2%. 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.



Non-tax revenue through the end of January 2007 was \$126.1 million, or 28.2%, less than through the end of January 2006. The substantial decrease is due to a transfer in for the highway trust in fiscal year 2006 that does not occur in fiscal year 2007 and a delay in receipt of the disproportionate share revenue. Investment revenues increased by \$50.5 million from the prior year through the end of January.



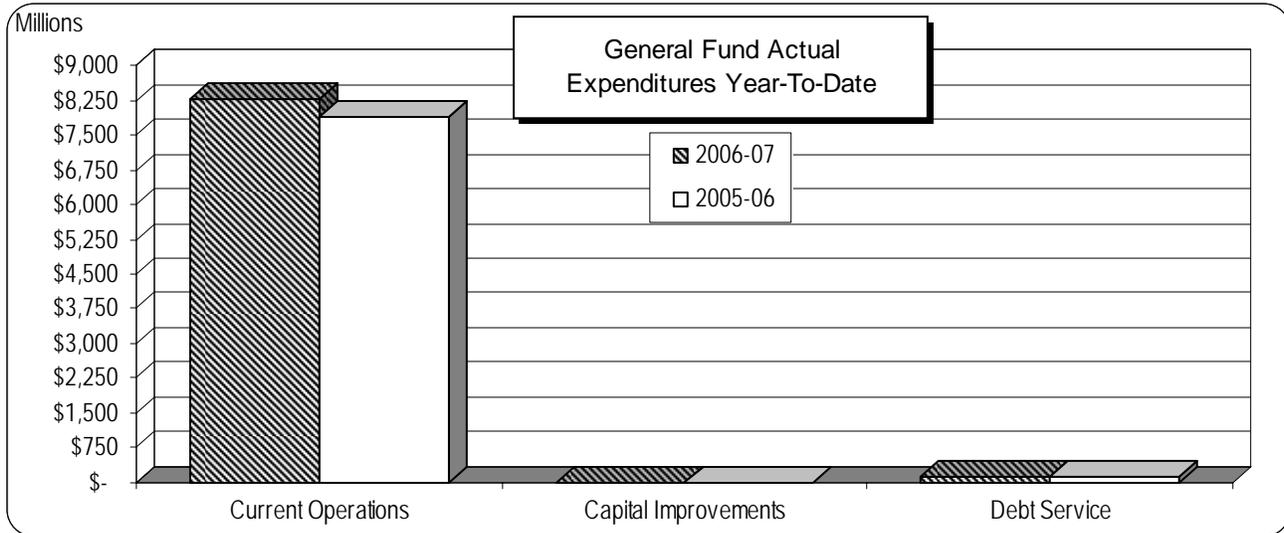
STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2007

Expenditures

Actual appropriation expenditures through January 2007 were more than actual appropriation expenditures through January 2006 by \$550.9 million, or 5.9%.



Expenditures for current operations (exclusive of expenditures for capital improvements and debt service) through January 2007 were more than such expenditures through January 2006 by \$410.6 million, or 4.5%.

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

Expressed in Millions

	2006-07	2005-06	Change	Percent Change	Percent of Total Expenditures	
					2006-07	2005-06
Current Operations:						
General Government	\$ 191.8	\$ 164.4	\$ 27.4	16.7%	1.9%	1.8%
Education	5,834.3	5,380.7	453.6	8.4%	59.2%	57.8%
Health and Human Services ¹	2,160.8	2,312.7	(151.9)	(6.6%)	21.9%	24.9%
Economic Development ²	73.3	63.6	9.7	15.3%	0.7%	0.7%
Environment and Natural Resources	188.5	176.7	11.8	6.7%	1.9%	1.9%
Public Safety, Correction, and Regulation	1,030.1	962.9	67.2	7.0%	10.5%	10.4%
Agriculture	27.1	27.5	(0.4)	(1.5%)	0.3%	0.3%
Operating Reserves/Rounding	61.7	68.5	(6.8)	(9.9%)	0.6%	0.7%
Total Current Operations	9,567.6	9,157.0	410.6	4.5%	97.1%	98.4%
Capital Improvements:						
Funded by General Fund	154.8	41.2	113.6	275.7%	1.6%	0.4%
Debt Service	131.7	105.0	26.7	25.4%	1.3%	1.1%
Total Expenditures	\$ 9,854.1	\$ 9,303.2	\$ 550.9	5.9%	100.0%	100.0%

¹ Substantial decrease from prior year due to a federal mandated change that reduced expenditures for drug administration, also a change in the disproportionate share program and payment schedule.

² Substantial increase from prior year due to a transfer of \$10 million to Economic Development Reserve, authorized by the General Assembly.

STATE OF NORTH CAROLINA

SUMMARY OF FINANCIAL CONDITION

January 31, 2007

Summary Information - Highway Fund and Highway Trust Fund

HIGHWAY FUND AND HIGHWAY TRUST FUND COMPARATIVE STATEMENT OF NET COLLECTIONS

For the Months of January 2007 and 2006, and the Seven Months Ended January 31, 2007 and 2006

(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	\$ 98.4	\$ 99.4	\$ (1.0)	(1.0%)	\$ 696.3	\$ 620.9	\$ 75.4	12.1%
Motor Vehicle License Fees	41.3	74.1	(32.8)	(44.3%)	213.2	179.3	33.9	18.9%
Driver License Fees	11.3	10.6	0.7	6.6%	70.2	59.1	11.1	18.8%
Motor Fuels and Oil Inspection Fees	1.2	1.4	(0.2)	(14.3%)	8.9	8.6	0.3	3.5%
Other	6.1	5.7	0.4	7.0%	36.8	34.9	1.9	5.4%
Subtotal - Highway Fund	158.3	191.2	(32.9)	(17.2%)	1,025.4	902.8	122.6	13.6%
Highway Trust Fund								
Highway Use Tax	49.2	44.2	5.0	11.3%	328.6	315.4	13.2	4.2%
Motor Fuels Tax	33.4	33.6	(0.2)	(0.6%)	232.5	207.3	25.2	12.2%
Title Fee	7.8	7.5	0.3	4.0%	51.9	49.8	2.1	4.2%
Motor Vehicle Lease	2.1	2.1	-	-	18.5	15.2	3.3	21.7%
Registration	1.2	1.2	-	-	8.0	6.9	1.1	15.9%
Lien Recording	0.2	0.2	-	-	1.9	1.7	0.2	11.8%
Repayment Fee	0.1	0.1	-	-	0.6	0.6	-	-
Subtotal - Highway Trust Fund	94.0	88.9	5.1	5.7%	642.0	596.9	45.1	7.6%
Payables and Receipts								
Special Registration Plate Fund	0.4	0.3	0.1	33.3%	2.5	2.2	0.3	13.6%
Safety Inspection and Exhaust Emission	0.4	0.4	-	-	2.8	2.8	-	-
Transportation Authority/TransPark	0.4	0.5	(0.1)	(20.0%)	3.0	2.8	0.2	7.1%
Recreation and Natural Heritage Trust Fund	0.3	0.4	(0.1)	(25.0%)	2.3	2.2	0.1	4.5%
Other Receipts	3.1	2.2	0.9	40.9%	15.8	14.4	1.4	9.7%
Subtotal - Payables and Receipts	4.6	3.8	0.8	21.1%	26.4	24.4	2.0	8.2%
	\$ 256.9	\$ 283.9	\$(27.0)	(9.5%)	\$ 1,693.8	\$ 1,524.1	\$ 169.7	11.1%